Local Conference Call

Tractebel Energia

Results of the Fourth Quarter and Year of 2013

21st of February 2014

Operator:
Good morning. This is the teleconference of Tractebel Energia, in which we will discuss the results of the fourth quarter and year of 2013. All participants are connected as listeners only, and the session of questions and answers will be later opened, when the instructions will be informed. If you need the help of an operator during the teleconference, just press "*0". Note that this conference call is being recorded. This presentation, accompanied by slides, will be transmitted simultaneously through the internet through the site www.tractebelenergia.com.br, in the Investors section. There, you will be able to access the copy of the presentation and the release with the company's results.

Before proceeding, I would like to make it clear that eventual declarations that may be made during this teleconference, related to the company's business perspectives, must be treated as forecasts, depending on the economic conjuncture of the country, performance and regulation of the electric power sector, in addition to other variables and, therefore, being subject to modifications. With us today are Mr. Manoel Zaroni Torres, CEO, Mr. Eduardo Sattamini, Finance and Investor Relations Director, who will comment on Tractebel Energia's performance from the fourth quarter and year of 2013, and Mrs. Anamélia Medeiros, Manager of Market Relations from GDF Suez Energy Latin America, who will make the update on implantation of the Jirau Hydropower Plant. Right after they will answer the questions that are eventually made. I now hand over to Mr. Manoel Zaroni Torres. Please, you may proceed.

Manoel Zaroni Torres – CEO:
Good morning everyone. Here with me is Sattamini, Anamélia from GDF Suez Brasil, and Antônio Previtali, our Investors Relations. Before entering, I would like to make a few comments, I will talk of the highlights, in slide number 4. I will take the opportunity to make a few pertinent comments on the question. You noticed that the annual power sales rose by 13.4% in relation 2012, while the EBITDA fell by 1.9%, the margin fell by 8.5 p.p., net profit fell by 3.6% - it was R$ 1,436.7, and in the last quarter it fell by 33.6%; Power sold, in average MW, had an increase and the average net sales price also increased by 5.5%.

I would like to highlight two things: first that comparing quarterly results in a power generating company is not the best way, it is not convenient, because I always say this,

you may be committing an error of evaluation, since each quarter has a different characteristic from another, has a different characteristic from one year to another. Like the average MW of the company, the commercial capacity, it can be allocated on a monthly base, you can be a seller in a quarter and a purchaser in the next one. So you have maintenance of the thermal power plans and the allocation itself. So you may have a quarter in which you have a very good result, and another quarter with a bad result, one being a purchaser and at the other being a seller.

So this comparison does not make much sense and must compare the base of the business, compare the annual result. And what is the base of our business? They are the long-term contracts, the short-term contracts, and marginally the result of the positive and negative exposures in the CCEE [Electric Power Commercialization Chamber].

The year 2013 was a completely atypical year for us, and for the electric power sector itself. It started in 2012, more precisely on the 11th of September, with Provisional Remedy 579, which transformed, gave the regulatory mark for the renewal of concessions, anticipating the renewal of hydropower plant and transmission plant concessions, and establishing the quota regime. This caused, combined with a drought, to get to January, the quota regime was unable to allocate the quotas for the distributors, and the allocation was made at the end of January, or in the month of February, I do not quite recall, with everyone already knowing the price of January, which was R$ 413/MWh and something. It is the month of January, and the other characteristic was COPEL, CEMIG and CESP not adhering to the quota regime, so that these companies remained with much free power. On the other hand, Tractebel Energia's policy included selling power gradually in contracts, it had made the decision back then, in 2010, that in this period of 2013 to 2015, when the concessions of great part of the hydropower plants would expire, when we would have to return to the market – this returns to the regulated and free market – of 9 thousand MW that would be contracted in those auctions that were held in 2004, for eight years – so 9 thousand MW were returning in 2013 and 6 thousand MW in 2014 – and the growth with the new big plants that should be in operation, based on the growth of 5.2% per year, this number was below. So strategically it was understood that the price would be below and we would have to take advantage of the opportunity in 2010 to sell as much power as possible for this year.

What happened was exactly the opposite, we had a very high price because of the drought at the end of 2012, in January, like the one we are experiencing today, in the beginning of the year. So an allocation process was conducted, let us say, almost ex-post for January. And we knew that during the year we would hardly have prices of this order, of R$ 413/Mwh, that we would not reach this price even with the regulatory

changes. So it was prudent and accurate our allocation of a lot of power in January. You obviously recall that in January we had a water generation, since everyone allocated a lot, we closed with a GSF of more or less 25%. That is, you lose when you allocate and the generation is less, which gives a GSF, it is as if you multiplied your ballast by 0.75. And to do so we had to remain exposed for some months, and we were particularly exposed in April and May, and at the end of the year, on October, November and December we were very exposed, within a studied and weighed policy of allocation. And on top of this we had two more facts in January, we ended up losing the ballast of Willian Arjona due to lack of gas during the preceding months, a correct decision of the regulatory body, this is in the Resolution, and we lost the ballast of Alegrete. We were thus with lack of ballast, and exposed in these months as I have already mentioned. But even then, had there been no regulatory change, we would have had a gain of about R$ 9 million in the allocation. With the regulatory change, which occurred through Resolution CNPE 03, which was on the 6th of March (2013), it created two new facts: It created that division of costs of the thermal generation outside the order of merit in two installments – First those two spot prices, which we call delta spot price, for those who were exposed the spot price was paid, and another installment for the apportionment proportional to the CCEE market share.

This would have had an impact by itself in Tractebel. We were able to mitigate the delta spot price by purchasing, taking the initiative quickly, buying in the power market, which improved our result, our sales as well, and we practically had a small expense with delta spot price. And another installment of the apportionment, as you know, we have through APINE, from *Associação dos Produtores Independentes de Energia* [Association of Independent Power Producers] an injunction that exempts us from making the payment, but we provided this value in our result, in the amount of R$ 54 million. So I already have R$ 54 million on account of CNPE 03, in addition to my strategy. Besides this, with the change in methodology for the spot price calculation of the CVAR, you end up anticipating the thermal generation in the model, and increasing the price. So we went from a gain of R$ 9 million with the same allocation to an expense of R$ 106 million in the year. So this gave us a difference of about R$ 115 million. So we have R$ 115 million, R$ 115 plus R$ 54 is equal to R$ 169, that is, the effect of CNPE 03 on Tractebel's strategy, in relation to the exposures, was R$ 170 million.

We obviously reduced all we could, for instance, in March, April, May, in which we were exposed, we had allocated the maintenance of Jorge Lacerda C, which we postponed and we have not even done so this year yet. We have, Tractebel has this facility, that competitive advantage, of being able to work with its thermal plants, such that this works as a hedge to protect the allocation, if that does not work out. But historically, we have had good results. So this is a very general explanation. With

regard to our sales volumes, availability of the plants and prices, we continued to have great consistency, and since we are also consistent we are convinced that our strategy last year was correct, we were just hit by something unexpected, which was the change in the rule of the game in the middle of the game.

Switching here to slide number 5 and I want to talk about some highlights. The Management Board yesterday approved complementary dividends related to 2013, in an amount of R$ 461.8 million, at R$ 0.70 per stock and in the total year Tractebel will make a payout of R$ 1,474.2 billion, equivalent to R$ 2.25 per stock. That is, as it has been doing in recent years, 100% of the adjusted distributable net profit, and this compensates those reevaluations of assets we had to conduct on account of implementation of the IFRS in the Brazilian model. Why are we distributing this profit? Jirau's transfer will not take place this year, for sure, and we have planned investments only in... closed yesterday the purchase of Ferrari, which is a biomass generation from sugarcane bagasse, at about 65 MW, with commercial capacity of 23.2 MW, and which has the possibility of a retrofit, to increase the free power capacity. Thus, since we have the indebtedness at about 1.1x the EBITDA, we opted for this low indebtedness to pay this dividend of 100%.

Still this year of 2013 the Trairi and Guajiru Wind Power Stations were commissioned, which are the Trairi Complex, with 55.4 MW of installed capacity. Looking at today, we already have in operation Fleixeiras, 30 MW, and we also have Mundaú, which should be commissioned next week in a commercial operation, thus totaling 115 MW of the complex. Besides this, we have the operation of all machinery of the Estreito Plant, the latter also having been commissioned last year. This year we were able to conduct the works and approve the incorporation at the end of the year, in the Meeting of the 30th of December, of Companhia Energética São Salvador. And indeed the company of the São Salvador Plant, this is a policy that we always pursue, since the company has created many subsidiaries, 32 in all, and each project ends up being a new company, which has a very great administrative cost, and sometimes ends up with trap cash, which will call so, and is unable for financing reasons to distribute the dividend, so we incorporate whenever this is possible. If you take a look at the slide you will see that there is a small box missing here below Tractebel, on the left side, which is exactly where São Salvador was locate. São Salvador was incorporated here in Tractebel Energia.

I must also notify, you already know, that on the 6th of January, the company' stocks were included in the Bovespa index, which greatly increases liquidity.

Slide 6 shows the organization, our controller, GDF Suez, with 68.71%, and our subsidiaries, here I do not have many comments, it is a complex governance, but we have everything consolidated, we have all the systems to execute. And we have, in fact, that each company is managed by Tractebel itself, from its own staff, which usually has two positions, or more.

Slide 7 shows several things, our geographical distribution, the company is a company that operates in the national territory, practically in 8 states, it grew significantly (87%), but you notice that there is periods without growth, because it has a strategy, let us say, of responsible growth, it does not build plant or purchase plant for the sake of it, it must grow consistently. And our energy mix, 80% hydropower, 17% thermal power and 3% complementary.

The moment we are now, it will perform Ferrari retrofit, and the construction of another wind park should start this year there in Santa Mônica, which is conjugated with Trairi, I don't know how many megas it has – 102 MW. And there's more, I will let on, a solar plant of 3 MW, which should enter into operation in March, we should have her operating connected to this system.

Slide 8 shows our position in relation to our peers, we are the biggest private generating company of the sector, and we have the ambition of being the biggest out of all. We must however seek opportunities, and we are ready for this, we have solidness of income, we have a majority stockholder that believes and wagers on Brazil, thus, we have the Jirau in the pipeline, which should be passed on to us in 2015. After having mitigated all the construction, financial and sale risks of power and environmental risks, they must be transferred to Tractebel or be incorporated into Tractebel's structure, so we will have 8 thousand MW when this happens. In the meanwhile, we are looking at opportunities.

Slide 9 shows our portfolio and our contracting strategy. Our portfolio already comes with, for many years now, more or less the average of 50% in the regulated market, which gives us a long-term cash predictability, a consistent cash flow in the long term, and the free market, in which we have advanced greatly. Today, we are one of the biggest sellers of power in the country, now having to make trading operations also because we have sold all of our portfolio, and we must buy to sell because we are requested all the time by industries to make proposals. Tractebel's solidness has led us to become a champion in sales in the market. We have forecasted for this year 47% of free market, and sales from the traders, we have two roles. Some traders are from some high producers, we placed them in the portfolio as trader, and we have now passed on to the free market for industrial client, because in truth we sell to the industry. And also this activity with the changes in rules and with a very high spot

price, and the change in guarantee rule and such, it has been reducing significantly. The next slide – but we sometimes have to sell still because there are clients that only buy through trader.

The next slide shows our portfolio's distribution, our 1,930 average MW sold in the free market. Our very consistent credit policy, and we have been able to avoid default in our incomes, and we have this distribution that reduces the risk on the industry buyer's side, being that this figure of 16.4% in the cement industry causes no apprehension in us because therein lie three very big companies, that are among our top ten power buyers, which is Votorantim, Cimpor and Lafarge.

Well, to talk a little about the power market, everyone is afraid of rationing. The market is structurally in balance, has more commercial capacity than market. The market has grown, especially in the residential area, with a better distribution of income in the country. For you to have an idea, Brazil has such distortions, the per capita consumption in the northeast is half the per capita consumption in the southeast. So there is still a lot of space for consumption to increase, which will evidently require much investment. We have already discovered that Brazil needs thermal power plants, we need base power, so as not to depend on the nature of the wind and water and to also make reservoir. And we have a situation, with the auctions, in average, the plants have delayed, from nine months to one year, and today we have idle, ready wind plants, that cannot operate due to lack of connection, or lack of line, line delay. All this compromises the offer, which has been experiencing one of the worst droughts in history.

Slide 14 shows our commercialization strategy, which was always gradual during the sale of future availability, this is a policy of the company, and is in accordance because in a country in which we have an installed hydropower capacity of 70%, and in which the installed capacity in relation to the average power, the commercial capacity, is in average 57% of the installed capacity, I will have low price whenever I have plenty of water. So we must have our policy, which we consider to be correct. It is obvious that I would like to have a lot of free energy, and I only have 108 MW this year, and we are being able to obtain gas there for the Willian Arjona plant, in the meantime, we are operating the William Arjona plant at about 150 MW, but our strategy is to sell for the future years, gradually, and here it shows that we are very contracted in 2014, having an availability of 108 MW, in 2015 we are even more contracted, but we have here the expectation of receiving power from Jirau, the free part of Jirau's power, for example.

Slide 15 is more or less the power balance, according to what we talked about, we reduced the portfolio, we took Arjona from here, but the power purchases remains high, which is what I said, we are conducting trading operations to complete the

portfolio, to make product to sell in future. Our average price is very good, R$ 140, and for the long-term price it is a very good average. I think that I will now hand over to Anamélia for her to talk a little about the design and construction of Jirau.

Anamélia Medeiros – Market Relations Manager from GDF Suez Energy Latin America:

Well, first good morning to everyone. Thank you Zaroni, thank you Sattamini. Going to slide 17, as you already know some of the project's technical information, it is a project of 3,750 MW in installed capacity, 40% being from GDF Suez, 50 units, and 75 MW each, and an assured power of 2,185 average MW. 73% of the power is contracted in long-term PPA [Multiannual Plan] indexed to the inflation, and the start of supply of this PPA is also subject to Aneel's [National Electric Power Agency] decision on the impacts of the force majeure events, which is the entire discussion on exclusion of liability that is ongoing today. The power balance available will be sold by the stockholders, and the project's CAPEX in December 2013 is R$ 17.4 billion, in relation to the last presentation, there was an inflation adjustment here from September to the month of December. The funding conditions remain the same, the total funding from BNDES [National Economic and Social Development Bank] was R$ 9.5 billion, considering a long-term interest rate plus spread, amortization of 20 years and a grace period postponed up to September 2014 in line with the discussions currently ongoing with Aneel on exclusion of liability.

Well, going to slide 18, we have some good news to give here, we started commercial operation of the plant in September, and now in the month of February we have placed the second and third connected generating units, and we have one more unit synchronized with the network in February, totaling four connected units and sending power through the national interconnected system. Another two units are in advanced test phase, and should enter into operation shortly. We also talked about the commissioning of the first of the two 600-kW transmission lines in November 2013. And then there is progress of the works, we can talk about 95% progress of the civil works, being 90% physical progress of the works as a whole, considering here the assembly part. Regarding the partnership with Mitsui, we also have the pleasure of announcing that it was closed, the financial operation was financially settled on the 16th of January 2014, after approval by the BNDES and other lending bans. Regarding the options to create added value, the additional assured power we are still considering, as well as other forms of compensation, as proposed by Aneel in the scope of the discussion on additional assured power being conducted in the last two years, besides additional long-term tax incentives in the region, and the possibility of issuing infrastructure debentures, creating other funding possibilities.

In slide 19, we made an update on images of the powerhouse in the right bank with downstream view, and of the powerhouse on the left bank also with downstream view. We could see that in recent months, since September, there was a very considerable progress, of course from the point of view of the works it is a little more difficult to be viewed because the works are already very advanced, and today we are actually focusing on the assembly of equipments and conditioning of the units. Here I will pass on to Manoel Zaroni, who will continue to explain about Tractebel Energia.

Manoel Zaroni Torres CEO:

To complement what she said, we are presently there in the Madeira River, you must be watching the news, the river flow is at 50 thousand m^3 per second. Imagine if there had not been those undesired events, if the plant were ready, and the emission were ready, it would be injecting all the plant's power, which it needs in about 825 m^3 per second for full generation. So we would be making a huge contribution, both Jirau and Santo Antonio, for the situation we are experiencing here in the southeast. But this is just for you to think in the future, which may be repeated in the coming years. But by then the plant will be ready.

Returning here to Tractebel's projects, I have already talked about the Trairi Wind Complex, it is almost being completed, and we should start Santa Mônica, with the commercial operation of Mandaú remaining, which should occur next week. This power of this complex is sold to the market of special consumers, and the plant has been having a performance that is even surprising us. I don't know if it is very windy lately and the air-generating units are very good, 2.3 MW unit, manufactured by Siemens, made in Denmark, we are having capacity factor of 70%, more than the hydropower plant. So we are even very impressed with the performance there, since the beginning of the Complex operation. The investment was of R$ 540 million, and it was done within the budget. Solar project, photovoltaic plant, which we baptized as *Cidade Azul* [Blue City], is a project within R&D that we installed modules for evaluation of peak of 70 kW in each, in different regions of the country shown here on the map, to evaluate the type of technology that has the best performance. To give you an idea, the photovoltaic panel, depending on the technology, suffers influence of the sun, but also of humidity, the wind, even the number of hours in the day from one region to another, so we are evaluating these points market on the map of Brazil and we are already commissioning this 3-MW solar plant, it is there beside the Jorge Lacerda Complex.

I will talk about the financial performance, I will ask Sattamini to help me, he will give a little more detail regarding what I have already commented.

Eduardo Sattamini – Financial & Investor Relations Director:

Well, let's start with slide 23, where we present the history, main financial aggregates, net revenues, Ebitda, and the net income, so as to show the consistency of the result over the years.

In slide 24, we present the opening of the evolution of net revenue from sales, where we make an assessment per quarter in the upper part, and compare the quarter of the previous year with that of the current year, of the year of the statements. What we can see is that there was a very relevant contribution of the average sales price – it had an increase in line with the increase in the inflation in the order of 5.5%. The average sales price went from R$ 132.73 to R$ 139.97, contributing with R$ 290 million toward growth of the net revenue from sales. On the other hand, we also had a revenue greater by R$ 268 million in short-term operations, including CCEE, going from R$ 298.3 in 2012 to R$ 566.4 in 2013. We had R$ 90 million contribution in increased sales volume, 112 average MW more in 2013 than in 2012. This gave us a growth of 13.4% in the net revenue, as Zaroni had already mentioned in the first slides of the presentation, thus reaching a total net revenue of R$ 5,569 million.

When we move on to Ebitda, we see here a reduction of 1.9% and this is basically explained by the short-term operations, including provision of CNPE 03 that represented R$ 316 million, that is, the sum of R$ 54 with R$ 262 negative, but we must also highlight the healthy side of the operations, which is the R$ 259 million contributed from the company's assets. We thus reached an Ebitda of R$ 3,043 million in this year of 2013.

In slide 26, when we talk of evolution of net income, we, from last year, added R$ 170 million from the net income, fruit of the company's normal operations, we had R$ 52 million contribution as a result of non-recurring transactions, R$ 52 million here is the net value of the lawsuit against Furnas resulting from the time of the rationing, it was monetary restatement of the invoices paid in arrears at the time, it was an amount of R$ 29 million, plus the change in early settlement of the debt with the National Treasury, resulting from renegotiation of the Brazilian debt, the brandy bonds, in the amount of R$ 49 million, which we announced there in the third quarter of 2013. This R$ 78 million (gross), after income tax, became R$ 52 million, which was the contribution from these two operations.

With regard to the financial result, we obtained little variation. Here we presented once again the CNPE 03 provision, now in net form. And we had an important fact, which was the impairment made in the asset of Charqueadas, mainly, we have other small impairments in function of these regulatory changes, from the expectation of a higher future spot price, and we thus made impairment in Charqueadas at approximately R$ 77 million, mainly in function of Resolution #500 of Aneel, which

reduced the coal reimbursement for that plant in function of the efficiency. In the short-term operations, as we have already said, we had a bad result, and it represented for the company R$ 173 million. This led to this reduction of 3.6% in the Company's profit.

In slide 27, we talk a little about debt, our total debt changed little from the third to the fourth quarter, only R$ 25 million was added, we continue with an indicator of 1.1x Ebitda, gross debt/Ebitda. And we ended the year with a cash of R$ 1.224 billion, mainly to pay income tax in January, pay dividends and interest on shareholders equity in the first period of the year, first half of the year. Thus, total net debt of R# 2,270 billion. It is also worth stating that our debt referring to the foreign currency has a very small participation in the total debt, of 4%, and that due to the costs to hedge these operations and the expectation of exchange devaluation, the Company does not make this hedge as a policy. This debt here is basically a debt in Euros, maturing in 2015, and the cost to "hedge it" would be higher than the benefit we image we would obtain. It brings little volatility of results today and the company chose not to make this hedge.

On page 28, we show the evolution of the net debt with the main cash entry and exit components. We had payment of R$ 1,580 million in dividends during 2013, that is, interest on shareholders equity related to 2012 and complementary dividends related to 2012 and intermediate in 2013. We had investments in the order of R$ 559 million, among them modernization of the Salto Santiago and Passo Fundo plants, and the Trairi Wind Complex, and the conclusion of Estreito. We paid income tax in the order of R$ 547 million and other variations related to interests, monetary variations that occurred during the year. We also had the operational activities in relation to cash of R$ 3,124 million, we thus move from a net debt of R$ 2,355 million to a debt of R$ 2,271 million, with a reduction of 3.5%.

On page 29 we show our debt profile. We have a small concentration in 2014, from operations made recently, swapped, operation 4131 swapped to dollar, contracted with the Bank of America Merrill Lynch at the cost of 98% of CDI [Interbank deposit certificate], so it has an installment, two installments falling due now in 2014, we also have the last installment of the debenture from the second emission, finishing the Company's debentures, this installment falling due in May, and the normal recurrent amounts from the funding from BNDES in the order of R$ 200 million.

In 2015, we have an installment from the funding based on the 4131 also, contracted with HSBC in the year 2013, at the rate of 99.9% of the CDI, and R$ 213 million related to the normal funding from the BNDES. And that debt we commented with you, represented here by R$ 129 million, is related to the floating rating notes, in Euros, contracted, which are due in 2015. The debt cost rose a little, something referenced to

the CDI, from last quarter to today, this increase of the government rate, both in the SELIC rate and in the actual rates of the economy, gave a boost, an increase in our cost in BRL. But it is worth remembering that great part of our debt is still linked to the long-term interest rate plus spread, which is a debt we regard practically as fixed interest debt, due to the government policy of maintaining the long-term interest rate, which is the funding rate of infrastructure in the country, at low thresholds, encouraging these investments in infrastructure.

On page 30, we talk a little about our investment, our CAPEX forecast. Last year, we invested R$ 685 million, good part of this in the maintenance CAPEX, in Salto Santiago and Passo Fundo. We also had the Trairi plants, Estreito and some other small investments. In 2014 we have a CAPEX in the order of R$ 490 million, great part of it today is maintenance CAPEX, and conclusion of the Trairi plants, the purchase of Ferrari, which was concluded yesterday, financially, had its financial close yesterday, and other small investments.

On page 31, we talk about dividends, recalling that the minimum statutory dividend of the company is 30% of the adjusted net income. We have a commitment of 55% minimum payout, but we have the policy of not withholding cash unnecessarily. When there is no relevant investment, and the cash generation allows, we have tried to distribute the maximum dividend. Once again this is what we did, the General Meeting should deliberate on the 8th of April the full distribution of the adjusted net income of 2013, thus giving a value of R$ 2.26 per stock, and with a debt of 6.3% of the stock price in December. At the price of the stock today, this debt increases a little more, of 6.6%. I now hand over to Zaroni for the final considerations.

Manoel Zaroni Torres – CEO:
I think that we will move on to the questions, after the presentation. I just want to make one comment here, I was looking at my papers here. Last year we had three methodologies for calculating spot price. From January to April he used that risk aversion curve of two years, then from May to August he changed after the CNPE 03 to CAR5, that aversion curve of 5 years, which already gave spot price an increase, let us say, of about... I am looking here, 170 to 210, from 40% to 50%. After September with the CVAR, there is an increase, depending on the circumstances, of up to R$ 150 over the spot price, however, you can no longer modify your strategy, which you had already outlined in January. So this created a great loss here for Tractebel. Would anyone like to ask a question? We are at your disposal.

Operator:

Ladies and gentlemen, we will start the questions and answers session. To ask a question, please enter asterisk one (*1). To remove a question from the list, enter asterisk two (*2). Our first question comes from Sérgio Tamashiro, Banco Safra.

Sérgio Tamashiro – Safra:
Good morning to everyone. The first question has to do with how you view this risk of rationing, so how do you adapt here to this seasonality you have. I imagine that you had once again allocated more power for January and February, seeing from the consolidated side of CCEE, but how do you see this year if the GSF – January must have been below 1 – but how will it be, should be during the year? So, as a result, an overview of the market. The second has to do with contracts, what are you seeing, mainly in the contracts you are signing, 2016 and 2017, if there is being an increase in price on account of this higher risk and – I imagine it is more recurrent now – if the prices have increased or been maintained, and at what level?

Manoel Zaroni Torres – CEO:
Well Sérgio, let's start backwards with your questions. We already have, we already conduct analyses here, the price, the market is very sensitive to the spot price, when the spot price is high, the contract price is also very high, and it creates, increases the price of contracting up to a horizon of three years, more or less, in our evaluation. From three years onward, it becomes a more structural price. Inasmuch as we have auctions and the people accept to make São Manoel at R$ 84, Belo Monte I don't know for how much, sell wind at R$ 120, then the long-term price remains in this range of R$ 110 thereabouts. Price for 2015 has gone up, in function of the situation we are having today. So we are consistent in this, the short-term price goes according to the spot price.

In case of rationing, we have to call the shaman there, right? If it does not rain, there will be, I don't know if it will be decreed, but there will be rationing, if affluence that is going on continues, it will end up, dry up. So just do the math, how much is the load, how much is in the reservoir, and how much arrives each month. Obviously the reservoir cannot reach 0, it will reach a situation that it will be without control. And there is no other resource to put there, there is none... because this will take place up to the middle of March, then we will know. The prices will remain high, all year round, it may drop, it will not remain at the level of R$ 800, it will fall. What I hope will not happen is a stroke of the pen, it is a matter that... the situation is very difficult, a fortune is being spent on thermal, the concessionaire, if we look at CCEE, are all at disposal, a very high value, has a small generator that was poorly directed, that is also exposed and that will break, if nothing happens, there are too many people. I see it when I receive a request for help here, the people either come to talk to me to see if there is any power to replace, I will not stop selling at R$ 800 to rescue one. So the

situation is very complex, we are... our allocation strategy is working, it is correct, we had a significant result in January. As incredible as it seems, the GSF is being lower, not as low as we expected, because what is happening is as follows: we, paradoxically in this country that has no market sign, because one cannot increase the rate, so you have been having record price and record consumption for a long time. So you need to generate in the hydropower plant, despite depreciating the reservoir, otherwise you do not meet the load. So this causes the complex and the entire hydropower system to end up generating close to the assured power, thus not being able to have a very low GSF.

Sérgio Tamashiro – Safra:
And is the expectation for the GSF to also be greater than 1 until the end of the year?

Manoel Zaroni Torres – CEO:
Yes, it will not remain until the end of the year because there will be... it is hard to predict this, we are not able to have clear signs of rain, of affluence, so if it continues as it is there will have to be rationing, it may be declared or not.

Sérgio Tamashiro – Safra:
And going from past experience, that I remember, the distributors maintained the loads, after they received the compensation. Can we adopt this same systematic or also all the agents, the generator, including, self-producers, everyone, there is a fall of...?

Manoel Zaroni Torres – CEO:
If you have decreed rationing, reduce the contract.

Sérgio Tamashiro – Safra:
Everyone?

Manoel Zaroni Torres – CEO:
Everyone.

Sérgio Tamashiro – Safra:
Alright.

Manoel Zaroni Torres – CEO:
It is foreseen in the contract. Ok?

Sérgio Tamashiro – Safra:
Ok. Thank you.

Operator:
Our next question comes from Mrs. Sandra Boente – HSBC. We informed the participants that there can be only two questions per participant. Thank you.

Sandra Boente - HSBC:
Good morning and thank you very much for the opportunity. I have three short questions. The first is the follow-up, Dr. Zaroni's reply, you say that we will know up to the middle of March. Are you referring to the situation of rains for the year? And what if we continue with the insufficient amount of rain we have up until now? Then the actual prices should not fall, should we perhaps be thinking of prices, of the cost of R$ 800 up to the end of the entire year, or do you think we will have to be rationing to avoid these prices?

Manoel Zaroni Torres – CEO:
No, for you alone... the price is established by the five-year projection, brought to today's values. So when you have perspectives, and usually in Brazil the rainy season in the southeast region, which is the foremost, goes up to March. So if it starts to rain and the water reaches the reservoirs, this in the derivative indicates a lower price for the future. And we have here great plants to be commissioned in the course of five years, which also ends up reflecting on the schedule, in the price calculation, because the model tries to find out the optimal between you generating thermal power today or spending water. Actually the model works like this. So if it rains in average, in March, April, the tendency is for the price to drop. If it does not rain, there will have to be rationing. And rationing means the following: you cut the load, then you lower the market, you will have to supply less power, so the price will also drop.

Sandra Boente - HSBC:
And how does an undeclared rationing occur? Merely blackouts?

Manoel Zaroni Torres – CEO:
I prefer not to say because it is a complex decision.

Sandra Boente - HSBC:
Perfect.

Manoel Zaroni Torres – CEO:
We are in an electoral year, and we know that the power sector is very sensitive in the society, in the country's economy, in the industry.

Sandra Boente - HSBC:

yes. And another question regarding...

Manoel Zaroni Torres – CEO:
Sandra, let me just mention one thing. I was once Overseer of Furnas for 10 years, at the time SUDESF, you have other ways of cutting the load, it is by lowering voltage, reducing frequency, you have... non-explicit.

Sandra Boente - HSBC:
Ok. Perfect. Perfect. So the other question would be regarding Resolution #3. Do you still think it can subsist while the companies, and if this were the case, could it even be expanded in 2014? Given the situation, expectation of the need for financing, of the hole of the sector being even bigger than it was last year? Do you think there is this risk?

Manoel Zaroni Torres – CEO:
Not the 03, but I sincerely, I am very afraid of another measure that I do not even imagine what it may be, let us say that, during the year, in the next few months, depending on the situation. I am very afraid.

Sandra Boente - HSBC:
Perfect. Then the last question, that would perhaps be for Anamélia, thanks a lot Dr. Zaroni, it is about Jirau and the plant's perspective. How many generating units are you planning to commission by the end of 2014, and by the end of 2015?

Anamélia Medeiros – Market Relations Manager from GDF Suez Energy Latin America:
Well, like I said, we currently have 3 units in commercial operation, and 1 unit synchronized with the network, totaling 4. We have 2 other units in different stages of commissioning, and more units to enter. The company is now focusing on assembly and commissioning, and what it allows, actually... and this assembly and commissioning are being done simultaneously, which allows designating the startup of the units, which should reach 16 to 18 units still in 2014. Now this schedule may be reviewed based on the performance and acceleration of the learning curve. Because we have seen now recently, we have just commissioned 3 units, we have 2 under testing, and others are still to start undergoing testing, so the effort is very fast, and now things are happening with much more agility.

Sandra Boente - HSBC:
And is there an objective for 2015?

Anamélia Medeiros – Market Relations Manager from GDF Suez Energy Latin America:
I prefer to at this moment focus on what is closer to us, which is 2014, because like I said, the performance and acceleration of the learning curve will change completely any estimate I may give regarding 2015.

Sandra Boente - HSBC:
Perfect, understood. And this matter that is being negotiated with ANEEL, and when is the date, actually, of the PPA, I had understood that you had a waiver that had already expired. What is happening then, is it suspended, are you negotiating another waiver? In theory, should you already be buying spot? What is the situation today?

Anamélia Medeiros – Market Relations Manager from GDF Suez Energy Latin America:
Well, this discussion has been going on for some months, in line with the events of vandalism that occurred in 2011 and 2012, you all know that ANEEL decided to postpone on the 22nd of October, by up to 239 days, the start of commercial obligations of ESBR until the Agency definitively judges the merit. With the aim of backing up the decision, ANEEL agreed to appoint a technical team for the production of evidences on the current stage of the construction, and the impacts of these events of 2011 and 2012, in the schedule of the works. It, the Agency, is still analyzing the report produced by the technical team, and as soon as the decision on the excluding and the responsibility is made, we will have a better idea of the entry and start of the PPAs. Now, obviously, in case of ANEEL's decision does not accurately reflect the effects of the events, it may be complemented by the court decision, based on the independent review of the technicians indicated by the Court.

Sandra Boente - HSBC:
So now, actually there is an impasse until ANEEL reviews the studies. But could they, in this case, end up with a decision that simply denied the right to postpone that waiver that expired in September first, and you would then have the retroactive obligation to supplement since September first the PPA? Could this be the scenario?

Anamélia Medeiros – Market Relations Manager from GDF Suez Energy Latin America:
No, if it can happen, it can. Now, just to clear things up better, this decision is still being analyzed by ANEEL, it is gathering evidences to try to back up the definition better, this is why it was not made, this takes a lot of time, this is a complex process. Now, in the context of the discussions on the exclusion of liability, we obtained a court injunction requesting suspension of the commercial obligations, and also the early investigation of these force majeure events, and the impacts of these events on the

schedule of the works. This injunction was obeyed, and at present the commercial obligations are suspended, and I cannot make any anticipation in relation to the level of exposure because it will depend on the final decision of both ANEEL and the Court.

Sandra Boente - HSBC:
Perfect. Perfect, thank you. Thanks a lot Anamélia, thanks a lot to the entire Tractebel team.

Operator:
Our next question comes from Mr. Gabriel Laera, Itaú BBA.

Gabriel Laera – Itaú BBA:
Hello and good morning. Thank you for the opportunity and congratulations on the presentation. I would like to apologize because I will make three questions, I will exceed the limit a bit, but I will already make them here. First, including what you have already said, Zaroni, regarding change of rule, how could the rules of the game of the short-term market, which is what is causing problems today, be changed? Would it be a matter of changing the marginal cost per a cumulative average cost and dispatch? Let's say our account in today's scenario is at only R$ 330, for instance. In short, this would be my first question. The second question is: do you really see a level of 23%, 24% of the consolidated reservoirs, designed for November 2014 by the ONS [Electrical System National Operator] as cause for concern? Do you think this would already be a sign or beginning of a signal by the ONS to the government, for something to be planned, scheduled, and considered? And how much optimism do you think there is getting in the way of the CVAR account in relation to the incoming power in the coming years, or what would be the timeframe for you to believe that it is sufficiently close to today to compromise this account? Because if you consider, there is Belo Monte there taking a leap of almost 6% in consolidated load, in just one year, in short, I want to understand how much you feel this is cause for concern. Lastly, I apologize, but the third question would be how much this situation of flood, above the normal, in the Madeira River since February, I think since the very beginning of the month, gets in the way of the operation there in the Madeira River, especially in the context of the people from Santo Antônio apparently disrespecting some rules there on the water range, water depth? In short, these are my three questions.

Manoel Zaroni Torres – CEO:
You asked four questions, not three. The extraordinary flood that is occurring compromises the operation of any plant because when you have to keep all the spillways open, there is a consequence, it increases the number downstream. But Jirau is ok, we have enough driers to have no problem there, and we continue to make commissioning and our machines are operating normally. I would not like to comment

on what is happening in Santo Antônio because the truth is I don't know very well. This is one thing. Another thing that you... the CVAR is a risk aversion mechanism, like there was the CAR2, CAR5, the CVAR gives a greater weight to 50% of the worst hydrological series of the model. So it increases the price within a systematic, a methodology, I wouldn't say artificially because a model is a model, but it is able to, it was made for this, increase the price, to anticipate the thermal generation, so that you have greater assurance in the system, have more thermal plant by the order of merit, and have less system service charge. Measures that can be taken, there are financial measures to regulatory measures, to change the rule of the game. That is, the situation we are experiencing, yesterday a primary goal excess of 1.9% was announced and we must see how this will be arrived at, how we will arrive at this. So you can have: now the gap will be 50%, it is a business without any logic, right? Since it was done in the rationing, that is, the marginal cost is R$ 1,800, this should be the price.

Gabriel Laera – Itaú BBA:
And what is the Decree, the rule that regulates the ONCP? Because it seems that the matter here is, besides actually costing the dispatch, is this valuation of a power, which unfortunately due to fate is in the hands of state-owned companies that did not accept Provision Remedy MP 579, there is thermopower cost. Could he change the rule on account of this view, that the ONCP is using a variable that is not accurate, or not?

Manoel Zaroni Torres – CEO:
No, I wouldn't say it is correct, everything must be done with purpose. The worst problem is to change in the middle of the game, during the year. Now, there is a model you can work within the model, like creating alternative rules. I am talking goal level is not in the price calculation, the new wave and decomp is a model that was approved and can be used. But in addition to this, the goal level CAR2 was created, which are, let's say, frontiers that are creating other lateral things to create other limits on top of this. So everything is valid, I think. But the problem now is not this, the problem is financial, it is who will pay the account.

Gabriel Laera – Itaú BBA:
Ok. But the level of the 24th of November 2014, what would be the...

Manoel Zaroni Torres – CEO:
Wait, let me comment this, this may be a problem or not. I will remind you. In 1999 the equivalent reservoir in the last week of December was at 19%. 19%. It rained a deluge there in my land, I say that it is the water tank of Brazil, which is where the Sapucaí River is born and the Verde River passes through it, it is born from the confluence of these two rivers, which passes in the south of Minas Gerais, there in Itajubá. There was a great flood, and there it is an immense basin of contribution, and the water from the

Grande River generates 14 times, its yield is 14 MW per cubic meter, which it generates in all the plants of the Grande River, and after in the Paraná River. The year was a normal one. The next year, in 2001, this was from 1999 to 2000, the year 2001 ended in 20% and it rained 60% of the average in the summer, and there was rationing.

Gabriel Laera – Itaú BBA:
Yes, we are at this level today, aren't we?

Manoel Zaroni Torres – CEO:
The lower the level, the more you will depend on rain. We will not have a great thermal increase and from other points. The only thing that can help, that is significant, is the greater number of machines there in Jirau, and of machines in Santo Antônio, with the line ready, it is already known that the Madeira River has the most stable regime, that every end of the year it rains and it fills up even because it defrosts and all. So you will have a significant contribution in the summer, which can contribute toward filling up the reservoir in the southeast, and some years will contribute toward the flow. This is also another data that I do not know if you had considered.

Gabriel Laera – Itaú BBA:
Yes, and I think that even their model considers this, but even then the 24th of November comes.

Manoel Zaroni Torres – CEO:
Exactly, but 20% at the end of the year may be a problem, or not. This is the operator's dilemma.

Gabriel Laera – Itaú BBA:
I have understood. Very good, thank you.

Operator:
Our next question comes from Mr. Carlos Herrera, UBS.

Carlos Herrera – UBS:
Hello, good morning. Good day to you all, I would like to ask if you have more details regarding this provision in the Charqueadas plant. How it was done, can you talk a little more about what ANEEL regulated exactly, is it related to emissions? And the other question is that you mention the value in this as if you sold the plant in 2016. Is it a guidance that you will sell on this date?

Manoel Zaroni Torres – CEO:

No, it is as follows. Resolution #500 from ANEEL established the efficiency that each coal plant must have and if it did not reach this efficiency it would have a reduction in the reimbursement of coal from the CDE [Power Development Account]. Charqueadas and Jorge Lacerda are old plants, that were made as an insurance of the hydropower system for the flood period, period of water scarcity, and it has reimbursement, right to reimbursement from the CDE of coal up to 2027. So this Resolution established that Charqueadas is a plant that has a frequency converter, it has 50 years, they are small units, of 18 MW, and we, it was an economic feasibility study, the price of power versus costs with less coal subsidies. We evidently made this impairment prudently, considering a calculation forecast in the price of power for the future, the coal reimbursement, how it costs to operate it, the O&M costs, the maintenances that must be conducted. We had to install purifier there for environmental reasons, which also increases the cost. And we, from here until then, are studying the regulatory measures, technical measures, to see if the cost reduction measures become feasible, to see if the maintenance of this plant in operation is feasible. But if it is not feasible, we will have no other option but close the plant.

Carlos Herrera – UBS:
Ok. Thank you.

Operator:
We now close the session of questions and answers. I would like to hand over the Mr. Manoel Zaroni Torres for the final considerations. Please, Mr. Zaroni, you can proceed.

Manoel Zaroni Torres – CEO:
The message I have to give is that the electric power sector in the country is undergoing a great difficulty, but Tractebel has a solid position, it has a consistent power limit, its plants operate well, it has a very high level of availability, I am able to use the thermal plant as a hedge for the short-term price. We have many contracts, we are entering with a new complex, Guajiru, we will now assume the co-generation of Ferrari. There we are obtaining our lawsuit against Petrobrás to maintain the supply of gas in William Arjona, which we believe today is more than ever – even for the National System, highly essential – but that also brings for us some improvement in the result and we are working to obtain new projects to grow, because we generated a great amount of cash, of R$ 3 billion and something per year, we have a very low indebtedness, and we have here as our ambition to be an even bigger company, in future, but with responsibility.

Operator:

The Tractebel Energia conference call is closed. Thank you all for your participation and have a good afternoon, and thank you for using call scroll.