**Equatorial Energia S.A**
**(Publicly-held Company)**

# Independent auditors' report on the special review of the quarterly information (ITR)

Quarter ended June 30, 2010

# Equatorial Energia S.A.

**(Publicly-held Company)**

## Quartely information

**June 30, 2010 and March 31, 2010**

## Contents

Rio de Janeiro, August 10, 2010 - Equatorial Energia S.A. (Bovespa: EQTL3) announces its results for the second quarter and first half 2010 (2Q10 and 1H10).

Equatorial is a holding company with investments in Companhia Energética do Maranhão (CEMAR), Geramar and Equatorial Soluções. Equatorial holds a 65.12% interest in CEMAR, the electricity distributor for the entire state of Maranhão. Equatorial also holds a 25% interest in Geramar, company responsible for the construction and operation of two thermal plants in Maranhão, with a joint capacity of 330MW. The following information was not reviewed by the independent auditors: non-financial information relating to Equatorial Energia and its subsidiaries; information relating to the PLPT Program ("Light for All Program"); and information relating to Management's expectations regarding the future performance of the Company and its subsidiaries. In the service segment, Equatorial holds a 100% interest in Equatorial Soluções.

# EQUATORIAL'S BILLED ENERGY GROWS BY 29.0% IN 2Q10. CEMAR'S LOSSES SUSTAIN DECLINE AND REACH 22.2% OF REQUIRED ENERGY.

## 1. Financial and Operating Highlights

- As from this quarter, in view of Equatorial Energia's spin-off, we no longer consolidate Light's figures in our operating and financial information, instead of the 13.03% consolidated in the previous quarter. For comparative purposes, on a *pro forma* basis, we also no longer consolidate Light's information in our results for 2Q09, 1Q10, 1H09 and 1H10 in this Earnings Release.
- Net operating revenues (NOR) reached R$315.8 million in 2Q10, 20.3% up over 2Q09, reflecting a 15.6% increase by CEMAR and the start-up of Geramar.
- CEMAR's billed energy volume totaled 1,020 GWh in 2Q10, 29.0% more than in 2Q09.
- In 2Q10, EBITDA reached R$113.4 million, up by 22.5% over the adjusted amount reported in 2Q09 (refer to "Financial Performance - Consolidated" for details).
- Net income came to R$44.1 million in the quarter, a 30.5% upturn compared with the adjusted amount reported in 2Q09 (refer to "Financial Performance - Consolidated" for details).
- In 2Q10, Equatorial's consolidated investments reached R$96.5 million, down by 20.0% compared with 2Q09. CEMAR's investments (excluding direct investments in the PLPT program) totaled R$43.4 million. Investments under the PLPT program stood at R$45.7 million, up by 59.7%.
- CEMAR's last-12-month 2Q10 DEC and FEC indices reached 23.0 hours and 15.0 times, respectively, down by 12.2% and 5.7% over the indices recorded in 2Q09.
- CEMAR's last-12-month energy losses totaled 22.2% of required energy in 2Q10, 5.9 p.p. less than the 2Q09 ratio.
- On August 09, 2010, Redentor Energia, a company resulting from Equatorial Energia's spin-off, received the authorization to be registered as publicly-traded company by the Brazilian Securities and Exchange Commission (CVM). We note that the shares issued by Equatorial, EQTL3, are still traded "*cum rights*" to the spin-off until the conclusion of the process of listing and admission of trading of Redentor shares in the *Novo Mercado* segment.

| FINANCIAL DATA (R$MM) | 2Q09 | 1Q10 | 2Q10 | Chg. | 1H09 | 1H10 | Chg. |
|---|---|---|---|---|---|---|---|
| Total Net Operating Revenue | 262.6 | 275.7 | 315.8 | *20.3%* | 525.8 | 591.6 | *12.5%* |
| EBITDA | 93.2 | 84.7 | 113.4 | *21.7%* | 197.4 | 198.1 | *0.3%* |
| *EBITDA Margin (% net revenues)* | *35.5%* | *30.7%* | *35.9%* | *0.4 p.p.* | *37.5%* | *33.5%* | *-4 p.p.* |
| Net Income | 54.5 | 39.3 | 44.1 | *-19.1%* | 94.4 | 83.4 | *-11.7%* |
| *Profit Margin (% net revenues)* | *20.7%* | *14.3%* | *14.0%* | *-6.7 p.p.* | *18.0%* | *14.1%* | *-3.8 p.p.* |
| Net Income per Share (R$ / share) | 0.52 | 0.37 | 0.42 | *-19.2%* | 0.89 | 0.79 | *-11.9%* |
| Investments | | | | | | | |
| CEMAR | 70.1 | 38.3 | 43.4 | *-38.1%* | 113.3 | 81.7 | *-27.9%* |
| PLPT (CEMAR) | 28.6 | 33.1 | 45.7 | *59.7%* | 64.4 | 78.8 | *22.2%* |
| Geramar | 21.9 | 6.3 | 7.4 | *-66.3%* | 29.7 | 13.7 | *-54.1%* |
| Total | 120.6 | 77.6 | 96.5 | *-20.0%* | 207.5 | 174.1 | *-16.1%* |
| Net Debt | 857.9 | 754.3 | 775.7 | *-9.6%* | 857.9 | 775.7 | *-9.6%* |
| Net Debt / EBITDA (LTM) | 2.1 | 1.7 | 1.7 | *-0,4 x* | 2.1 | 1.7 | *-0,4 x* |

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## 2. Operating Performance

The operating information in this section is *pro forma* and reflects 100% of CEMAR's and 25% of Geramar's operations. As from this quarter, we no longer consolidate Light's figures by virtue of the spin-off occurred in April 2010.

### 2.1 OPERATING PERFORMANCE – DISTRIBUTION – CEMAR

#### Energy Sales

In 2Q10, billed energy volume moved up by 29.0% over 2Q09, reaching 1,020 GWh. This quarterly growth derives from four main reasons: (i) higher temperatures arising from the decline of more than 26% in the State's rainfall during the quarter, compared with the average recorded in the second quarter for the past four years; (ii) the State's economic growth, with higher per capita consumption; (iii) connection of new clients to the consumer base; and (iv) the stronger efforts made by the Company to fight energy losses.

| CONSUMPTION CLASS (GWh) | 2Q09 | 1Q10 | 2Q10 | Chg. | 1H09 | 1H10 | Chg. |
|---|---|---|---|---|---|---|---|
| Residential | 363.7 | 449.4 | 474.6 | *30.5%* | 746.7 | 924.0 | *23.7%* |
| Industrial | 80.7 | 97.3 | 105.6 | *30.9%* | 171.2 | 202.9 | *18.5%* |
| Commercial | 160.4 | 190.4 | 200.5 | *25.0%* | 321.7 | 390.9 | *21.5%* |
| Others | 186.6 | 222.8 | 239.9 | *28.6%* | 368.3 | 462.7 | *25.6%* |
| TOTAL | 791.2 | 959.9 | 1,020.5 | *29.0%* | 1,608.0 | 1,980.4 | *23.2%* |

| Number of Clients | 2Q09 | 1Q10 | 2Q10 | Chg. |
|---|---|---|---|---|
| Residential | 1,428,184 | 1,518,854 | 1,542,031 | 8.0% |
| Industrial | 9,551 | 9,734 | 9,746 | 2.0% |
| Commercial | 113,261 | 118,765 | 120,803 | 6.7% |
| Others | 72,318 | 83,572 | 86,058 | 19.0% |
| TOTAL | 1,623,314 | 1,730,925 | 1,758,638 | 8.3% |

#### Energy Balance

In 2Q10, CEMAR's load posted growth of 14.8% over 2Q09, slightly above the load increase in the Northeast and 6.6 p.p. higher than the growth reported by the national load.

| GWh | 2Q09 | 1Q10 | 2Q10 | Chg. | 1H09 | 1H10 | Chg. |
|---|---|---|---|---|---|---|---|
| Electricity Load - Brazil (*) | 106,541 | 120,971 | 115,295 | 8.2% | 216,368 | 236,265 | 9.2% |
| Electricity Load - Northeast Region (*) | 15,733 | 17,925 | 17,868 | 13.6% | 31,814 | 35,793 | 12.5% |
| Electricity Load - CEMAR | 1,119 | 1,240 | 1,286 | 14.9% | 2,235 | 2,526 | 13.0% |

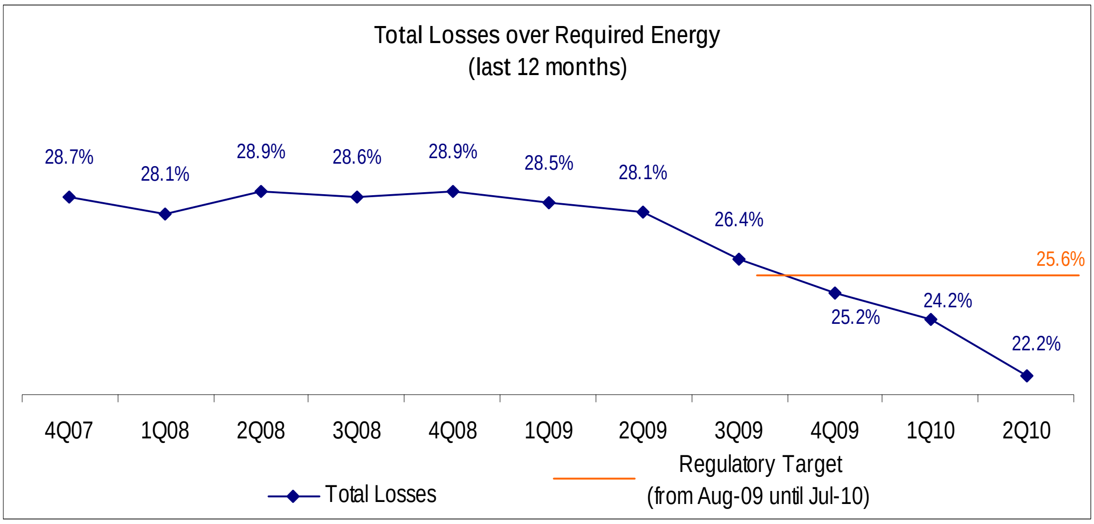
(*) Sistema Interligado Nacional figures
Source: ONS and CEMAR

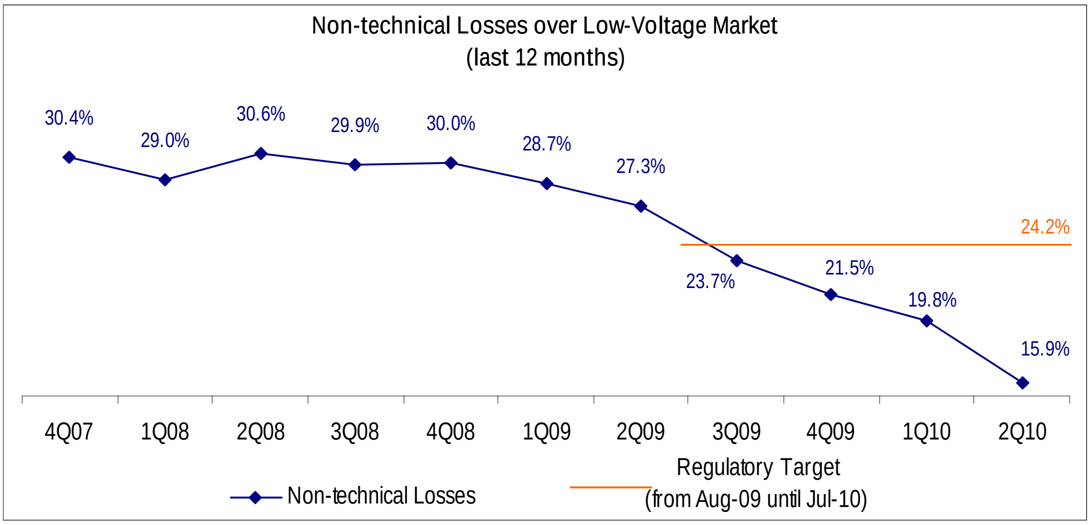
#### Energy Losses

In order to keep the Company's energy losses below the new regulatory targets established in CEMAR's second tariff review process, the Company has enhanced its loss-combating initiatives, and several measures implemented since late 2008 have gradually shown positive results.

Among the initiatives implemented by the Company, we can highlight the following: i) greater inspection efficiency in both low- and high-voltage, through the enhancement of the target choosing process, by means of the fiscal metering, which consists in comparing the energy volume distributed by each converter with the volume actually billed to customers connected to same converter; ii) enhanced training of field teams; and iii) fighting against illegal connections and auto-reconnection (when customers reconnect energy on their own after their service is disconnected by the Company, without informing CEMAR).

Accordingly, CEMAR's energy losses for the last 12 months ended 2Q10 totaled 22.2% of required energy, while non-technical losses in the low-voltage market stood at 15.9%. Although we believe that the Company can reduce even further the level of energy losses, it is natural that such reduction happens at a slower pace in upcoming quarters, given that the lower the level of energy losses, the harder the loss-combating initiatives. In this sense, CEMAR is investing in enhancing its intelligent systems of target choosing for energy recovery that grant us more assertiveness and return on the inspections.

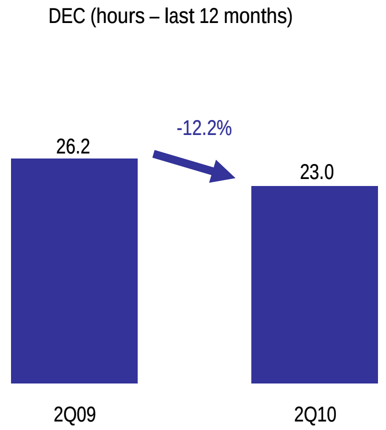


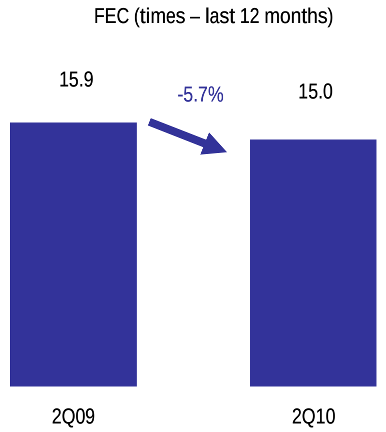




## 2.2 SERVICE QUALITY

The quality and efficiency level of the distribution concessionaires' networks is denoted by the DEC and FEC indices. DEC refers to the equivalent length of interruptions per consumer, measured in hours per consumer for a given period, while FEC refers to the equivalent frequency of interruptions per consumer, measured as the number of interruptions per consumer for a given period.

At the close of 2Q10, last-12-month DEC reached 23.0 hours, which, compared with the 26.2 hours shown at the close of 2Q09, represents a 12.2% decline. Regarding last-12-month FEC at the end of 2Q10, the index reached 15.0 times, a 5.7% decrease comparing with the 2Q09 figure. Such indices were positively affected by the lower rainfall in 2Q10 over 2Q09.



## 3. Financial Performance

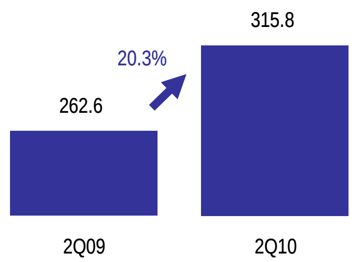
Information in this section reflects: i) 100% of CEMAR's operations, excluding 34.88% related to minority interests before net income, resulting in a 65.12% stake, ii) 25.0% of Geramar's operations and iii) 100% of Equatorial Soluções' operations.

As from this quarter, in view of Equatorial's spin-off, we no longer consolidate Light's figures. For comparative purposes, on a *pro forma* basis, we also no longer consolidate Light's information in our results for 2Q09, 1Q10, 1H09 and 1H10.

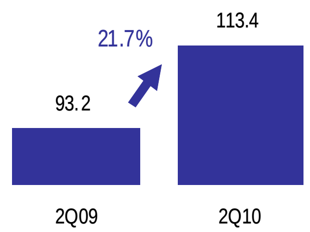
### 3.1 FINANCIAL PERFORMANCE – CONSOLIDATED

| CONSOLIDATED INCOME STATEMENT (R$MM) | 2Q09 | 1Q10 | 2Q10 | Chg. | 1H09 | 1H10 | Chg. |
|---|---|---|---|---|---|---|---|
| Gross Operating Revenues (GOR) | 364.2 | 399.3 | 447.7 | *22.9%* | 731.0 | 847.0 | *15.9%* |
| Net Operating Revenues (NOR) | 262.6 | 275.7 | 315.8 | *20.3%* | 525.8 | 591.6 | *12.5%* |
| Electric Energy Cost | (115.8) | (122.3) | (132.8) | *14.6%* | (223.8) | (255.1) | *14.0%* |
| Operating Costs / Expenses | (53.6) | (68.7) | (69.6) | *30.0%* | (104.5) | (138.3) | *32.4%* |
| EBITDA | 93.2 | 84.7 | 113.4 | *21.7%* | 197.4 | 198.1 | *0.3%* |
| Other Operating Revenues/Expenses | (3.0) | (2.0) | (0.7) | *-76.9%* | (10.7) | (2.7) | *-74.4%* |
| Depreciation | (26.8) | (23.2) | (23.3) | *-12.9%* | (52.4) | (46.5) | *-11.3%* |
| Service Income (EBIT) | 63.4 | 59.5 | 89.4 | *41.0%* | 134.4 | 148.9 | *10.8%* |
| Financial Result | 3.9 | (6.7) | (17.6) | *N/A* | 8.6 | (24.3) | *N/A* |
| Operating Income | 67.3 | 52.9 | 71.7 | *6.6%* | 143.0 | 124.6 | *-12.9%* |
| Goodwill Amortization | 0.9 | 13.5 | (2.3) | *N/A* | - | 11.2 | *N/A* |
| Earnings Before Taxes (EBT) | 68.2 | 66.4 | 69.5 | *1.8%* | 143.0 | 135.8 | *-5.0%* |
| Income Tax / Social Contribution | 17.9 | (6.9) | 1.4 | *-92.0%* | 7.0 | (5.4) | *N/A* |
| Profit Sharing | (3.2) | (3.1) | (3.3) | *4.4%* | (6.4) | (6.5) | *1.8%* |
| Minority Interests | (28.4) | (17.1) | (23.5) | *-17.4%* | (49.2) | (40.5) | *-17.6%* |
| Net Income | 54.5 | 39.3 | 44.1 | *-19.1%* | 94.4 | 83.4 | *-11.7%* |

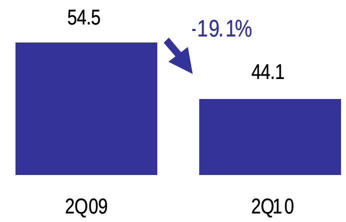
NOR (R$MM) - Quarterly



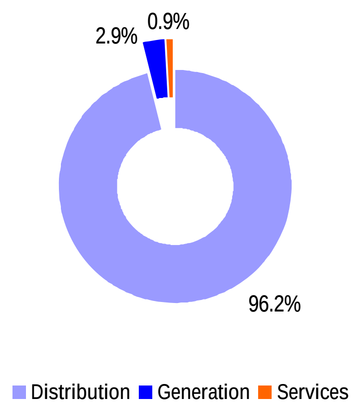

EBITDA (R$MM) - Quarterly



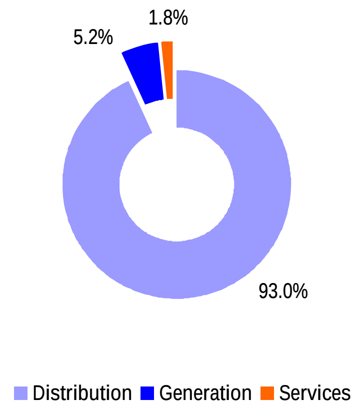

Net Income (R$MM) - Quarterly



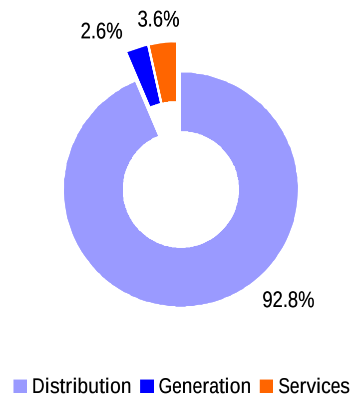

NOR per Segment* (%) – 2Q10




EBITDA per Segment* (%) – 2Q10




Net Income per Segment* (%) – 2Q10




(*) Only the operating companies are considered in these graphs.

### 3.1.1 - Operating Revenues

| OPERATING REVENUE - CONSOLIDATED (R$ MM) | 2Q09 | 1Q10 | 2Q10 | Chg. | 1H09 | 1H10 | Chg. |
|---|---|---|---|---|---|---|---|
| Gross Operating Revenue | 339.0 | 383.5 | 420.3 | 24.0% | 675.6 | 803.8 | 19.0% |
| Residential | 156.5 | 187.1 | 204.7 | 30.7% | 318.0 | 391.7 | 23.2% |
| Industrial | 31.6 | 34.1 | 37.9 | 20.1% | 63.6 | 72.0 | 13.2% |
| Commercial | 81.0 | 89.0 | 95.6 | 18.0% | 159.8 | 184.5 | 15.5% |
| Others | 69.8 | 73.4 | 82.1 | 17.6% | 134.3 | 155.5 | 15.8% |
| Supply | 3.0 | 1.6 | 1.8 | -37.8% | 7.9 | 3.4 | -56.6% |
| Network Usage | 0.1 | 0.0 | 0.0 | -64.8% | 0.3 | 0.0 | -80.6% |
| Other Revenues | 22.0 | 5.5 | 12.4 | -43.5% | 47.1 | 17.9 | -61.9% |
| Low Income | 27.8 | 30.3 | 31.2 | 12.2% | 54.2 | 61.5 | 13.5% |
| Accrual (Amortization) of Regulatory Assets | (10.3) | (29.0) | (28.1) | 172.6% | (15.0) | (57.1) | 280.0% |
| Other Operating Revenues | 4.5 | 4.3 | 9.3 | 107.9% | 8.0 | 13.6 | 70.0% |
| Gross Operating Revenue - Distribution | 364.0 | 390.6 | 434.6 | 19.4% | 730.9 | 825.2 | 12.9% |
| Generation | - | 8.3 | 9.9 | N/A | - | 18.2 | N/A |
| Services | 0.1 | 0.5 | 3.2 | 2156.6% | 0.1 | 3.7 | -82.9% |
| Gross Operating Revenue - Consolidated | 364.2 | 399.3 | 447.7 | 22.9% | 731.0 | 847.0 | 15.9% |
| ICMS | (53.9) | (66.7) | (71.7) | 33.0% | (109.7) | (138.4) | 26.1% |
| PIS/Cofins | (34.5) | (39.6) | (43.9) | 27.4% | (68.6) | (83.5) | 21.9% |
| Consumer Charges | (13.2) | (17.2) | (16.3) | 23.5% | (27.0) | (33.6) | 24.5% |
| Net Operating Revenue - Consolidated | 262.6 | 275.7 | 315.8 | 20.3% | 525.8 | 591.6 | 12.5% |

Consolidated net operating revenues (NOR) totaled R$315.8 million in 2Q10, 20.3% up on the R$262.6 million recorded in 2Q09. This account is mainly impacted by the distribution segment, which accounts for 96.2% of consolidated NOR, followed by generation (2.9%) and services (0.9%). In company terms, the percentages are exactly the same, with CEMAR representing distribution, Geramar, generation, and, Equatorial Soluções, services. (For further information on NOR evolution, refer to CEMAR's and Geramar's Financial Performance).

### 3.1.2 - Costs and Expenses

Consolidated operating costs and expenses came to R$226.4 million in 2Q10, 13.7% more than in 2Q09. This amount is comprised of non-manageable costs and expenses (purchase and transportation of energy, and sector charges), which stood at R$130.5 million and increased by 12.6%, while manageable costs and expenses climbed 24.2%.

However, when comparing 2Q10 with 1Q10, manageable expenses remained virtually flat.

| Operating Costs/Expenses | 2Q09 | 1Q10 | 2Q10 | Chg. | 1H09 | 1H10 | Chg. |
|---|---|---|---|---|---|---|---|
| Electricity Purchased for Resale | 115.8 | 119.2 | 130.5 | 12.6% | 223.8 | 249.7 | 11.5% |
| PMSO | 42.6 | 51.5 | 50.7 | 19.1% | 78.6 | 102.2 | 30.1% |
| Provisions and Other Operating Expenses | 11.1 | 10.0 | 15.9 | 42.4% | 31.2 | 25.9 | -17.0% |
| Depreciation | 26.7 | 22.4 | 22.1 | -17.3% | 52.3 | 44.4 | -15.0% |
| CEMAR | 196.3 | 203.1 | 219.2 | 11.7% | 385.9 | 422.3 | 9.4% |
| CUST + Generation costs | - | 3.1 | 2.3 | N/A | - | 5.4 | N/A |
| PMSO | - | 0.6 | 0.7 | N/A | - | 1.3 | N/A |
| Depreciation | - | 0.8 | 1.2 | N/A | - | 1.9 | N/A |
| Geramar | - | 4.5 | 4.2 | N/A | - | 8.6 | N/A |
| PMSO | 0.0 | 0.4 | 0.9 | N/A | 0.0 | 1.3 | N/A |
| Depreciation | - | 0.0 | 0.0 | N/A | - | 0.0 | N/A |
| Equatorial Soluções | 0.0 | 0.4 | 0.9 | N/A | 0.0 | 1.3 | N/A |
| PMSO | 2.9 | 8.2 | 2.2 | -25.0% | 5.4 | 10.4 | 92.6% |
| Depreciation | 0.0 | 0.0 | 0.0 | N/A | 0.1 | 0.1 | N/A |
| Equatorial (holding) | 2.9 | 8.2 | 2.2 | -24.6% | 5.4 | 10.4 | 91.4% |
| Equatorial Consolidated | 199.2 | 216.2 | 226.4 | 13.7% | 391.4 | 442.6 | 13.1% |

For further information on costs and expenses per Company, refer to CEMAR's and Geramar's Financial Performance sections).

### 3.1.3 - EBITDA

The Company's consolidated EBITDA climbed 22.5% in 2Q10 over 2Q09 adjusted EBITDA, reaching R$113.4 million.

EBITDA's growth in the quarter derives mainly from the following:

- CEMAR's market growth: given the quarterly growth in billed energy by 29.0%, CEMAR's EBITDA climbed 11.6%, which was partially mitigated by the Periodic Tariff Review in August 2009, when, among other things, there was a change in the recognition of the Low Income Subsidy. The other factor that affected EBITDA growth was CEMAR's higher operating costs, driven primarily by the strong expansion in its consumer base, better service quality and an amendment in Regulatory Instruction 396/2010 in connection with the procedures followed to recognize personnel costs.

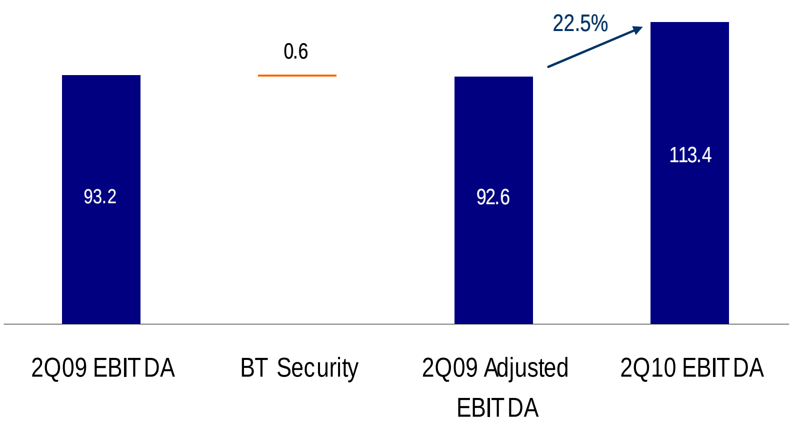
- Start-up of Geramar in early 2010, with a contribution of R$6.0 million in 2Q10 to consolidated EBITDA.

- Operating expansion of Equatorial Soluções, with a contribution of R$2.1 million in 2Q10 to consolidated EBITDA.

It is worth highlighting that as occurred in 1Q10, 2Q10 EBITDA was also negatively affected by the R$10.6 million amortization of the Low Income Subsidy to the extent this asset was already recognized in 3Q09's result when it was defined as a Financial Component of CEMAR's Periodic Tariff Review. If the previous accounting rule were applied in 2Q10, its EBITDA would be R$124.1 million, which represents a 34.0% increase over 2Q09 (instead of the 22.5% increase reported below).

| Consolidated EBITDA (R$ million) | 2Q09 | 1Q10 | 2Q10 | Chg. | 1H09 | 1H10 | Chg. |
|---|---|---|---|---|---|---|---|
| Service Income | 63.4 | 59.5 | 89.4 | *41.0%* | 134.4 | 148.9 | *10.8%* |
| Depreciation and Amortization | 26.8 | 23.2 | 23.3 | *-12.9%* | 52.4 | 46.5 | *-11.3%* |
| Other Operating Revenue/Expenses | 3.0 | 2.0 | 0.7 | *-76.9%* | 10.7 | 2.7 | *-74.4%* |
| EBITDA | 93.2 | 84.7 | 113.4 | *21.7%* | 197.4 | 198.1 | *0.3%* |
| BT Security CEMAR | (0.6) | | | *N/A* | (0.6) | | *N/A* |
| EBITDA Ajustado | 92.6 | 84.7 | 113.4 | 22.5% | 196.8 | 198.1 | 0.7% |

RECONCILIATION OF ADJUSTED EBITDA




### 3.1.4 – Financial Result

| Financial Result (R$ MM) | 2Q09 | 1Q10 | 2Q10 | Chg. | 1H09 | 1H10 | Chg. |
|---|---|---|---|---|---|---|---|
| Financial income | 10.6 | 8.8 | 10.1 | -5.0% | 24.2 | 18.9 | -21.9% |
| Fine charged on energy sale | 9.0 | 12.6 | 11.8 | 30.3% | 18.2 | 24.4 | 33.7% |
| Other financial revenues | 13.3 | 5.7 | (2.2) | -116.6% | 24.3 | 3.5 | -85.4% |
| Financial Revenue | 33.0 | 27.2 | 19.6 | -40.4% | 66.7 | 46.8 | -29.8% |
| Interest on loans and financing | (21.9) | (20.5) | (21.0) | -4.4% | (45.4) | (41.5) | -8.6% |
| Monetary and foreign exchange variation | (3.4) | (6.9) | (6.7) | 95.5% | (6.6) | (13.5) | 106.2% |
| Other financial expenses | (3.7) | (6.5) | (9.6) | 161.2% | (6.2) | (16.1) | 161.6% |
| Financial Expenses | (29.0) | (33.8) | (37.3) | 28.4% | (58.1) | (71.1) | 22.4% |
| Net Financial Result | 3.9 | (6.7) | (17.6) | N/A | 8.6 | (24.3) | -382.7% |

In 2Q10, the consolidated financial result was an expense of R$17.6 million, against a positive result of R$3.9 million in 2Q09.

The main variations per company were:

- CEMAR: In 2Q10, the net financial result was an expense of R$16.7 million, against R$6.4 million in 2Q09. In the net financial result breakdown, the Company posted R$17.6 million in Financial Revenues (37.0% decrease over 2Q09) and R$34.3 million in Financial Expenses (19.6% increase over 2Q09).

- Geramar: The Company recognized R$3.0 million as net financial expenses arising from the loans taken out during the construction of the plants. On March 30, the Company's cash recorded an incoming flow of R$42.8 million (considering the 25% percentage for consolidation) stemming from the Amazônia Development Fund, maturing in 2025 and bearing a cost of long-term interest rate (TJLP) + 1.0% p.a., which were used to settle the effective bridge loans, therefore extending the Company's debt profile and reducing its cost. Throughout 2010, we expect to raise more long-term funds.

- Equatorial (holding): Positive result of R$2.0 million, basically arising from the utilization of the Company's available cash.

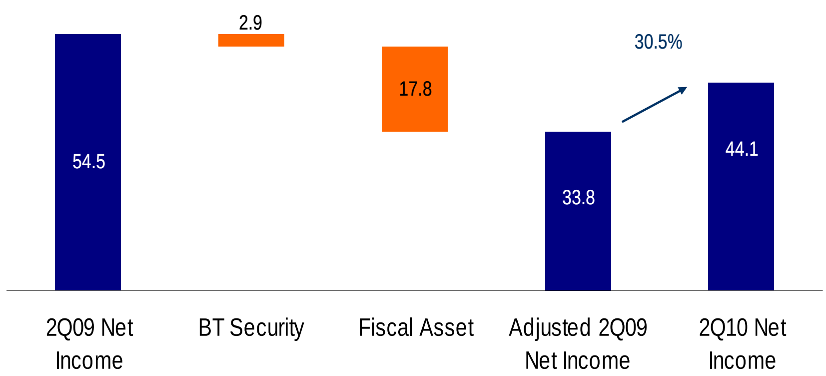
### 3.1.5 - Net Income

In 2Q10, the Company posted net income of R$44.1 million, down by 19.1% compared with the net result booked in 2Q09. However, in 2009, the Company recognized non-recurring items that positively affected its results. They are: i) R$2.9 million arising from the recognition, by CEMAR, of principal, inflation adjustment and foreign exchange variation on a collateral for a transaction carried out with the National Treasury in previous years; and ii) R$17.8 million arising from the review of Deferred Tax Assets at CEMAR, recognized on tax loss carryforwards.

It is worth highlighting that as occurred in 1Q10, 2Q10 Net Income was also negatively affected by R$6.3 million related to the amortization of the Low Income Subsidy to the extent this asset was already recognized in 3Q09's result when it was defined as a Financial Component of CEMAR's Periodic Tariff Review. If the previous accounting rule were applied in 2Q10, its Net Income would be R$50.4 million, which represents a 49.1% increase over 2Q09 (instead of the 30.5% increase reported below).

Therefore, comparing 2Q10 net income with 2Q09 adjusted result, the Company posted growth of 30.5%.

RECONCILIATION OF ADJUSTED NET INCOME

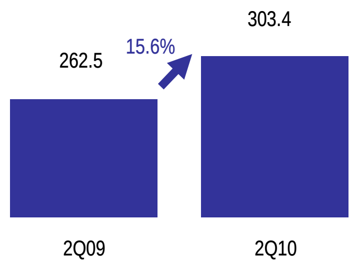


## 3.2 FINANCIAL PERFORMANCE – CEMAR

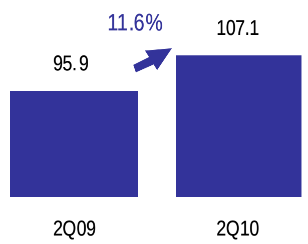
The information in this section reflects 100% of CEMAR's operations.

| INCOME STATEMENT - DISTRIBUTION (R$MM) | 2Q09 | 1Q10 | 2Q10 | Chg. | 1H09 | 1H10 | Chg. |
|---|---|---|---|---|---|---|---|
| Gross Operating Revenues (GOR) | 364.0 | 390.2 | 434.1 | *19.2%* | 730.9 | 824.3 | *12.8%* |
| Net Operating Revenues (NOR) | 262.5 | 267.5 | 303.4 | *15.6%* | 525.6 | 570.9 | *8.6%* |
| Electric Energy Cost | (115.8) | (119.2) | (130.5) | *12.6%* | (223.8) | (249.7) | *11.5%* |
| Operating Costs / Expenses | (50.7) | (59.5) | (65.9) | *30.0%* | (99.1) | (125.4) | *26.5%* |
| EBITDA | 95.9 | 88.8 | 107.1 | *11.6%* | 202.7 | 195.8 | *-3.4%* |
| Other Operating Revenues/Expenses | (3.0) | (2.0) | (0.7) | *-76.9%* | (10.7) | (2.7) | *-74.4%* |
| Service Income (EBIT) | 66.2 | 64.4 | 84.3 | *27.3%* | 139.7 | 148.7 | *6.4%* |
| Financial Result | (0.8) | (6.4) | (16.7) | *2038.3%* | (2.7) | (23.1) | *766.8%* |
| Operating Income | 65.4 | 58.0 | 67.6 | *3.3%* | 137.0 | 125.5 | *-8.4%* |
| Income Tax / Social Contribution | 18.8 | (6.4) | 2.4 | *-87.1%* | 8.7 | (4.0) | *-146.2%* |
| Profit Sharing | (2.2) | (2.7) | (2.7) | *21.5%* | (4.2) | (5.4) | *27.2%* |
| Net Income | 82.0 | 48.9 | 67.3 | -17.9% | 141.5 | 116.2 | -17.9% |

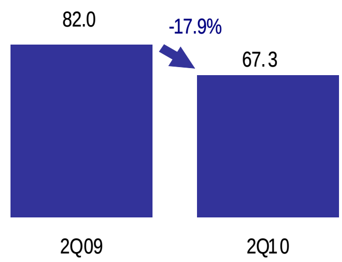
NOR (R$MM) - Quarterly




EBITDA (R$MM) - Quarterly




Net Income (R$MM) - Quarterly




### 3.2.1 - Operating Revenues

| OPERATING REVENUE - CEMAR | 2Q09 | 1Q10 | 2Q10 | Var. | 1H09 | 1H10 | Var. |
|---|---|---|---|---|---|---|---|
| Energy Sales (MWh)* | 791,221 | 959,921 | 1,020,490 | 29.0% | 1,607,977 | 1,980,411 | 23.2% |
| Number of Clients** | 1,623,314 | 1,730,925 | 1,758,638 | 8.3% | 1,623,314 | 1,758,638 | 8.3% |
| KWh per Client | 487.4 | 554.6 | 580.3 | 19.1% | 990.6 | 1,126.1 | 13.7% |
| Gross Operating Revenue (R$ MM) | 338.9 | 383.6 | 420.3 | 24.0% | 675.7 | 803.7 | 18.9% |
| Residential | 156.5 | 187.1 | 204.7 | 30.8% | 318.0 | 391.7 | 23.2% |
| Industrial | 31.6 | 34.1 | 37.9 | 19.9% | 63.6 | 72.0 | 13.2% |
| Commercial | 81.0 | 89.0 | 95.6 | 18.0% | 159.8 | 184.5 | 15.5% |
| Other Classes | 69.8 | 73.4 | 82.1 | 17.6% | 134.3 | 155.5 | 15.8% |
| Supply (R$ MM) | 3.0 | 1.6 | 1.8 | -40.0% | 7.9 | 3.4 | -57.0% |
| Other Revenues (R$ MM) | 22.1 | 5.2 | 11.9 | -46.2% | 47.5 | 17.1 | -64.0% |
| Low Income | 27.8 | 30.3 | 31.2 | 12.2% | 54.2 | 61.5 | 13.5% |
| Accrual (Amortization) of Regulatory Assets | (10.2) | (29.0) | (28.1) | -175.5% | (14.7) | (57.1) | -288.4% |
| CVA | (3.2) | (12.3) | (10.4) | -225.0% | (0.6) | (22.7) | -3683.3% |
| Network Usage | 0.1 | - | - | -100.0% | 0.3 | - | -100.0% |
| PLPT - IRT | - | (1.6) | (1.7) | N/A | - | (3.3) | #DIV/0! |
| RTD | (7.1) | (15.1) | (16.0) | -125.4% | (14.4) | (31.1) | -116.0% |
| Other Operating Revenues | 4.5 | 3.9 | 8.8 | 95.6% | 8.0 | 12.7 | 58.8% |
| Deductions from Operating Revenues (R$ MM) | (101.6) | (122.7) | (130.7) | -228.6% | (205.2) | (253.4) | -23.5% |
| Net Operating Revenue (R$ MM) | 262.5 | 267.5 | 303.4 | 15.6% | 525.6 | 570.9 | 8.6% |
| Regulatory Assets*** | 118.7 | 71.5 | 59.9 | -49.5% | 71.5 | 59.9 | -16.2% |

* Does not consider own consumption and supply to CEPISA
** Excludes own consumption facilities
*** Net Balance of Regulatory Assets and Liabilities

In 2Q10, gross revenues posted growth of 24.0%, largely driven by the upturn in energy sales of 29.0% in the quarter, compared with 2Q09. Net operating revenues totaled R$303.4 million in the quarter, 15.6% over 2Q09.

As it was the case in the preceding quarter, in 2Q10, the CVA line, which is a component of Revenues, was negatively affected by R$10.6 million as a result of the amortization of the Low Income Subsidy regulatory asset, as this asset was recognized in 3Q09 results, when it was ratified as Financial Component of CEMAR's Periodic Tariff Review.

### 3.2.2 - Costs and Expenses

In 2Q10, manageable and non-manageable costs and expenses, excluding depreciation and amortization, totaled R$197.1 million, corresponding to 64.9% of net revenues, up by 0.3 p.p. over 2Q09, which stood at 64.6%.

#### Manageable Operating Costs and Expenses

In 2Q10, the Company's manageable costs and expenses, represented by personnel, material, outsourced services and others (PMSO), excluding the provision for doubtful accounts, contingencies, as well as CVA amortization and other costs, totaled R$50.7 million, an increase of 0.4 p.p. compared with 2Q09, as a percentage of net revenues.

Personnel expenses totaled R$14.5 million in 2Q10, increasing 50.1% from the 2Q09 figure. This upturn derives not only from the collective agreement signed in November 2009, when a salary increase of 4.18% was granted, but also from an amendment introduced by Regulatory Instruction 396/2010 in connection with the procedures followed to recognize personnel costs.

Material expenses totaled R$1.9 million in 2Q10, a flat result compared with 2Q09. The main costs included in this account are: i) purchase of material for maintenance and operations, of R$1.2 million; and ii) purchase of fuel and lubricants to vehicles intended for support, repair and maintenance of the distribution network, totaling R$0.7 million.

Outsourced services expenses moved up by 30.6% in 2Q10 against 2Q09, totaling R$32.7 million in the quarter, driven by the significant increase in the number of clients (8.3%) and quality improvement of the energy distribution system. The main services leading to such increase were: i) R$2.0 million increase in stand-by services, with technician and electrician teams; ii) outsourced customer services, up by R$0.4 million in view of the opening of new agencies in the Company's concession area; and iii) call center, telecom and data transmission services, up by R$1.9 million.

In 2Q10, the provision for doubtful accounts (PDA) and losses came to R$13.0 million, or 3.0% of gross operating revenues (GOR), 1.4 p.p. higher than the 2Q09 result. However, considering the 1H10 result as a percentage of GOR, the level of PDA and losses remains constant compared with the 1H09 percentage.

CEMAR reached the level of 1,351 clients for each employee in 2Q10, up by 9.5% over 2Q09. The PMSO/client ratio moved up by 9.9%, representing a cost of R$28.8 per client.

| R$ MM | 2Q09 | 1Q10 | 2Q10 | Chg. | 1H09 | 1H10 | Chg. |
|---|---|---|---|---|---|---|---|
| Personnel | 9.6 | 14.9 | 14.5 | 51.0% | 19.0 | 29.3 | 54.2% |
| Material | 1.9 | 2.0 | 1.9 | 0.0% | 3.9 | 3.9 | 0.0% |
| Third Party Services | 25.1 | 30.6 | 32.7 | 30.3% | 48.3 | 63.4 | 31.3% |
| Others | 6.0 | 4.1 | 1.6 | -73.3% | 7.3 | 5.6 | -23.3% |
| PMSO | 42.6 | 51.6 | 50.7 | 19.0% | 78.5 | 102.2 | 30.2% |
| *% Net Revenues* | 16.2% | 19.3% | 16.7% | 0.5 p.p. | 14.9% | 17.9% | 3 p.p. |
| Provisions | 8.1 | 8.0 | 15.2 | 87.7% | 20.6 | 23.2 | 12.6% |
| PDA and Losses | 5.7 | 5.8 | 13.0 | 128.1% | 16.4 | 18.9 | 15.2% |
| *% Gross Operating Revenue* | 1.6% | 1.5% | 3.0% | 1.4 p.p. | 2.2% | 2.3% | 0.1 p.p. |
| Provision for Contingencies and Other Provisions | 2.4 | 2.2 | 2.2 | -8.3% | 4.2 | 4.3 | 2.4% |
| Other Operating Expenses/Revenues | 3.0 | 2.0 | 0.7 | -76.7% | 10.7 | 2.7 | -74.8% |
| MANAGEABLE COSTS AND EXPENSES | 53.7 | 61.6 | 66.6 | 24.0% | 109.8 | 128.1 | 16.7% |
| *% Net Revenues* | 20.5% | 23.0% | 22.0% | 1.5 p.p. | 20.9% | 22.4% | 1.5 p.p. |
| Electricity Purchased | 92.7 | 97.7 | 109.2 | 17.8% | 181.4 | 206.9 | 14.1% |
| Transmission and Distribution Network Usage Charges | 22.5 | 20.7 | 20.6 | -8.4% | 41.5 | 41.3 | -0.5% |
| CVA Amortization | 0.0 | 0.0 | 0.0 | N/A | -0.3 | 0.0 | N/A |
| Other Costs | 0.6 | 0.7 | 0.7 | 16.7% | 1.3 | 1.5 | 15.4% |
| NON-MANAGEABLE COSTS AND EXPENSES | 115.8 | 119.1 | 130.5 | 12.7% | 223.9 | 249.7 | 11.5% |
| *% Net Revenues* | 44.1% | 44.5% | 43.0% | -1.1 p.p. | 42.6% | 43.7% | 1.1 p.p. |
| TOTAL | 169.5 | 180.7 | 197.1 | 16.3% | 333.7 | 377.8 | 13.2% |
| TOTAL (% Net Revenues.) | 64.6% | 67.6% | 65.0% | 0.4 p.p. | 63.5% | 66.2% | 2.7 p.p. |

## Non-manageable Operating Costs and Expenses

The Company's non-manageable operating costs and expenses totaled R$130.5 million in 2Q10, up by 12.6% over 2Q09. The quarter's upturn derives chiefly from the higher volume of purchased energy to meet the growth in captive market consumption. It is worth noting that such costs relate to Parcel A of the energy tariff. Therefore, their increase is passed on to the company by means of the annual tariff adjustment index (IRT), not representing a financial loss to the company.

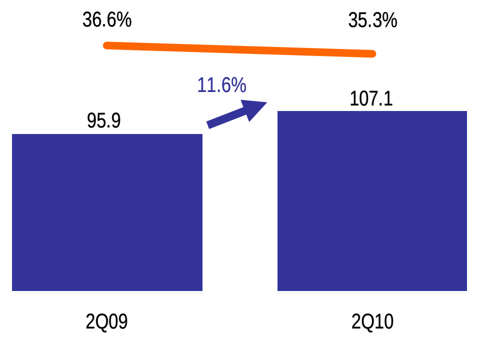
## 3.2.3 - EBITDA

In 2Q10, EBITDA totaled R$107.1 million, up by 11.6% compared with 2Q09 EBITDA of R$95.9 million. The EBITDA growth in the quarter derives chiefly from the increase in energy sales by CEMAR. However, such upturn is partially mitigated by the Company's Periodic Tariff Review occurred in August 2009.

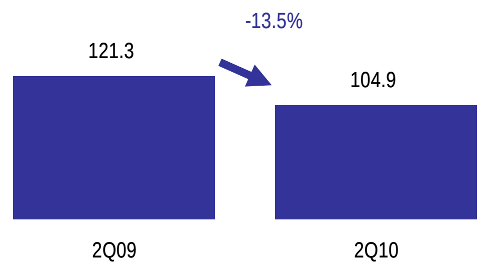
It is worth highlighting that as occurred in 1Q10, 2Q10 EBITDA was also negatively affected by the R$10.6 million amortization of the Low Income Subsidy to the extent this asset was already recognized in 3Q09's result when it was defined as a Financial Component of CEMAR's Periodic Tariff Review. If the previous accounting rule were applied in 2Q10, its EBITDA would be R$117.7 million, which represents a 22.7% increase over 2Q09 (instead of the 11.6% increase reported below).

| EBITDA (R$ MM) | 2Q09 | 1Q10 | 2Q10 | Chg. | 1H09 | 1H10 | Chg. |
|---|---|---|---|---|---|---|---|
| Service Income | 66.2 | 64.4 | 84.3 | 27.3% | 139.7 | 148.7 | 6.4% |
| Depreciation and Amortization | 26.7 | 22.4 | 22.1 | -17.3% | 52.3 | 44.4 | -15.0% |
| Other Operating Revenues/Expenses | 3.0 | 2.0 | 0.7 | -76.9% | 10.7 | 2.7 | -74.4% |
| EBITDA | 95.9 | 88.8 | 107.1 | 11.6% | 202.7 | 195.8 | -3.4% |

EBITDA (R$MM) and EBITDA Margin: Quarterly




EBITDA (R$) per MWh: Quarterly




## 3.2.4 – Financial Result

In 2Q10, the net financial result was an expense of R$16.7 million, against R$0.8 million in 2Q09. In the net financial result breakdown, the Company posted R$17.6 million in Financial Revenues (37.0% decrease over 2Q09) and R$34.3 million in Financial Expenses (19.9% increase over 2Q09).

Currently, the Company does not have any transactions involving financial derivatives instruments.

| Financial Result (R$ MM) | 2Q09 | 1Q10 | 2Q10 | Chg. | 1H09 | 1H10 | Chg. |
|---|---|---|---|---|---|---|---|
| Financial income | 5.5 | 6.7 | 8.0 | 45.5% | 12.0 | 14.7 | 22.5% |
| Fine charged on energy sale | 9.0 | 12.6 | 11.8 | 31.1% | 18.2 | 24.4 | 34.1% |
| RTD and CVA Adjustments | 2.5 | 0.4 | 0.4 | -84.0% | 5.3 | 0.7 | -86.8% |
| Other financial revenues | 10.8 | 5.4 | (2.6) | -124.1% | 18.9 | 2.8 | -85.2% |
| Financial Revenue | 27.8 | 25.1 | 17.6 | -36.7% | 54.4 | 42.6 | -21.7% |
| Interest on loans and financing | (21.9) | (20.5) | (21.0) | 4.1% | (45.4) | (41.5) | 8.6% |
| Monetary and foreign exchange variation | (3.4) | (6.9) | (6.7) | -97.1% | (6.6) | (13.5) | -104.5% |
| Other financial expenses | (3.3) | (4.2) | (6.6) | -100.0% | (5.3) | (10.7) | -101.9% |
| Financial Expenses | (28.6) | (31.6) | (34.3) | -19.9% | (57.3) | (65.7) | 14.7% |
| Net Financial Result | (0.8) | (6.5) | (16.7) | -1987.5% | (2.9) | (23.1) | -696.6% |

### 3.2.5 - Income Tax and Social Contribution

In CEMAR, income tax and social contribution payable is positively impacted by the following items: i) 75% income tax reduction benefit on installed capacity expansion granted by SUDENE (Northeast Region Development Authority) in December 2005 and expanded in 2007 to include the upgrade of all installed capacity, effective through 2016; ii) tax benefit related to accelerated depreciation, granted by SUDENE, whereby investments in the expansion and modernization of the distribution network can be entirely booked as a tax-deductible expense between 2006 and 2013; and iii) offsetting of tax loss carryforwards. It is worth mentioning that the first and second items refer only to Income Tax, while the third item refers both to Income Tax and Social Contribution.

Breakdown of Income Tax and Social Contribution Effective Rates

| Income Tax / Social Contribution (R$MM) | 2Q09 | 1Q10 | 2Q10 |
|---|---|---|---|
| EBT | 65.4 | 58.0 | 64.9 |
| Income Tax / Social Contribution Expenses | (4.8) | (6.4) | 2.4 |
| ( - ) Deferred Tax Assets | 9.5 | (0.3) | (12.5) |
| = Tax Payable | 4.7 | (6.7) | (10.0) |
| (+) Fiscal Credits | - | 1.6 | 2.7 |
| = Tax - Cash Basis ( 2 ) | 4.7 | (5.1) | (7.4) |
| Effective Tax Rate = ( 2 ) / ( 1 ) | -7.2% | 8.8% | 11.3% |

In 2Q10, gains related to income tax and social contribution totaled R$2.4 million. If we exclude the utilization of deferred tax assets, CEMAR paid R$7.4 million in taxes, which corresponds to an effective rate of 11.3%.

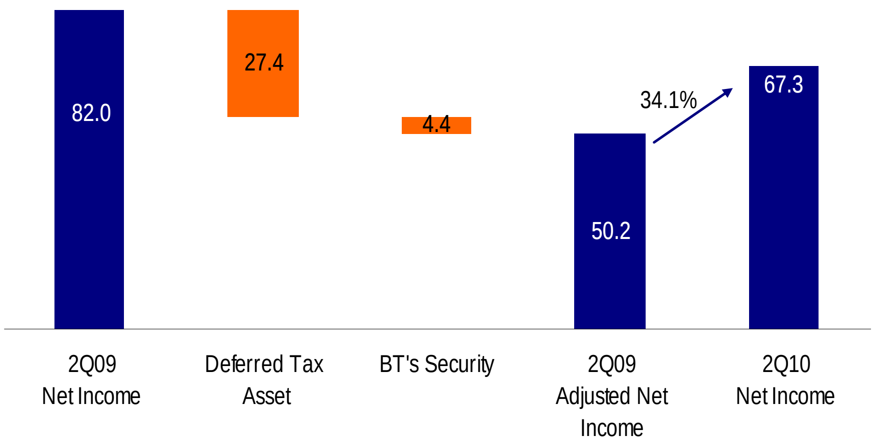
### 3.2.6 - Net Income

In 2Q10, CEMAR posted net income of R$67.3 million, 17.9% lower than the amount booked in 2Q09. It should be noted that income in 2Q09 was affected by the recognition of a positive adjustment amounting to R$27.4 million related to Deferred Tax Assets arising from tax loss carryforwards in previous years. Additionally, in 2Q09, the Company recognized R$5.2 million in Other Financial Revenues (R$4.4 million after taxes) relating to principal, inflation adjustment and foreign exchange variation on a collateral for a transaction carried out with the National Treasury in previous years.

It is worth highlighting that as occurred in 1Q10, 2Q10 Net Income was also negatively affected by R$9.6 million (net of fiscal effects) related to the amortization of the Low Income Subsidy to the extent this asset was already recognized in 3Q09's result when it was defined as a Financial Component of CEMAR's Periodic Tariff Review. If the previous accounting rule were applied in 2Q10, its Net Income would be R$76.9 million, which represents a 53.2% increase over 2Q09.

In 2Q10, CEMAR's net income per share is R$0.41, while net income per share in 1H10 is R$0.71.

ADJUSTED NET INCOME

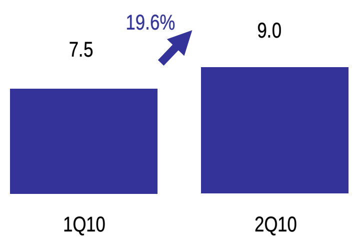


## 3.3 FINANCIAL PERFORMANCE - Geramar

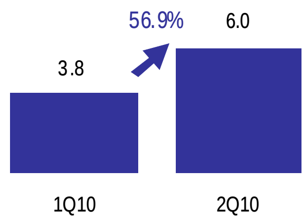
The information in this section reflects 25.0% of Geramar's operations.

| INCOME STATEMENT - GENERATION (R$MM) | 2Q09 | 1Q10 | 2Q10 | Chg. | 1H09 | 1H10 | Chg. |
|---|---|---|---|---|---|---|---|
| Gross Operating Revenues (GOR) | - | 8.3 | 9.9 | *N/A* | - | 18.2 | *N/A* |
| Net Operating Revenues (NOR) | - | 7.5 | 9.0 | *N/A* | - | 16.5 | *N/A* |
| Electric Energy Cost | - | (3.1) | (2.3) | *N/A* | - | (5.4) | *N/A* |
| Operating Costs / Expenses | - | (0.6) | (0.7) | *N/A* | - | (1.3) | *N/A* |
| EBITDA | - | 3.8 | 6.0 | *N/A* | - | 9.8 | *N/A* |
| Depreciation | - | (0.8) | (1.2) | *N/A* | - | (1.9) | *N/A* |
| Service Income (EBIT) | - | 3.0 | 4.8 | *N/A* | - | 7.9 | *N/A* |
| Financial Result | - | (2.3) | (3.0) | *N/A* | - | (5.3) | *N/A* |
| Earnings Before Taxes (EBT) | - | 0.7 | 1.8 | *N/A* | - | 2.6 | *N/A* |
| Income Tax / Social Contribution | - | (0.1) | (0.6) | *N/A* | - | (0.7) | *N/A* |
| Net Income | - | 0.6 | 1.2 | *N/A* | - | 1.9 | *N/A* |

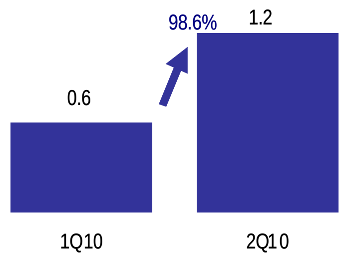
NOR (R$MM) - Quarterly*




EBITDA (R$MM) - Quarterly*




Net Income (R$MM) - Quarterly*




* Exceptionally, as this is the first year of Company operations, we are comparing Geramar's quarterly performance with the preceding quarter, instead of the same quarter in 2009.

### 3.3.1 - Operating Revenues

In 2Q10, net operating revenues (NOR) totaled R$9.0 million, resulting entirely from Fixed Revenues from plant availability, as no dispatch was requested by the National System Operator (ONS) in the quarter.

### 3.3.2 – Costs and Expenses

In 2Q10, the total costs incurred by the plants amounted to R$4.2 million, comprising costs related to transmission system use (CUST), generation costs (purchase of fuel, operation and maintenance of the plant, among others) and, to a lower extent, costs relating to personnel, material, outsourced services and others (PMSO).

| Operating Costs/Expenses | 2Q09 | 1Q10 | 2Q10 | Chg. | 1H09 | 1H10 | Chg. |
|---|---|---|---|---|---|---|---|
| CUST + Generation costs | - | 3.1 | 2.3 | N/A | - | 5.4 | N/A |
| PMSO | - | 0.6 | 0.7 | N/A | - | 1.3 | N/A |
| Depreciation | - | 0.8 | 1.2 | N/A | - | 1.9 | N/A |
| Geramar | - | 4.5 | 4.2 | N/A | - | 8.6 | N/A |

### 3.3.3 - EBITDA

Geramar's EBITDA in 2Q10 reached R$6.0 million, higher than the amount reported in 1Q10, driven by the increase in fixed revenues, as the plants were available for generation since the beginning of the quarter, which was not the case in the previous quarter, and by the slight decrease in costs when comparing 2Q10 with 1Q10.

### 3.3.4 – Financial Result

In 2Q10, the financial result was an expense of R$3.0 million, arising from interest paid on loans taken out to finance the construction of the plants.

### 3.3.5 – Net Income

In 2Q10, Geramar posted net income of R$1.2 million, already reflecting the first quarter when the plants were full-time available for generation.

## 4. Redentor Energia

Equatorial's Spin-off and Redentor's IPO

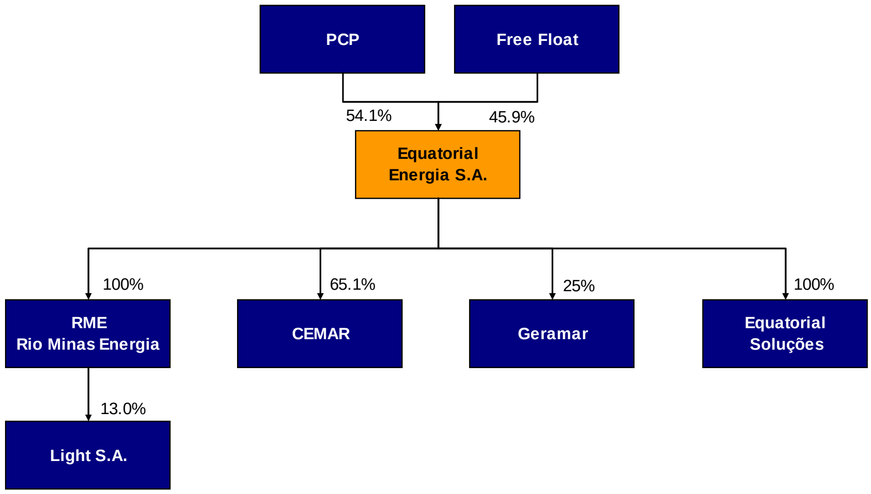
On April 29, 2010, Equatorial's Annual and Extraordinary General Meeting approved the Company's partial spin-off, which resulted in the creation of Redentor Energia, a company established solely to hold a stake in RME, one of the controlling shareholders of Light S.A.

On August 09, 2010, Redentor Energia received the authorization to register as publicly-traded company by the Brazilian Securities and Exchange Commission (CVM). We note that Equatorial shares currently outstanding in the market will be traded "*cum rights*" to the spin-off until the conclusion of the process of listing and admission of trading of Redentor shares in the *Novo Mercado* segment. Through this date, Equatorial shares shall only be traded in a stock exchange together with the corresponding shares issued by Redentor, under ticker EQTL3, the isolated trading in a stock exchange being prohibited for shares issued by Redentor or Equatorial.

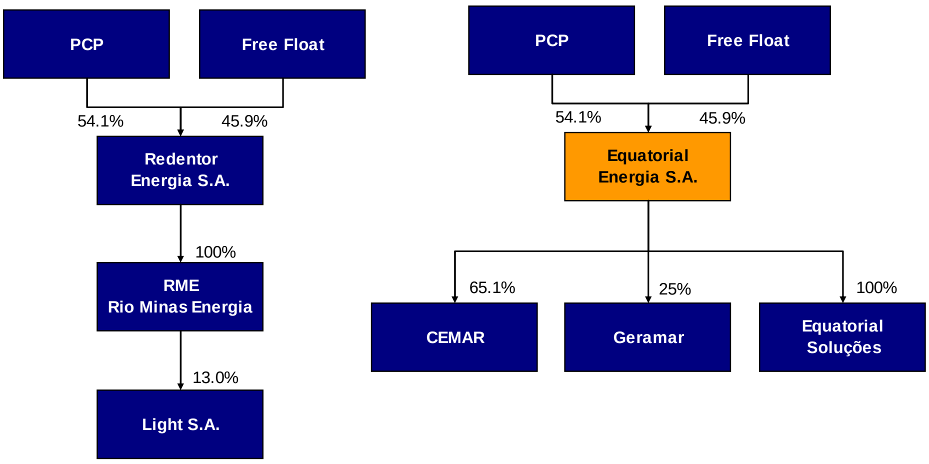
As from the admission of Redentor shares to trading in the *Novo Mercado* segment of BM&FBovespa, Equatorial shares and Redentor shares will be traded independently.

Organizational Chart

BEFORE THE SPIN-OFF




AFTER THE SPIN-OFF



## 5. Debt

Equatorial closed the second quarter with consolidated gross debt, including charges, of R$1,295.9 million. We note that, as from this quarter only, we no longer consolidate Light's figures.

In June 2010, only 0.7% of Equatorial's gross debt, corresponding to R$9.1 million, was denominated in foreign currency (mostly U.S. dollars). Thanks to its low degree of exchange exposure, neither CEMAR nor Equatorial have any hedge protection against the devaluation of the Real against foreign currencies.

Gross Debt (100% CEMAR + 25% Geramar)[1]

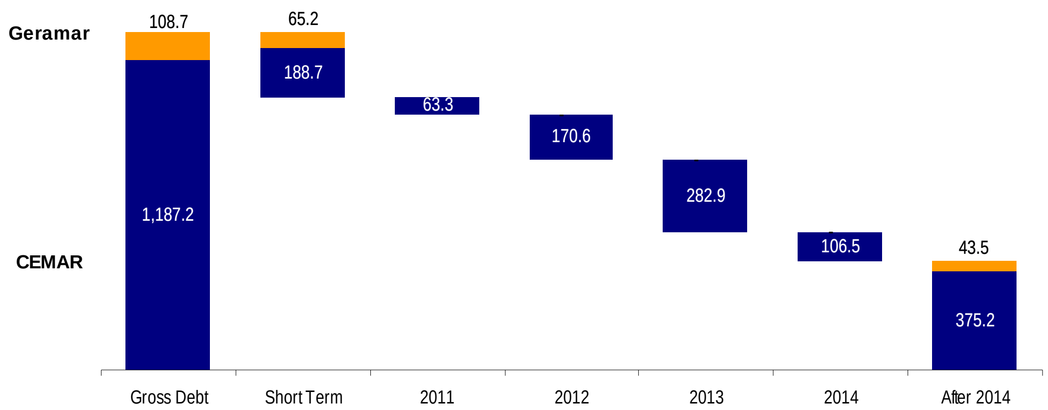
| Index | Average Charges (p.a.) | Average Due Date (month/year) | Average Period (years) | Part. (%) |
|---|---|---|---|---|
| Foreign Currency | | | | |
| Libor | 1.4% | Sep/21 | 11.5 | 0.3% |
| Fixed (US$) | 6.5% | Sep/21 | 11.5 | 0.4% |
| TOTAL (CEMAR) | 4.5% | | 11.5 | 0.7% |
| Domestic Currency | | | | |
| CEMAR | 8.7% | | 6.8 | 90.9% |
| IGP-M | 9.2% | Dec/23 | 13.8 | 11.7% |
| TJLP | 9.8% | Apr/13 | 2.9 | 5.9% |
| Fixed (R$) | 8.5% | Feb/19 | 8.9 | 19.4% |
| RGR | 6.5% | Sep/17 | 7.4 | 16.9% |
| FINEL(**) | 10.8% | Dec/15 | 5.7 | 3.5% |
| CDI | 9.3% | Feb/14 | 3.8 | 33.1% |
| SELIC | 8.8% | Jul/10 | 0.2 | 0.2% |
| Geramar | 10.5% | | 6.8 | 8.4% |
| CDI | 12.8% | Aug/10 | 0.6 | 60.0% |
| TJLP | 7.0% | Dec/25 | 16.0 | 40.0% |
| TOTAL | 8.8% | | 6.8 | 99.3% |
| TOTAL | 8.8% | | 6.9 | 100.0% |

| Maturity | CEMAR | Geramar | Consolidated | % of Total |
|---|---|---|---|---|
| Short Term | 188.7 | 65.2 | 253.9 | 19.6% |
| Long Term | 998.5 | 43.5 | 1,042.0 | 80.4% |
| 2011 | 63.3 | - | 63.3 | 4.9% |
| 2012 | 170.6 | - | 170.6 | 13.2% |
| 2013 | 282.9 | - | 282.9 | 21.8% |
| 2014 | 106.5 | - | 106.5 | 8.2% |
| After 2014 | 375.2 | 43.5 | 418.7 | 32.3% |
| Gross Debt | 1,187.2 | 108.7 | 1,295.9 | 100.0% |
| Cash | 403.7 | 2.5 | 406.2 | |
| Cash - Holding | | | 80.8 | |
| Cash - Equatorial Soluções | | | 3.7 | |
| Net Reg. Assets | 29.4 | | 29.4 | |
| Net Debt | 754.1 | 106.2 | 775.7 | |

(*) Considering 100% of CEMAR

(**) BNDES monetary unit, that represents the weighed average of exchange oscillation on currency from the currency group of BNDES

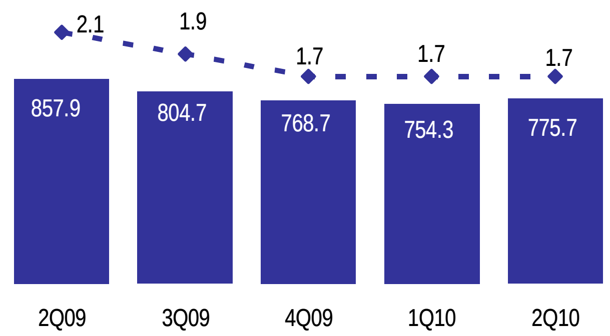
Schedule of Gross Debt Maturities
(R$ million)



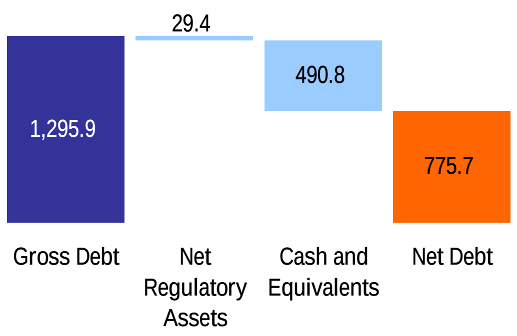

Net debt, including cash and cash equivalents and net regulatory assets, totaled R$775.7 million in 2Q10, 2.8% higher than the R$754.3 million reported in 1Q10, maintaining a net debt/EBITDA (last 12 months) ratio of 1.7x.

[1] For details, see Annex 4 – Indebtedness.

Net Debt (R$MM)(*) and Net Debt/EBITDA (last 12 months)
Consolidated (100% CEMAR + 25% Geramar)

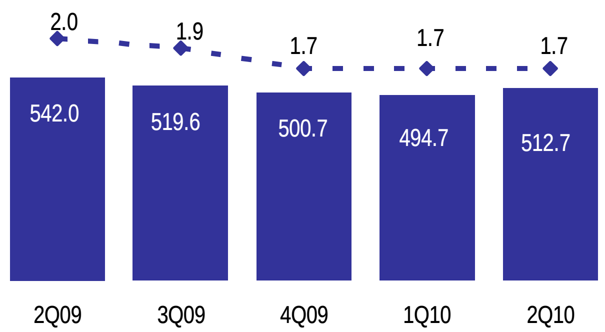



Reconciliation of Net Debt (R$MM)
Consolidated (100% CEMAR + 25% Geramar)

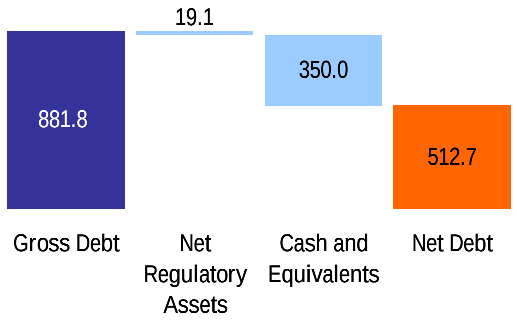



Total consolidated net debt, adjusted for Equatorial's interests in CEMAR (65.12%) and in Geramar (25%), came to R$512.7 million in June 2010, 1.7 times consolidated 12-month EBITDA.

Net Debt (R$MM) and Net Debt/EBITDA (last 12 months)
Adjusted Consolidated (65.12% CEMAR + 25% Geramar)




Reconciliation of Net Debt (R$MM)
Adjusted Consolidated (65.12% CEMAR + 25% Geramar)



## 6. Investments

The information related to the Investments made in the period reflects 100% of CEMAR's figures and 25% of Geramar's. As from this quarter, we no longer consolidate Light's figures.

| INVESTMENTS (R$MM) | 2Q09 | 1Q10 | 2Q10 | Chg. | 1H09 | 1H10 | Chg. |
|---|---|---|---|---|---|---|---|
| CEMAR | | | | | | | |
| Own (*) | 70.1 | 38.3 | 43.4 | *-38.1%* | 113.3 | 81.7 | *-27.9%* |
| PLPT | 28.6 | 33.1 | 45.7 | *59.7%* | 64.4 | 78.8 | *22.3%* |
| Total | 98.7 | 71.4 | 89.1 | *-9.8%* | 177.7 | 160.5 | *-9.7%* |
| Geramar | | | | | | | |
| Generation | 21.9 | 6.3 | 7.4 | *-66.3%* | 29.7 | 13.7 | *-54.1%* |
| TOTAL EQUATORIAL | 120.6 | 77.6 | 96.5 | -20.0% | 207.4 | 174.1 | -16.1% |

(*) Includes indirect PLPT investments.

### 6.1 - CEMAR

CEMAR's investments, excluding direct investments related to the PLPT, totaled R$43.4 million in 2Q10, representing a 38.1% decrease over 2Q09. Of this total, R$20.7 million were allocated to the distribution network expansion in the state of Maranhão, R$18.2 million to maintenance of existing network and the remaining R$4.4 million are subdivided into equipment, systems and others.

### Investments in PLPT (Light for All Program)

At the close of 2Q10, 248 thousand clients were connected to CEMAR's distribution network through the PLPT, directly benefiting over 1.2 million inhabitants in the state of Maranhão. The PLPT is already present in 211 (97%) of Maranhão's 217 municipalities, contributing to the development of areas isolated from the urban centers and generating wealth in these localities. In 2Q10, direct investments in the program, which include expenses with material, freight and outsourced services, totaled R$45.7 million, 59.7% up over 2Q09.

### 6.2 – Geramar

The 66.3% decline in the quarterly comparison derives from the conclusion of construction of the plants, which started up in 1Q10. The R$7.4 million investment in 2Q10 stems from the recognition of payables to suppliers related to the construction.

## 7. Capital Markets

Equatorial Energia shares closed 2Q10 at R$16.25, 6.6% up over the closing of 1Q10 (R$15.25).

Daily traded volume averaged R$4.6 million in the 60 trading sessions ended June 30, 2010. The Company shares are listed in the Bovespa's *Novo Mercado* trading segment and in the IEE, ITAG and IGC indices.

## 8. New Projects

Equatorial continues to seek investment opportunities in the distribution and generation segments, in line with its corporate strategy of playing a leading role in the consolidation of electricity distributors in Brazil and Latin America and in supplying the country's future generation needs.

## 9. Services Provided by Independent Auditors

The Company has not hired KPMG Auditores Independentes, its external auditors, for any other services beyond the independent audit. The Company's hiring policy is designed to ensure the independence of the auditors in line with the prevailing regulations. Essentially, these determine that the auditors may not audit their own work, nor exercise any managerial function for their clients or promote their clients' interests.

The following information was not reviewed by the independent auditors: i) non-financial information relating to Light and CEMAR (*Programa Luz para Todos [PLPT]* - Light for All Program); ii) *pro forma* financial information and its comparison with the results presented in the period, and; iii) Management's expectations regarding the future performance of the Companies.

## 10. Disclosure Calendar

**Conference Call in English**
Thursday, August 12, 2010
12:00 pm (Brasília time)
11:00 am (New York time)
Telephone: +1 (412) 858-4600
Replay: +1 (412) 317-0088
Code: Equatorial

**Conference Call in Portuguese**
Thursday, August 12, 2010
2:00 pm (Brasília time)
1:00 pm (New York time)
Telephone: +0 XX (11) 2188-0155
Replay: +0 XX (11) 2188-0155
Code: Equatorial

- Participants should connect approximately 10 minutes before the start of the call.
- Slides and Webcast: The presentation slides will be available for viewing and download on the Investor Relations section of our website http://www.equatorialenergia.com.br/ri as of the date of the calls. The calls will be transmitted live on the internet on the same site, remaining available after the events.
- Replay: The call replays will be available from August 12 to 19, 2010. To access, please dial the above-mentioned numbers or visit our website.

## Contacts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  Investor Relations Analyst
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- E-mail: ri@equatorialenergia.com.br
- Website: www.equatorialenergia.com.br/ri


## Additional Information on CEMAR

Further information on CEMAR, including a more detailed breakdown of financial and operating results, can be found in the company's Earnings Release at the following address:

- CEMAR: www.cemar-ma.com.br/ri

## Disclaimer

Forward-looking statements are subject to risks and uncertainties and are based on the expectations of our management and on the information currently available to the Company. Forward-looking statements include information on our current intentions, beliefs or expectations, as well as those of the Board of Directors and the Executive Board.

The reservations concerning forward-looking statements include information related to presumed or possible operating results, as well as declarations preceded, followed by or including such expressions as "believe", "can", "will", "continue", "expect", "forecast", "intend", "estimate" or similar.

Since they refer to future events and are therefore dependent on circumstances which may or may not occur, such statements are not a guarantee of performance. Future results and the creation of shareholder value may differ substantially from those expressed or suggested by said forward-looking statements, since many of the factors determining these results are outside the Company's control.

Accounting criteria adopted:
The information contained herein is presented in consolidated figures, pursuant to Brazilian Corporate Law, based on revised financial information. The consolidated financial information represents 100% of CEMAR's results, excluding 34.86% related to minority interests, 25% of Geramar's and 100% of Equatorial Soluções'.

The consolidated operating information represents 100% of CEMAR's, 25% of Geramar's and 100% of Equatorial Soluções' results.

To assure comparability between periods, the financial information for 2Q09, 1Q10, 1H09 and 1H10 is presented on a *pro forma* basis, excluding the interest held by Equatorial in Light, pursuant to the spin-off process taken place on April 29, 2010.

## ANNEX 1 – CONSOLIDATED INCOME STATEMENT (R$ MM)

- The results for 2Q09, 1Q10, 1H09 and 1H10 are *pro forma*, excluding the same interest then held by Equatorial in RME.

| INCOME STATEMENT (R$ MM) | 2Q09 | 1Q10 | 2Q10 | 1H09 | 1H10 |
|---|---|---|---|---|---|
| GROSS OPERATING REVENUES | 364.2 | 399.3 | 447.7 | 731.0 | 847.0 |
| Electricity Sales to Final Consumer | 356.6 | 393.0 | 433.3 | 715.0 | 826.3 |
| Electricity Supply | 3.0 | 1.6 | 1.8 | 7.9 | 3.4 |
| Other Revenues | 4.6 | 4.7 | 12.6 | 8.1 | 17.4 |
| DEDUCTIONS FROM OPERATING REVENUES | (101.6) | (123.6) | (131.9) | (205.2) | (255.5) |
| NET OPERATING REVENUES | 262.6 | 275.7 | 315.8 | 525.8 | 591.6 |
| ELECTRICITY COSTS | (115.8) | (122.3) | (132.8) | (223.8) | (255.1) |
| Electricity Purchased for Resale | (92.7) | (100.5) | (111.2) | (181.4) | (211.7) |
| Transmission and Distribution Network Usage Charges | (22.5) | (21.1) | (20.9) | (41.5) | (41.9) |
| Other non-manageable expenses | (0.7) | (0.7) | (0.7) | (1.0) | (1.5) |
| OPERATING COSTS/EXPENSES | (53.6) | (68.7) | (69.6) | (104.5) | (138.3) |
| Personnel | (11.4) | (22.0) | (15.3) | (21.3) | (37.3) |
| Material | (1.9) | (2.0) | (2.0) | (3.9) | (4.1) |
| Services | (25.8) | (31.5) | (34.6) | (50.4) | (66.1) |
| Provisions | (8.1) | (8.0) | (15.2) | (20.6) | (23.2) |
| Others | (6.3) | (5.2) | (2.5) | (8.3) | (7.6) |
| EBITDA | 93.2 | 84.7 | 113.4 | 197.4 | 198.1 |
| Other Operating Revenue/Expenses | (3.0) | (2.0) | (0.7) | (10.7) | (2.7) |
| Depreciation and Amortization | (26.8) | (23.2) | (23.3) | (52.4) | (46.5) |
| SERVICE INCOME | 63.4 | 59.5 | 89.4 | 134.4 | 148.9 |
| EQUITY INCOME | 0.9 | 13.5 | (2.3) | - | 11.2 |
| Equity Income | - | 14.4 | - | - | 14.4 |
| Goodwill Amortization | 0.9 | (0.9) | (2.3) | - | (3.2) |
| FINANCIAL INCOME | 3.9 | (6.7) | (17.6) | 8.6 | (24.3) |
| Financial Revenue | 33.0 | 27.2 | 19.6 | 66.7 | 46.8 |
| Financial Expenses | (29.0) | (33.8) | (37.3) | (58.1) | (71.1) |
| OPERATING INCOME | 68.2 | 66.4 | 69.5 | 143.0 | 135.8 |
| Social Contribution | (4.9) | (6.9) | (10.3) | (9.7) | (17.2) |
| Income Tax | (13.7) | (10.9) | (15.3) | (28.0) | (26.2) |
| Deferred Taxes | 23.4 | 0.3 | 12.5 | 18.0 | 12.8 |
| SUDENE Incentive | 13.1 | 10.6 | 14.6 | 26.8 | 25.1 |
| PROFIT SHARING | (3.2) | (3.1) | (3.3) | (6.4) | (6.5) |
| MINORITY INTERESTS | (28.4) | (17.1) | (23.5) | (49.2) | (40.5) |
| NET INCOME | 54.5 | 39.3 | 44.1 | 94.4 | 83.4 |

## ANNEX 2 – INCOME STATEMENT PER COMPANY (R$ MM)

- The following table reflects Equatorial's consolidation process, i.e. the sum of Equatorial Holding + 100% of Equatorial Soluções + 100% of CEMAR + 25% of Geramar + eliminations.
- The "Minority Interest" line contains an adjustment so that Equatorial's consolidated result reflects its actual stake in Cemar, of 65.12%.

| INCOME STATEMENT PER COMPANY (R$MM) | Equatorial Holding | Geramar 25% | Equatorial Soluções 100% | CEMAR 100% | Eliminations | Equatorial Consolidated |
|---|---|---|---|---|---|---|
| GROSS OPERATING REVENUES | 0.5 | 9.9 | 3.2 | 434.1 | - | 447.7 |
| Electricity Sales to Final Consumer | - | 9.8 | - | 423.5 | - | 433.3 |
| Electricity Supply | - | - | - | 1.8 | - | 1.8 |
| Emergency Capacity Charge | - | - | - | - | - | - |
| Other Revenues | 0.5 | 0.1 | 3.2 | 8.8 | - | 12.6 |
| DEDUCTIONS FROM OPERATING REVENUES | (0.1) | (0.9) | (0.3) | (130.7) | - | (131.9) |
| NET OPERATING REVENUES | 0.4 | 9.0 | 3.0 | 303.4 | - | 315.8 |
| ELECTRICITY COSTS | - | (2.3) | - | (130.5) | - | (132.8) |
| Electricity Purchased for Resale | - | (2.0) | - | (109.2) | - | (111.2) |
| Transmission and Distribution Network Usage Charges | - | (0.3) | - | (20.6) | - | (20.9) |
| Other Non-Manageable Expenses | | | | (0.7) | | (0.7) |
| OPERATING COSTS/EXPENSES | (2.2) | (0.7) | (0.9) | (65.9) | - | (69.6) |
| Personnel | (0.7) | (0.0) | (0.1) | (14.5) | - | (15.3) |
| Material | (0.0) | (0.1) | - | (1.9) | - | (2.0) |
| Services | (1.0) | (0.1) | (0.8) | (32.7) | - | (34.6) |
| Provisions | - | - | - | (15.2) | - | (15.2) |
| Others | (0.4) | (0.4) | (0.0) | (1.6) | - | (2.5) |
| EBITDA | (1.7) | 6.0 | 2.1 | 107.1 | - | 113.4 |
| Other Operating Revenue/Expenses | | | | (0.7) | | (0.7) |
| Depreciation and Amortization | (0.0) | (1.2) | (0.0) | (22.1) | - | (23.3) |
| SERVICE INCOME | (1.8) | 4.8 | 2.0 | 84.3 | - | 89.4 |
| EQUITY INCOME | 44.5 | - | - | - | (46.7) | (2.3) |
| Equity Income | 46.7 | - | - | - | (46.7) | - |
| Goodwill Amortization | (2.3) | - | - | - | - | (2.3) |
| FINANCIAL INCOME | 2.0 | (3.0) | 0.1 | (16.7) | - | (17.6) |
| Financial Revenue | 2.0 | 0.0 | 0.1 | 17.6 | - | 19.6 |
| Financial Expenses | (0.0) | (3.0) | (0.0) | (34.3) | - | (37.3) |
| RESULT BEFORE INCOME TAX | 44.7 | 1.8 | 2.1 | 67.6 | (46.7) | 69.5 |
| Social Contribution | 0.0 | (0.2) | (0.1) | (10.0) | - | (10.3) |
| Income Tax | (0.2) | (0.4) | (0.1) | (14.6) | - | (15.3) |
| Deferred Taxes | - | - | - | 12.5 | - | 12.5 |
| SUDENE Incentive | - | - | - | 14.6 | - | 14.6 |
| PROFIT SHARING | (0.4) | - | (0.2) | (2.7) | - | (3.3) |
| MINORITY INTERESTS | - | - | - | - | (23.5) | (23.5) |
| NET INCOME | 44.1 | 1.2 | 1.7 | 67.3 | (70.2) | 44.1 |

equatorial ENERGIA

## ANNEX 3 – BALANCE SHEET (R$ MM)

| ASSETS (R$ MM) | 2Q09 | 3Q09 | 4Q09 | 1Q10 | 2Q10 |
|---|---|---|---|---|---|
| CURRENT | 639.4 | 896.8 | 956.5 | 1,028.8 | 1,014.3 |
| Cash and Cash Equivalents | 192.1 | 337.6 | 440.5 | 523.4 | 490.8 |
| Consumers and Resellers | 300.3 | 317.9 | 328.5 | 341.8 | 374.7 |
| Inventory | 11.6 | 11.7 | 5.5 | 5.8 | 5.6 |
| Taxes Recoverable | 64.3 | 72.9 | 46.2 | 50.1 | 58.3 |
| Low Income | 18.3 | 20.3 | 23.1 | 22.5 | 23.4 |
| Regulatory Assets | 26.8 | 112.4 | 84.9 | 52.3 | 20.0 |
| Other Accounts Receivable | 26.0 | 24.1 | 27.8 | 32.8 | 41.5 |
| LONG TERM ASSETS | 470.1 | 409.0 | 415.4 | 415.4 | 413.2 |
| Consumers and Resellers | 53.6 | 65.9 | 68.2 | 69.3 | 61.8 |
| Taxes Recoverable | 94.8 | 99.4 | 119.2 | 120.0 | 124.4 |
| Deferred Taxes - Income Tax / Social Contribution | 242.9 | 239.6 | 218.9 | 217.1 | 217.5 |
| Other Accounts Receivable | 78.7 | 4.0 | 9.0 | 8.9 | 9.4 |
| FIXED ASSETS | 1,542.1 | 1,612.6 | 1,646.8 | 1,612.3 | 1,631.9 |
| Investments | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Deferred | 2.1 | 2.0 | 1.9 | 1.9 | 1.8 |
| Goodwill | 290.0 | 291.4 | 290.6 | 285.8 | 290.9 |
| Fixed Assets | 1,944.4 | 2,086.7 | 2,183.2 | 2,227.2 | 2,288.2 |
| (-) Special Obligations | (694.6) | (767.7) | (829.1) | (902.7) | (949.2) |
| TOTAL ASSETS | 2,651.6 | 2,918.4 | 3,018.7 | 3,056.4 | 3,059.3 |

| LIABILITIES AND SHAREHOLDERS' EQUITY (R$ MM) | 2Q09 | 3T09 | 4Q09 | 1T10 | 2T10 |
|---|---|---|---|---|---|
| CURRENT | 426.2 | 539.8 | 620.0 | 619.3 | 549.0 |
| Suppliers | 139.9 | 183.5 | 183.1 | 116.1 | 150.2 |
| Salaries | 0.4 | 0.7 | 0.8 | 0.9 | 0.8 |
| Dividends / Interest on Equity | 0.5 | 0.4 | 70.5 | 70.5 | 0.4 |
| Taxes and Social Contribution | 43.2 | 55.6 | 33.8 | 48.7 | 49.3 |
| Loans and Financing | 150.6 | 203.7 | 223.8 | 238.6 | 192.1 |
| Debentures | 9.4 | 1.9 | 7.8 | 55.5 | 61.8 |
| Public Lighting | 12.9 | 13.7 | 15.7 | 15.5 | 14.6 |
| Provision for Contingencies | 5.4 | 3.2 | 3.3 | 2.5 | 1.6 |
| Regulatory Liabilities | 8.8 | 12.3 | 16.8 | 14.9 | 14.0 |
| Others | 55.1 | 64.8 | 64.4 | 56.1 | 64.2 |
| LONG TERM LIABILITIES | 1,140.9 | 1,206.5 | 1,321.8 | 1,293.4 | 1,299.0 |
| Taxes and Social Contribution | 139.4 | 150.4 | 229.3 | 226.6 | 235.2 |
| Debentures | 267.3 | 267.3 | 267.3 | 213.8 | 213.8 |
| Loans and Financing | 714.1 | 769.4 | 801.6 | 829.7 | 828.2 |
| Provision for Contingencies | 5.3 | 4.5 | 2.9 | 2.6 | 1.2 |
| Others | 14.9 | 14.8 | 20.7 | 20.6 | 20.6 |
| MINORITY INTERESTS | 254.9 | 285.6 | 254.5 | 271.7 | 295.2 |
| SHAREHOLDERS EQUITY | 829.5 | 886.4 | 822.4 | 872.0 | 916.2 |
| Capital Stock | 577.9 | 566.9 | 548.3 | 552.4 | 566.8 |
| Profit Reserves | 114.6 | 115.3 | 274.1 | 280.3 | 280.4 |
| Retained Earnings/Accumulated Deficit | 137.0 | 204.3 | - | 39.3 | 69.0 |
| TOTAL LIABILITIES AND SHAREHOLDERS EQUITY | 2,651.6 | 2,918.4 | 3,018.7 | 3,056.4 | 3,059.3 |

## ANNEX 4 – INDEBTEDNESS

Considering 100% of CEMAR + 25% of Geramar + 100% of Equatorial Soluções

| LOANS AND FINANCING LINES (R$ MM) | 2Q09 | | | | 2Q10 | | | |
|---|---|---|---|---|---|---|---|---|
| | S. T. - Charges | S. T. - Principal | L. T. | Total | S. T. - Charges | S. T. - Principal | L. T. | Total |
| FOREIGN CURRENCY | 0 | 1 | 10 | 10 | 0 | 1 | 8 | 9 |
| National Treasury | 0 | 1 | 10 | 10 | 0 | 1 | 8 | 9 |
| Others | - | - | - | - | - | - | - | - |
| DOMESTIC CURRENCY | 13 | 136 | 706 | 854 | 8 | 183 | 820 | 1,011 |
| Eletrobrás | 1 | 58 | 341 | 400 | 0 | 41 | 379 | 420 |
| Financial Institutions | 11 | 73 | 343 | 427 | 8 | 137 | 421 | 566 |
| Debt with Pension Fund | - | 5 | 23 | 27 | - | 5 | 20 | 25 |
| SUB TOTAL - LOANS AND FINANCING | 13 | 137 | 716 | 865 | 8 | 184 | 828 | 1,020 |
| Debentures | 9 | - | 267 | 277 | - | 62 | 214 | 276 |
| DEBT TOTAL | 22 | 137 | 983 | 1,141 | 8 | 245 | 1,042 | 1,296 |

S.T. = Short Term / L.T. = Long Term

Considering 65.12% of CEMAR + 25% of Geramar + 100% of Equatorial Soluções

| LOANS AND FINANCING LINES (R$ MM) | 2Q09 | | | | 2Q10 | | | |
|---|---|---|---|---|---|---|---|---|
| | S. T. - Charges | S. T. - Principal | L. T. | Total | S. T. - Charges | S. T. - Principal | L. T. | Total |
| FOREIGN CURRENCY | 0 | 0 | 6 | 7 | 0 | 0 | 5 | 6 |
| National Treasury | 0 | 0 | 6 | 7 | 0 | 0 | 5 | 6 |
| Others | - | - | - | - | - | - | - | - |
| DOMESTIC CURRENCY | 8 | 96 | 460 | 564 | 6 | 142 | 549 | 696 |
| Eletrobrás | 1 | 38 | 222 | 260 | 0 | 27 | 247 | 273 |
| Financial Institutions | 8 | 56 | 223 | 286 | 6 | 112 | 290 | 407 |
| Debt with Pension Fund | - | 3 | 15 | 18 | - | 3 | 13 | 16 |
| SUB TOTAL - LOANS AND FINANCING | 8 | 97 | 466 | 571 | 6 | 142 | 554 | 702 |
| Debentures | 6 | - | 174 | 180 | - | 40 | 139 | 180 |
| DEBT TOTAL | 15 | 97 | 640 | 751 | 6 | 182 | 694 | 882 |

S.T. = Short Term / L.T. = Long Term

## ANNEX 5 – CASH FLOW STATEMENT

| CONSOLIDATED CASH FLOW (R$MM) | 2Q09 | 3Q09 | 4Q09 | 1Q10 | 2Q10 |
|---|---|---|---|---|---|
| Cash and Cash Equivalents - Initial Balance | 420.4 | 192.1 | 337.6 | 440.5 | 523.4 |
| CF from Operating Activities | | | | | |
| *Net Income* | 54.5 | 56.0 | (26.2) | 39.3 | 44.1 |
| *(+) Non Cash Expenses* | 25.9 | 24.9 | 24.0 | 24.1 | 25.6 |
| *Changes in Assets* | (73.6) | (50.9) | 36.8 | 10.7 | (16.0) |
| *Changes in Liabilities* | (52.4) | 120.2 | 86.2 | (49.1) | 57.2 |
| (=) Cash Flow from Operating Activities | (45.7) | 150.3 | 120.8 | 25.0 | 110.9 |
| CF from Investments | | | | | |
| Fixed Assets | (132.0) | (167.2) | (116.9) | (67.2) | (84.3) |
| Others | (0.0) | (1.4) | (2.7) | 4.0 | (7.3) |
| (=) Cash Flow from Investments | (132.0) | (168.6) | (119.6) | (63.2) | (91.6) |
| CF from Financing | | | | | |
| *Atividades de Financiamento Próprias* | | | | | |
| Loans and Financing | *77.4* | *100.9* | *58.3* | *37.1* | *(41.8)* |
| Dividends | *(140.0)* | - | - | - | *(71.0)* |
| Capital Increase | *(16.8)* | *(10.3)* | *(18.0)* | *10.3* | *14.5* |
| Subsidies | *28.9* | *73.1* | *61.4* | *73.6* | *46.5* |
| (=) Cash Flow from Financing | (50.5) | 163.7 | 101.7 | 121.1 | (51.9) |
| (=) Quarterly Cash Flow | (228.2) | 145.4 | 102.9 | 82.9 | (32.6) |
| Cash and Cash Equivalents - Final Balance | 192.1 | 337.6 | 440.5 | 523.4 | 490.8 |

# Independent auditors’ special review report

To
The Board of Directors and Shareholders of
Equatorial Energia S.A.
São Luis - MA

**1.** We have revised the accounting information included in the Quarterly Information (ITR) of Equatorial Energia S.A. and in the Consolidated Quarterly Information of this Company and its subsidiaries for the quarter ended June 30, 2010, which comprise the balance sheets, the statements of income, changes in shareholders´ equity and cash flows, the notes to the financial statements and the performance report, which are the responsibility of management.

**2.** Our review was conducted in accordance with specific standards established by IBRACON - Institute of Independent Auditors in Brazil, and the Federal Accounting Council (CFC), and consisted mainly of: (a) enquiries and discussions with management responsible for the accounting, financial and operational areas of the Company and its subsidiaries, with respect to the main criteria adopted for preparing the Quarterly Information; and (b) review of the information and subsequent events that have, or could have, significant impacts on the financial position and operations of the Company and its subsidiaries.

**3.** Based on our review, we are not aware of any relevant alterations that should be made to the accounting information included in the aforementioned Quarterly Information for it to be in accordance with accounting practices adopted in Brazil and the norms issued by the Securities Commission (CVM), applicable for preparing Quarterly Information.

**4.** As reported in Note 2, during 2009, the CVM approved various Pronouncements, Interpretations and Technical Guidelines issued by the Accounting Pronouncements Committee (CPC), effective for 2010, which altered the accounting practices adopted in Brazil. As permitted by CVM Decision 603/09, management from the Company and its subsidiaries opted to present the Quarterly Information (ITR) using the accounting practices adopted in Brazil until December 31, 2009, that is, they did not adopt these norms in force for 2010. In accordance with CVM Decision 603/09, the Company disclosed this fact in Note 2 of the ITR, together with a description of the main alterations that could have an impact on the financial statements at the end of the year, and clarifications of the reasons that prevented the presentation of estimates of the possible effects on shareholders' equity and its results.

Fortaleza, August 10, 2010

KPMG Auditores Independentes
CRC 2SP014428/O-6

João Alberto da Silva Neto
Contador CRC 1RS048980/O-0 S SP

# Equatorial Energia S.A.

**Publicly-held Company**

# Balance sheets

**at June 30, 2009 and March 31, 2010**

*(In thousands of Reais)*

| | | Parent company | | Consolidated | |
|---|---|---|---|---|---|
| **Assets** | **Note** | **06/30/2010** | **03/31/2010** | **06/30/2010** | **03/31/2010** |
| **Current assets** | | | | | |
| Cash and cash equivalent | 5 | 421 | 17 | 24.300 | 58.605 |
| Marketable securities | 5 | 80.423 | 92.748 | 466.480 | 464.808 |
| Consumers and resellers | 6 | (4) | (4) | 421.235 | 386.913 |
| Low income consumers | 7 | - | - | 23.399 | 22.490 |
| Services requested | 11 | - | - | 29.504 | 20.827 |
| Allowance for doubtful accounts | 6 | - | - | (46.533) | (45.078) |
| Recoverable taxes | 8 | 584 | 472 | 58.306 | 50.082 |
| Deferred income tax and social contribution | 9 | - | - | 5.444 | 5.444 |
| Prepaid expenses | | 30 | 6 | 2.491 | 2.648 |
| Inventories | | - | - | 5.570 | 5.845 |
| Regulatory assets | 10 | - | - | 19.988 | 52.317 |
| Dividends receivable | | 261 | 37.992 | - | - |
| Other accounts receivable | | 1 | - | 4.096 | 3.866 |
| | | 81.716 | 131.231 | 1.014.280 | 1.028.767 |
| **Non-current assets** | | | | | |
| **Long-term assets** | | | | | |
| Consumers and resellers | 6 | - | - | 61.845 | 69.319 |
| Recoverable taxes | 8 | 11.253 | 11.253 | 124.394 | 119.972 |
| Deferred income tax and social contribution | 9 | - | - | 217.517 | 217.134 |
| Prepaid expenses | | - | - | - | - |
| Regulatory assets | 10 | - | - | - | - |
| Judicial deposits | | 2 | 2 | 2 | 2 |
| Other accounts receivable | | - | - | 9.407 | 8.927 |
| | | 11.255 | 11.255 | 413.165 | 415.354 |
| **Results from discontinued operations** | | - | 373.552 | - | 373.552 |
| **Property, plant and equipment** | 13 | 298 | 298 | 1.338.980 | 1.317.835 |
| **Investimentos** | 11 | 584.862 | 538.204 | (2.888) | (2.888) |
| **Intangible assets** | 14 | 240.508 | 242.774 | 293.996 | 295.498 |
| **Deferred assets** | 15 | 395 | 432 | 1.788 | 1.861 |
| Total | | 919.034 | 1.297.746 | 3.059.321 | 3.429.979 |

| | | Parent company | | Consolidated | |
|---|---|---|---|---|---|
| **Liabilities** | **Nota** | **06/30/2010** | **03/31/2010** | **06/30/2010** | **03/31/2010** |
| **Current liabilities** | | | | | |
| Accounts payable to suppliers | 16 | 213 | 461 | 150.193 | 116.087 |
| Payroll | | 39 | 64 | 833 | 923 |
| Payroll charges | | 57 | 96 | 7.943 | 6.480 |
| Loans and financing | 17 | - | - | 192.092 | 238.636 |
| Debentures | 18 | - | - | 61.825 | 55.508 |
| Regulatory taxes | 19 | - | - | 4.461 | 4.949 |
| Taxes payable | 20 | 1.568 | 1.242 | 49.262 | 48.744 |
| Dividends and interest on shareholders' equity | 22 | 27 | 49.848 | 433 | 70.468 |
| Provision for contingences | 21 | - | - | 1.601 | 2.500 |
| Public lighting tariff | | - | - | 14.552 | 15.507 |
| Regulatory liabilities | 10 | - | - | 13.983 | 14.902 |
| Researches and development and Energy Efficiency Program | 23 | - | - | 25.720 | 22.019 |
| Profit sharing | | 844 | 394 | 6.913 | 3.787 |
| Other accounts payable | 24 | 81 | 45 | 19.168 | 18.837 |
| | | 2.829 | 52.150 | 548.979 | 619.347 |
| **Non-current liabilities** | | | | | |
| Loans and financing | 17 | - | - | 828.155 | 829.736 |
| Debentures | 18 | - | - | 213.840 | 213.840 |
| Taxes payable | 20 | - | - | 235.191 | 226.621 |
| Provision for contingences | 21 | 2 | 2 | 1.222 | 2.614 |
| Researches and development and Energy Efficiency Program | 23 | - | - | 16.624 | 16.624 |
| Regulatory liabilities | 10 | - | - | - | - |
| Other accounts payable | 24 | - | - | 3.956 | 3.938 |
| Negative goodwill | 11 | - | - | - | - |
| | | 2 | 2 | 1.298.988 | 1.293.373 |
| Minority interest | | - | - | 295.151 | 271.666 |
| **Shareholder's equity** | | | | | |
| Capital | 25 | 566.831 | 925.996 | 566.831 | 925.996 |
| Capital reserves | 25 | 11.304 | 11.223 | 11.304 | 11.223 |
| Profit reserves | 25 | 269.053 | 269.053 | 269.053 | 269.052 |
| Accummulated Profits | | 69.015 | 39.322 | 69.015 | 39.322 |
| | | 916.203 | 1.245.594 | 916.203 | 1.245.593 |
| Total | | 919.034 | 1.297.746 | 3.059.321 | 3.429.979 |

See the accompanying notes to the financial statements.

Equatorial Energia S.A.

**Publicly-held Company**

## Statements of income

**June 30, 2010 and 2009**

*(In thousands of Reais, except profit per lot of one thousand shares)*

| | Note | Parent company 2010 | Parent company 2009 | Consolidated 2010 | Consolidated 2009 |
|---|---|---|---|---|---|
| **Revenues** | 26 | 856 | - | 847.038 | 1.828.651 |
| Energy electric sales | | - | - | 826.386 | 1.698.392 |
| Energy electric supply | | - | - | 3.417 | 52.599 |
| Other revenues | | 856 | - | 17.235 | 77.660 |
| **Deductions** | | (122) | - | (255.473) | (625.160) |
| Value-Added Tax - ICMS on electricity sales | | - | - | (138.384) | (378.647) |
| Social contribution on billings - COFINS and Social Integration Program – PIS | | - | - | (83.317) | (124.773) |
| Consumer charges | | (79) | - | (24.330) | (112.619) |
| Quota in Global Reversal Reserve - RGR | | - | - | (8.915) | (8.411) |
| Services Tax - ISS | | - | - | (535) | (298) |
| Emergency capacity charges | | (43) | - | 8 | 3 |
| Others | | - | - | - | (415) |
| **Net revenues** | | 734 | - | 591.564 | 1.203.491 |
| **Cost of sales and/or services rendered** | | - | - | (323.390) | (787.563) |
| **Cost of electric energy** | 27 | - | - | (253.652) | (643.821) |
| Electric energy purchased for resale | | - | - | (211.715) | (602.335) |
| Charge for the transmission and distribution system use | | - | - | (41.937) | (41.486) |
| **Operating cost** | 27 | - | - | (68.900) | (143.733) |
| Personal | | - | - | (9.121) | (25.199) |
| Material | | - | - | (2.780) | (5.040) |
| Third party service | | - | - | (17.287) | (31.024) |
| Depreciation and amortization | | - | - | (39.235) | (78.620) |
| Leasing and rent | | - | - | (43) | (26) |
| Others | | - | - | (434) | (3.824) |
| **Cost from third party service** | 27 | - | - | (838) | (9) |
| Personal | | - | - | - | (1) |
| Material | | - | - | - | - |
| Third party service | | - | - | (838) | (8) |
| **Gross profit** | | 734 | - | 268.175 | 415.928 |
| Selling expenses | | - | - | (34.422) | (39.323) |
| General and administrative expenses | | (1.783) | (2.093) | (35.227) | (30.445) |
| Management remuneration | | (7.533) | (2.331) | (9.502) | (13.045) |
| Allowance for doubtful accounts and credit losses | | - | - | (18.826) | (48.033) |
| Provision (reversal) for contingencies | | - | - | (3.313) | (9.088) |
| Depreciation and amortization | | (74) | (74) | (7.227) | (11.975) |
| Others operating income (expenses) | | (1.040) | (859) | (10.740) | (24.615) |
| Others operating income (expenses) non recurrents | | | (93) | | |
| **Service operating result** | | (9.696) | (5.357) | 148.918 | 239.404 |
| **Financial income (expenses)** | 27 | 3.957 | 11.193 | (24.305) | (451) |
| Financial income | | 3.801 | 12.088 | 20.769 | 70.415 |
| Fine charged on electric energy sale | | - | - | 24.391 | 17.686 |
| Monetary and foreign exchange variation | | - | - | - | 9.501 |
| Interest on loans and financing | | - | - | 1.292 | (75.068) |
| Interest on shareholders' equity | | - | - | (62.981) | - |
| Others | | 156 | (895) | (7.775) | (22.985) |
| **Equity in income** | 27 | 90.463 | 135.061 | 11.232 | 2.320 |
| **Operating income/expenses** | | 83.990 | 140.804 | (132.329) | (174.655) |
| **Operating income** | | 84.724 | 140.804 | 135.845 | 241.273 |
| **Income before income tax and social contribution** | | 84.724 | 140.804 | 135.845 | 241.273 |
| **Provision of income tax and social contribution tax** | | (422) | (1.644) | (5.435) | (13.119) |
| Social contribution tax | | (57) | (438) | (17.152) | (16.797) |
| Income tax | | (365) | (1.206) | (26.187) | (47.842) |
| Tax subsidy from SUDENE | | - | - | 25.127 | 26.756 |
| Deferred income before income tax and social contribution | | - | - | 12.777 | 24.764 |
| **Income before profit sharing** | | 84.302 | 139.160 | 130.410 | 228.154 |
| Profit sharing | | (900) | (2.144) | (6.465) | (9.870) |
| **Income before minority interest** | | 83.402 | 137.016 | 123.945 | 218.284 |
| Minority interest | | - | - | (40.544) | (84.030) |
| **Net income for the period** | | 83.402 | 137.016 | 83.402 | 134.254 |
| **Income per share (lot of thousand)** | | 0,77 | 1,29 | 0,77 | 1,27 |
| **Number of shares** | | 108.480.828 | 105.859.000 | 108.480.828 | 105.859.000 |

See the accompanying notes to the financial statements.

# Equatorial Energia S.A.

**Publicly-held Company**

# Statements of changes in shareholders' equity

**at June 30, 2009 and March 31, 2010**

*(In thousands of Reais)*

| | Capital | Capital reserves | Profit reserves | | Retained earnings | Total |
|---|---|---|---|---|---|---|
| | | | Legal | Investment and expansion | | |
| **Balances at December 31, 2008** | 987.649 | 2.611 | 28.563 | 82.303 | - | 1.101.126 |
| Grantee stock options | - | 2.392 | - | - | - | 2.392 |
| Capital increase | 2.139 | - | - | - | - | 2.139 |
| Capital decrease | (82.303) | - | - | - | - | (82.303) |
| Net income for the year | - | - | - | - | 208.991 | 208.991 |
| Distributions: | | | | | | |
| Legal reserve | - | - | 10.450 | - | (10.450) | - |
| Retained earnings reserve | - | - | - | 147.737 | (147.737) | - |
| Dividends | - | - | - | - | (43.392) | (43.392) |
| Interest on shareholders' equity | - | - | - | - | (7.412) | (7.412) |
| **Balances at December 31, 2009** | 907.485 | 5.003 | 39.013 | 230.040 | - | 1.181.541 |
| Grantee stock options | - | 6.220 | - | - | - | 6.220 |
| Capital increase | 18.511 | - | - | - | - | 18.511 |
| Net income for the year | - | - | - | - | 39.322 | 39.322 |
| **Balances at March 31, 2010** | 925.996 | 11.223 | 39.013 | 230.040 | 39.322 | 1.245.594 |
| Grantee stock options | - | 81 | - | - | - | 81 |
| Partial Spin off of net worth according to OGM and EGM of 29/04/2010 | (359.165) | | | | (14.387) | (373.552) |
| Net income for the year | | | | | 44.080 | 44.080 |
| **Balances at June 30, 2010** | 566.831 | 11.304 | 39.013 | 230.040 | 69.015 | 916.203 |
| | | | | | | - |

See the accompanying notes to the financial statements.

Equatorial Energia S.A.

**Publicly-held Company**

## Statements of cash flows - Indirect method

**June 30, 2010 and 2009**

*(In thousands of Reais)*

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | **06/30/2010** | **06/30/2009** | **06/30/2010** | **06/30/2009** |
| **Cash flows from operating activities** | | | | |
| **Net income for the year** | 44.080 | 72.692 | 44.080 | 71.234 |
| Expenses (income) not affecting cash | | | | |
| Depreciation and amortization | 37 | 37 | 23.295 | 45.832 |
| Equity in income | (46.746) | - | - | - |
| Stock options | 81 | - | 81 | - |
| Investiments | - | - | - | - |
| RME Investment spin off process | - | - | - | - |
| Monetary and exchange variation | - | - | - | 12.488 |
| CVA | - | - | - | 14.089 |
| Credits from income tax and social | - | - | - | (41.357) |
| Minority interest | - | - | 23.485 | 43.127 |
| Amortization of goodwill | 2.266 | (888) | 2.266 | (2.048) |
| Allowance for doubtful accounts | - | - | - | 22.363 |
| Provision (reversal) for contingencies | - | - | - | 5.904 |
| | (282) | 71.841 | 93.207 | 171.632 |
| **Changes in assets and liabilities** | | | | |
| Increase in accounts receivable | - | - | (26.849) | 2.293 |
| Increase (decrease) in inventories | - | - | 275 | 301 |
| Increase (decrease) in recoverable taxes | (112) | (2.288) | (12.646) | (14.820) |
| Increase (decrease) in other accounts receivable | 37.707 | 148.554 | 23.262 | (3.802) |
| Increase (decrease) in suppliers | (248) | (172) | 34.107 | (17.177) |
| Increase (decrease) in taxes payable | 326 | 851 | 9.088 | 22.782 |
| Increase (decrease) in other accounts payable and provisions | (13.964) | (81.185) | (10.489) | (92.080) |
| | 23.709 | 65.760 | 16.748 | (102.503) |
| **Net cash provided (used) by operating activities** | 23.427 | 137.601 | 109.955 | 69.129 |
| **Cash flows from investment activities** | | | | |
| Investiment | 87 | (72.826) | - | (42) |
| RME Investment spin off process | 373.552 | - | 373.552 | - |
| property, plant and equipment | (37) | (37) | (44.440) | (135.555) |
| Deferred charges | - | - | 74 | - |
| Intangible assets | - | 888 | (765) | 3.395 |
| Others | 37 | 37 | - | 95 |
| | 373.639 | (71.938) | 328.421 | (132.107) |
| **Cash flows from financing activities** | | | | |
| Capital integralization (decrease) | (359.166) | 424 | (359.166) | 424 |
| Capital reserve | - | 1.024 | - | 1.024 |
| Dividends/ Interest on shareholders' equity paid | (49.821) | (188.457) | (70.035) | (285.914) |
| Amortization of loans and financing | - | - | (41.808) | 77.553 |
| **Net cash provided (used) in financing activities** | (408.987) | (187.009) | (471.009) | (206.913) |
| **Net cash in the period** | (11.921) | (121.346) | (32.633) | (269.891) |
| **Increase (decrease) in cash and cash equivalents** | | | | |
| At beginning of year | 92.765 | 187.070 | 523.413 | 604.909 |
| At end of year | 80.844 | 65.724 | 490.780 | 335.018 |
| **Increase (decrease) in cash and cash equivalents** | (11.921) | (121.346) | (32.633) | (269.891) |

See the accompanying notes to the financial statements.

# Equatorial Energia S.A

**(Publicly held company)**

# Notes to Quaterly informations

**June 30, 2010**

*(In thousands of Reais, except when stated otherwise)*

## 1 Operations

Equatorial Energia S.A. (“Company” or “Equatorial” or “Parent Company”), headquartered in São Luís, Maranhão, Brazil, has the corporate objective of acquiring and holding interests in other companies operating in the electric energy sector, especially in electricity distribution operations.

On April 07, 2008, Equatorial Energia converted its preferred shares into common shares (in the proportion of, 1 preferred share to 1 common share) and also grouped its shares, converting 3 common shares into 1 common share. Consequently, Equatorial started to be negotiated on the São Paulo Stock Exchange, under the ticker ‘EQTL3’. On April 23, 2008, the Company concluded its process to migrate from Corporate Governance Level 2 of BM&FBOVESPA to the Novo Mercado.

As reported in the Relevant Fact, dated December 30, 2009, the parent company of Equatorial, FIP PCP, and CEMIG agreed a contract for the Purchase and Sale of Shares and Other Agreements, with Equatorial acting as the consenting mediator, for the purpose of selling the indirect investment held by FIP PCP in Light.

This contract provides that FIP PCP will approve the partial spin off of Equatorial, segregating its investment interest in RME from the Company’s other assets, which refer to its investments in Cemar, Equatorial Soluções and Geradora de Energia do Norte S.A. This spin off was approved in the Ordinary and Extra-ordinary General Meeting held on April 29, 2010 and occurred through the transfer of the Company’s investment in RME to a new company called Redentor Energia S.A.

The amounts spun off refer mainly to the value of the investment that Equatorial held in RME at the base date March 31, 2010 for the amount of R$373,552. As a result of the spin off, the reductions in the balance sheet accounts of Equatorial were as follows: Investments of R$373,552, capital of R$359.166 and retained earnings of R$14.386.

Redentor’s capital is represented only by ordinary shares. Each of the Company’s shareholders received one share in Redentor for each share held in the Company. There were no alterations or cancelations of rights of the shares issued by Redentor in relation to the shares issued by the Company, since the shares issued by Redentor attributed to the Company’s shareholders as a result of the partial spin off are entitled to the same rights and advantages attributed to the shares issued by the Company.

The shares issued by the Company in circulation on the market are negotiated "with right" to the partial spin off, until the process for the public placing of Redentor's capital has been concluded, and its shares have been accepted for trading on the New Market segment. Until this date, the Company's shares can only be traded on the stock exchange together with the corresponding shares issued by Redentor, under the code EQTL3, with the isolated trading of shares issued by either Redentor or the Company prohibited.

As from the date that Redentor's shares are accepted for trading on the New Market segment of BM&F Bovespa, the Company's and Redentor's shares will be traded independently. The market will be informed of this event at the opportune moment.

Equatorial holds investments, as presented below:

- **Companhia Energética do Maranhão ("CEMAR")**: a private stock corporation, whose main activity is the distribution of Electric energy. CEMAR's concession area is the State of Maranhão, attending, at December 31, 2009, more than 1.7 million clients and covering an area in excess of 333 thousand $Km^2$. The concession contract for the distribution of electricity, number 060, agreed between the Company, the National Electric Energy Agency - ANEEL and CEMAR, is effective until August 10, 2030, and can be extended for a further 30 years. At June 30, 2010, the Company held an investment interest of 65.11% (65.11% at March 31, 2010) in CEMAR.

- **Geradora de Energia do Norte S.A. ("Geranorte")**: Geranorte (pre-operational) is the Company responsible for implanting and operating two thermo-electric plants at Tocantinópolis and Nova Olinda, in the municipality of Miranda do Norte, in the State of Maranhão, with installed capacity of 330 MW, which will provide the energy for the National Interconnected System. On October 01, 2008, Equatorial acquired 25% of the capital in Geranorte. The consortium that controls Geranorte comprises Equatorial Energia S.A. (25%), Fundo de Investimentos em Participações Brasil Energia (25%) and GNP S.A. (50%). GNP S.A., comprises Servtec Investimentos e Participações Ltda. (50%) and Companhia Ligna de Investimentos (50%). The control of Geranorte is shared and governed by the Shareholders' Agreement.

- **Equatorial Soluções S.A.**: Equatorial Soluções is a private company, headquartered in São Luís, Maranhão, has the corporate objective of: a) provide service in electricity business, telecommunications and data transmission; b) collection of electricity bills in the name and on behalf of  and c) technical services for operation, maintenance and planning of electrical installations of third parties. The parent company, Equatorial Energia S.A., holds an investment interest of 100% in this Company.

The subsidiaries CEMAR and Equatorial Soluções, and the joint venture Geradora de Energia do Norte, will here after be referred to in the notes below as the “Subsidiaries” when referred to together.

## 2 Quarterly informations’ presentation

The individual quarterly information and consolidated financial statements were prepared in accordance with accounting practices adopted in Brazil, which include Brazilian Corporate Legislation, the Pronouncements, Guidelines and Interpretations issued by the Accounting Pronouncements Committee - CPC, the norms issued by the Securities Commission - CVM and specific legislation issued by the National Agency for Electric Energy - ANEEL according to the Accounting Manual of Electric Energy Public Utilities, the accounting principles introduced by Laws nº 11,638/07 and 11,941/09 have been satisfied.

Given that the Company’s activities involve holding investment interests in other companies, the notes reflect, basically, the accounting practices and details of the accounts of its subsidiaries.

### *New pronouncements, interpretations and guidance that have been issued but that have not been adopted*

Within the conversion process of the accounting practices adopted in Brazil to the international financial reporting standards (IFRS) various pronouncements, interpretations and guidance were issued during year 2009 including the mandatory application for the years ended as from December 2010 and for the 2009 financial statements to be disclosed jointly with the 2010 financial statements for comparison purposes.

As provided in CVM Decision 603/2009, of November 10, 2009, for purposes of preparing its quarterly information, the Company has adopted the accounting standards in force to December 31, 2009.

The Management has been evaluating the potential effects with respect to these pronouncements, interpretations and guidance, which may have material impact on the financial statements for the period ended June 30, 2010 and 2009 to be comparatively presented with the financial statements for the quarter ending June 30, 2010, as well as for the coming years.

Presented below are the pronouncements issued in 2009, which Company management understands could have significant impacts on its financial statements.

Technical Interpretation ICPC 01 - Concession Contracts, establishes the general principles for recognizing and measuring the liabilities and respective rights from concession contracts. According to ICPC 01, the remuneration received or receivable by the concessionaire has to be stated at fair value, corresponding to the rights from a financial and/or intangible asset. It is not possible, at the moment, to estimate the effects from applying this norm (ICPC 01), given that the concepts introduced are still be studied for purposes of applying such, but certain significant adjustments are anticipated as a result of reclassifying fixed assets as intangible and/or financial assets, recognizing income from construction and the treatment of obligations tied to the concession.

CPC 24 - Subsequent events ICPC 08 - Accounting entries for the proposal to pay dividends. Management is required to propose the distribution of results at the end of the year. This distribution can be altered by the shareholders. According to CPC 24 the part of the dividends not declared beyond the minimum compulsory dividend and interest on own capital has to be maintained as part of shareholders´ equity, and a liability is not recognized at the end of the year. The effect on the financial statements for the year ended December 31, 2009, will be a reduction to current liabilities and an increase to shareholders' equity, for the amount of R$1,169, corresponding to the amount in excess of the minimum compulsory limit.

CPC 43 - Establishes the criteria for the initial adoption of CPCs 15 to 40 and specifies that the exceptions in relation to the international rules are limited to maintaining the equity in income of subsidiaries in the individual financial statements that hold investments valued using the equity method and maintaining deferred charges registered to December 31, 2008, until fully amortized. At the moment, in Brazil, regulatory assets and liabilities are registered, and when the regulating body establishes criteria for allocating income or expenses to subsequent periods, a regulatory asset or liability is recognized. These regulatory assets and liabilities represent a difference in GAAP between accounting standards adopted in Brazil and IFRS. IASB is preparing an interpretation that could change the treatment of regulatory assets and liabilities in IFRS.

Authorization to conclude this quarterly information was given by the Company's directors on August 09, 2010.

## 3 Summary of significant accounting practices

### a. *Statement of income*

Income and expenses are recognized on the accrual basis. Revenue from services rendered is recognized in the statement of income in proportion to the stage of completion of the service. Revenue is not recognized if there are significant uncertainties as to its realization.

### b. *Accounting estimates*

In compliance with CVM Decision 539, of March 14, 2008, the preparation of financial statements in accordance with accounting practices adopted in Brazil requires that the Company's Management uses its judgment in determining and recording accounting estimates. Assets and liabilities subject to these estimates and assumptions include the residual value of property, plant and equipment, intangible, the allowance for decrease in the recoverable value of assets; the allowance for doubtful accounts, allowance for inventory devaluation, deferred tax assets; the provision for contingencies, the valuation of financial instruments, assets and liabilities related to employees' benefits. The settlement of transactions involving these estimates may result in a different amount due to the lack of precision inherent to the process of their determination. The Company and its subsidiaries reviews the estimates and assumptions at least once a quarter.

### c. *Financial instruments*

The non-derivative financial instruments include marketable securities, investments in debt and equity instruments, accounts receivable and other receivables, including the receivables that refer to the assignment services, cash and cash equivalents, borrowings and financing, and also accounts payable and other debts.

Non-derivative financial instruments are recognized initially at their fair values plus any transaction costs directly attributable to the instruments that are not recognized at their fair values through results. Subsequent to the initial recognition, the non derivative financial instruments are measured as described below. (See Note 31).

- *Instruments held to maturity*

  These are non-derivative financial assets with fixed or calculable payments with defined maturity and for which the Company has the intention and the ability to hold its debt instruments until maturity. These instruments are classified as held to maturity. Investments held to maturity are stated at amortized cost, using the effective interest rate method, less possible decreases in their recoverable value.

- *Instruments available for sale*

  The Company's investments in equity instruments and certain assets related to debt instruments are classified as available for sale. After their initial recognition, they are valued at their fair value and their fluctuations, except decreases in their recoverable value, and the differences in foreign currency of these instruments, are recognized directly in shareholders' equity, net of tax effects. When an investment ceases to be recognized, the accumulated gain or loss in shareholders' equity is transferred to income.

- *Financial instruments at fair value through income*

  An instrument is classified at its fair value through income if it is held for trading, i.e. designated as such upon initial recognition. Financial instruments are designated at their fair value through income if the Company manages these investments and takes purchase and sales decisions based on their fair value in accordance with the investment strategy and risk management documented by the Company. After initial recognition, attributable transaction costs are recognized in the income when they have been incurred. Financial instruments at fair value through income are stated at fair value, and their fluctuations are recognized in the income.

- *Loans and receivable*

  Loans and receivable should be stated at the amortized cost through the use of the effective interest rate method, less possible decreases in the recoverable value. These correspond to non-derivative financial assets with fixed or determined payments which are not traded on the active market.

***d. Foreign currency***

The Company's Management has determined that its functional currency is the in accordance with the rules established in CPC 02 - Effects of the Changes in Exchange Rates and Translation of Financial Statements, approved by the CVM Resolution 534.

Transactions in foreign currency, i.e. all transactions that are not carried out in the functional currency, are translated at the exchange rate on the dates of each transaction. Monetary assets and liabilities in foreign currency are translated into the functional currency at the exchange rate on the closing date. The gains and losses from the changes in the exchange rates on the monetary assets and liabilities are recognized in the statement of income.

### *e. Current and noncurrent assets*

- *Marketable securities*

  They are stated at the original values plus income earned to the balance sheet date, calculated based on a pro-rata basis, which is equivalent to their market values. The financial instruments are classified as available for trading, stated at the fair value in the income statement (see Note 5).

- *Consumers and resellers*

  Trade accounts receivable are recorded at the amount billed, adjusted at present value when applicable, revenue from energy supplied but not billed, use of the network, services rendered, arrears payments and others, up to the end of the period, accounted for on the accrual basis (see Note 6).

- *Allowance for doubtful accounts*

  Calculated at an amount considered adequate to cover any losses on the realization of accounts receivable (see Note 6a).

- *Inventories (including Property, plant and equipment)*

  Materials held in inventory and classified as current assets are stated at average purchase cost, adjusted by a provision for losses when necessary, and do not exceed market values. Materials in inventory allocated to investments are classified as fixed assets at average purchase cost.

- *Low income customers*

  Include the amounts deriving from the criteria for classifying consumer units in the low income residential subclass, as established by Law 10,438/02 (see Note 7).

- *Investments*

  Represented by the interest in the subsidiary and joint ventures, valued using the equity method (see Note 12).

- *Property, plant and equipment (PP&E)*

  Recorded at acquisition cost, net of depreciation calculated according to the straight-line method, taking as a basis the account balances recorded in the corresponding Register Units - UC, as required by Administrative Rule DNAEE No. 815, dated November 30, 1994. The annual depreciation rates are given in the table attached to Resolution ANEEL No. 02, dated December 24, 1997, and No. 44, dated March 17, 1999.

  Expenditures that represent an increase to installed capacity or useful life of the assets are considered to be permanent assets and are capitalized. Expenses on maintenance and repair are recorded in the statement of income, according to the accrual basis.

  Pursuant to Accounting Instruction 6.3.10 of the Accounting Manual for the Public Electric Energy Service, introduced by ANEEL Resolution 444, dated October 26, 2001, the interest, monetary variation and financial charges on loans taken out from third parties and applied to property plant and equipment in progress are recorded in this subgroup as a cost.

  Pursuant to Accounting Instruction 6.3.23 of the Accounting Manual for the Public Electric Energy Service, the amount corresponding to Concession Obligations is stated as a reduction of property, plant and equipment. These obligations include amounts received from consumers for the works required to meet power supply requests, and funds received from the Government, from the state of Maranhão and from other sources, as specific financing for electricity Generation, Transmission and Distribution projects, including funds from the Rural Power Supply Program - Programa Luz Para Todos (see Note 14).

- *Intangible assets*

  Stated at acquisition cost of the permanent right of way access, and the software for maintenance of the corporate systems, and in the case of the latter, after deducting accumulated amortization at the rate of 20% p.a. (see Note 15).

- *Decrease in recoverable value*

  The recoverable value of property, plant and equipment; intangible assets and deferred assets is tested at least annually if there are indications of loss in value. The recoverable value of intangible assets with an indefinite useful life is tested annually, regardless of whether there are indications of loss in value or not.

### f. Current and noncurrent liabilities

Current and noncurrent liabilities are stated at known or calculated amounts, plus, when applicable, the corresponding charges, monetary and/or foreign exchange variations incurred to the balance sheet date. When applicable, the current and noncurrent liabilities are stated at present values based on interest rates that reflect the term, currency and risk for each transaction. The corresponding entry for the adjustments to present value is registered against the income account that gave rise to the liability in question. The difference between the present value of a transaction and the face value of the liability is appropriated to the results over the period of the contract based on amortized cost and effective interest rate. The Company and its subsidiaries have performed studies to calculate the present value adjustments for its liabilities and after analyzing the relevance of the amounts involved, the present value adjustment was considered immaterial by Management, and was not recognized in the quarterly information. For this quarter, the present values of assets and liabilities were not corrected, given the immateriality of the amounts calculated.

- *Loans, financing, charges and debentures*

  Restated to reflect the monetary and/or foreign exchange variation incurred up to the balance sheet date, interest and other charges established in the contracts, and accounted for as financial expenses up to the balance sheet date.

- *Provision for contingencies*

  Established according to the risk of losing ongoing legal disputes, based on reports prepared by external legal advisors and by legal consultants of the subsidiary and joint ventures. The provision for contingencies is stated net of the related legal deposits.

- *Other current and non-current liabilities*

  Stated at known or calculated amounts, plus the related charges, monetary and/or foreign exchange variations incurred up to the balance sheet date, where applicable.

### g. *Provisions*

A provision is recognized in the balance sheet when the Company and its Subsidiary has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recorded considering the best estimates of the risk specific to the liability.

### h. *Current and deferred income tax and social contribution*

Current and deferred income tax and social contribution are calculated based on the rates of 15% plus a surtax of 10% on taxable profit in excess of R$240 for income tax and 9% on taxable profit for social contribution on net profit, and consider compensation of tax loss carry forwards and the negative social contribution base, limited to 30% of taxable profit.

The deferred tax assets arising from the tax loss carry forwards, negative social contribution base and temporary differences, were registered in accordance with CVM Instruction 371, of June 27, 2002, and consider past profitability and expected generation of future taxable profits based on a technical viability study approved by the management bodies.

As provided in Provisionary Measure 449/08, the Company and its subsidiary and joint ventures, opted to adopt the Transition Taxation System (RTT) for calculating taxable profit, and as such the alterations to the criteria for recognizing income, costs and expenses, calculated for determining net profit for the year do not have any effects for purposes of determining taxable profit for companies subject to RTT, and for tax purposes, the accounting criteria and methods in force at December 31, 2007, should be considered.

### *i. Retirement and pension plan*

The costs relating to the retirement and pension plans sponsored by CEMAR are recorded on an accrual basis and in accordance with CVM Instruction 371/00 and IBRACON NPC 26.

The costs from sponsoring the pension plan are recognized as expenses since they refer to defined contribution plans.

### *j. Remuneration plan based on shares*

The effects of the remuneration plan based on shares are calculated based on the fair values of the equity instruments granted and recognized in the balance sheet and statement of income, provided the contractual terms are fulfilled.

## 4 Procedimentos de consolidação

The financial statement were prepared according to the rules established by Instruction 247 issued on March 27, 1996 by the Brazilian Securities and Exchange Commission (CVM) and includes the financial statements of the Company and its subsidiary and joint ventures.

When applicable the following consolidation procedures were also adopted:

- Full recognition of the assets, liabilities, income and expenses for the period for CEMAR, in which it holds an investment interest of 65.12%, for Equatorial Soluções in 100%, and proportional recognition of the assets, liabilities, income and expenses for the period from the date of acquiring RME of 25%, and GERANORTE, of 25%, corresponding to the percentages interest in those Companies, respectively;

(In thousands of Reais, except when stated otherwise)

- Elimination of interests in the shareholders' equity of the subsidiary and joint ventures;
- Elimination of equity pick-up;
- Elimination of the balances of assets and liabilities among consolidated companies;
- Elimination of the revenues and expenses arisen from inter-company transactions; and
- Separate statement of minority interest in the liabilities and income statement.

Presented below is the statement of the variation in the results of the parent company and on consolidation:

| | **2010** | **2009** |
|---|---|---|
| **Net profit of the parent company at June 30** | 83,402 | 137,016 |
| Payment based on shares - Light (registered as credit directly to the indirect subsidiary's shareholders' equity Light S.A.). | - | ( 2,613) |
| Payment based on shares - CEMAR (registered as credit directly to the indirect subsidiary's shareholders' equity CEMAR). | - | ( 149) |
| **Consolidated net profit at June 30** | 83,402 | 134,254 |

## 5 Cash and cash equivalents

The marketable securities refer to the operations undertaken with national financial institutions, remunerated under normal market terms and rates, and are available to be used in the operations undertaken by the Company and its subsidiary and joint ventures, that is, they are financial assets held for trading, stated at fair values with effects on the results. At June 30, 2010, the committed debenture operations (fixed income securities remunerated at a % of CDI or at pre-fixed rates), reported significant results, for the amount of R$70,282.

(In thousands of Reais, except when stated otherwise)

### a. *Composition of cash and cash equivalents:*

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| **Caixa e equivalente de caixa:** | **06/30/2010** | **03/31/2010** | **06/30/2010** | **03/31/2010** |
| Cash and banks | 421 | 17 | 24,300 | 58,605 |
| Marketable securities | 80,423 | 92,748 | 466,480 | 464,808 |
| Total | 80,844 | 92,765 | 490,780 | 523,413 |

The short term investments, are readily convertible into a known amount of cash, and are subject to an insignificant risk of a change in value, and redeemable in less than 90 days.

### b. *Composition of marketable securities:*

| Instituição | Investment type | 06/30/2010 | 03/31/2010 |
|---|---|---|---|
| Bradesco | CDB - Bank deposits certificate | 9,941 | 9,715 |
| Bradesco | Committed debentures | 15,811 | 15,541 |
| Pactual | CDB - Bank deposits certificate | - | 4,998 |
| Itaú | Committed debentures | 37,050 | 36,214 |
| Votorantim | Committed debentures | 17,621 | 26,280 |
| Total | | 80,423 | 92,748 |

(In thousands of Reais, except when stated otherwise)

## 6 Consumers and resellers

| | Consolidated | |
|---|---|---|
| | **06/30/2010** | **03/31/2010** |
| **Current** | | |
| Billed power supply | 250,894 | 236,456 |
| Unbilled power supply | 45,323 | 38,687 |
| Installment payment of debts | 98,184 | 88,550 |
| Subtotal | 394,401 | 363,693 |
| Sales within the CCEE ambit (note 26) | 1,304 | 840 |
| Supply and charges for the use of the electricity network | - | - |
| Credits recoverable on the tariff | - | - |
| PERCEE | 120 | 120 |
| Concessionaries | 219 | 196 |
| Services rendered | 636 | 647 |
| Checks in collection | 1,668 | 1,372 |
| Others | 22,886 | 20,045 |
| Subtotal | 26,833 | 23,220 |
| | 421,234 | 386,913 |
| (-) Allowance for doubtful debts | ( 46,533) | ( 45,078) |
| | 374,701 | 341,835 |

(In thousands of Reais, except when stated otherwise)

| | Consolidated | |
|---|---|---|
| | **06/30/2010** | **03/31/2010** |
| **Não circulante** | | |
| Sales within the CCEE ambit (note 26) | 8,010 | 8,010 |
| Installment payment of debts (1) | 53,835 | 61,309 |
| Checks in collection | 3,638 | 3,638 |
| Subtotal | 65,483 | 72,957 |
| (-)Allowance for doubtful debts | ( 3,638) | ( 3,638) |
| | 61,845 | 69,319 |

(1) The installment payments for debts have been adjusted to their present values, when applicable, in accordance with Law 11,638/07.

### *a. Allowance for doubtful debts*

The allowance for doubtful accounts is established in accordance with the criteria specified by General Instruction 6.3.2 of the Accounting Manual for the Public Electric Energy Service, as summarized below:

**Consumers with relevant debts**

Individual analysis of the trade accounts receivable deemed unlikely to be received, by consumption class.

**For other cases:**

- Residential consumers - Overdue by more than 90 days;
- Commercial consumers - Overdue by more than 180 days; and

(In thousands of Reais, except when stated otherwise)

- Industrial, rural and government consumers, public lighting, public services and others - past due by more than 360 days.

The allowance for doubtful debts, in the subsidiary and joint ventures, has been recorded for an amount considered sufficient to cover possible losses from realization of credits.

The balances overdue and falling due from supplies billed for electricity and installment payment of debits are distributed as follows:

| | 06/30/2010 | | | |
|---|---|---|---|---|
| | **Undue** | **Overdue 90 days or less** | **Overdue more than 90 days** | **Total** |
| **Consolidated** | | | | |
| Residential | 51,070 | 55,134 | 16,309 | 122,513 |
| Industrial | 13,019 | 3,704 | 4,179 | 20,902 |
| Commercial | 27,340 | 12,909 | 5,127 | 45,376 |
| Rural | 4,198 | 2,553 | 2,727 | 9,478 |
| Public power | 10,278 | 9,934 | 2,946 | 23,158 |
| Public lighting fee | 7,160 | 6,489 | 1,670 | 15,319 |
| Public service | 7,771 | 4,333 | 2,045 | 14,149 |
| **Billed power supply and installment payment (current and noncurrent)** | 120,836 | 95,056 | 35,003 | 250,895 |

(In thousands of Reais, except when stated otherwise)

| | 03/31/2010 | | | |
|---|---|---|---|---|
| | Undue | Overdue 90 days or less | Overdue more than 90 days | Total |
| **Consolidated** | | | | |
| Residential | 43,264 | 53,538 | 16,875 | 113,677 |
| Industrial | 11,449 | 5,519 | 3,761 | 20,729 |
| Commercial | 26,362 | 12,437 | 4,857 | 43,656 |
| Rural | 3,427 | 2,805 | 2,541 | 8,773 |
| Public power | 9,624 | 8,491 | 3,479 | 21,594 |
| Public lighting fee | 6,451 | 6,688 | 1,391 | 14,530 |
| Public service | 7,629 | 3,863 | 2,005 | 13,497 |
| **Billed power supply and installment payment (current and noncurrent)** | 108,206 | 93,341 | 34,909 | 236,456 |

(*) These tables do not contain the CEMAR's installments payment total amount of R$ 155,927 at June 30, 2010 (R$153,527 at March 31, 2010).

## b. Electric Energy Trade Chamber - CCEE

The Electric Energy Trade Chamber - CCEE is where energy surpluses (short-term energy operations) - the difference between the realized and contracted/projected generation and load amounts - are traded. Surpluses are recorded on the accrual basis according to information provided by CCEE. For months when this information is not provided on time, the amounts are estimated by CEMAR, based on available information.

(In thousands of Reais, except when stated otherwise)

Of this total, CEMAR has a balance receivable of R$8,010, which is being legally contested (between the agents CCEE/ANEEL), and has been evaluated by the legal advisors of this subsidiary as representing a possible risk of loss, therefore, was not registered allowance for this value. This balance may be altered, depending on the decision given for the legal processes in progress, regarding the interpretation of the market rules in force.

## 7 Low income customers

On July 1st, 2003, ANEEL issued Resolution 320, which provided additional procedures for approval of the economic subsidy for consumers in the Low Income residential subclass.

In November 2009, the program "Viva Luz" was launched, created by the government for the State of Maranhão, aimed at benefiting residential consumers, who have monthly consumption of up to 50 kWh, through exemption from payment of their electricity bills, by means of repasses from the government to CEMAR.

As result of these procedures, in June 30, 2010, the CEMAR had R$ 20,734 of low income costumers and R$ 2,665 of Viva Luz (R$ 19,949 and R$ 2,541 on March 31, 2010, respectively).

## 8 Recoverable taxes

Os saldos de curto e longo prazo em decorrência das retenções ou antecipações legais estão demonstrados a seguir:

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 06/30/2010 | 03/31/2010 | 06/30/2010 | 03/31/2010 |
| **Current** | | | | |
| Tax credits - IRPJ e CSLL (4) | - | - | - | 336 |
| IRRF (Withholding income tax) | - | - | 1,730 | 486 |
| ICMS (value-added tax on sales and services) (2) | - | - | 36,273 | 37,248 |

(In thousands of Reais, except when stated otherwise)

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | **06/30/2010** | **03/31/2010** | **06/30/2010** | **03/31/2010** |
| PIS (Social Integration Program) and COFINS (Social Contribution on Revenues) (3) | - | - | 28 | 34 |
| Prepaid income tax and social contribution (1) | - | - | 14,767 | 3,435 |
| IRPJ/CSLL recoverable | - | - | 1,557 | 5,720 |
| Others* | 584 | 472 | 3,951 | 2,823 |
| Total | 584 | 472 | 58,306 | 50,082 |
| **Não circulante** | | | | |
| ICMS (value-added tax on sales and services) (2) | - | - | 37,628 | 39,766 |
| PIS (Social Integration Program) and COFINS (Social Contribution on Revenues) (3) | - | - | 74,932 | 68,371 |
| IRRF (Withholding income tax) | 2,284 | 2,284 | 2,283 | 2,284 |
| IRPJ/CSLL Recoverable | 8,969 | 8,969 | 8,969 | 8,969 |
| Others | - | - | 582 | 582 |
| | 11,253 | 11,253 | 124,394 | 119,972 |

* The amount of R$3,951 registered to Others, included in current liabilities on consolidation, includes R$1,097 for the REFIS payments, which are being homologated by the Brazilian Internal Revenue (RFB).

(1) In Subsidiary CEMAR, the Corporate Income Tax (IRPJ) and Social Contribution on Net Profit (CSLL) refer to the amounts paid on a monthly basis, based on estimates or suspension trial balances, under article 2 of Law 9,430, December 27, 1996 and refers to tax credits to be offset deriving from financial investments and governmental agencies.

(2) The subsidiary CEMAR has recorded ICMS credits based on Complementary Law 102, of July 11, 2000, according to which the subsidiary and joint ventures have registered ICMS recoverable CIAP arising from purchases of fixed assets, and not subject to the effects of present value adjustments (AVP).

(3) In Subsidiary CEMAR the PIS and COFINS off settable refer to the non cumulative system established by Laws 10,637/02 and 10,833/03, respectively. It should be noted that PIS and COFINS off settable included in non-current assets refers to the exclusion of ICMS and ISS from the aforementioned calculation bases, in accordance with injunctions 2006.37.00.005574-3 and 2008.37.00.004357-1, respectively.

## 9 Deferred income tax and social contribution

Based on CVM Instruction 371/2002, CEMAR's management considered that deferred tax assets arising from tax losses and negative bases were to be recognized in 2005, considering that the forecasts for CEMAR's taxable profit, prepared by management, indicated that this asset would be realized in less than 10 years.

These deferred tax credits do not have a deadline for their recovery and are recorded in accordance with CVM Resolution 273, dated August 20, 1998 and CVM Instruction 371, dated June 27, 2002.

On this way, the referred credits are recorded in the Subsidiary CEMAR, as noncurrent assets based on the projected future taxable income of CEMAR and subject to a limit of 30% for annual offsetting against taxable profits, except for credit deriving from temporary differences, which will be fully recovered upon its realization.

(In thousands of Reais, except when stated otherwise)

### *Breakdown of the income tax and social contribution credits*

| | Consolidated | |
|---|---|---|
| **Ativo - Circulante e não circulante** | **06/30/2010** | **03/31/2010** |
| Negative bases for income tax and social contribution | 217,517 | 217,134 |
| IRPJ and CSL temporary differences | 5,444 | 5,444 |
| Total | 222,961 | 222,578 |
| **Current** | 5,444 | 5,444 |
| **Non current** | 217,517 | 217,134 |

### *Recovery expectation*

The subsidiary Cemar, based on management's instruction, analyzed tax loss carryforwards, accumulated in calendar years from 1990 to 2005, by taking into account the Corporate Income Tax Returns (DIPJ) and the Taxable Income Assessment Book (LALUR), which was submitted o the analysis of a tax expert. As a result, as of June 30, 2009, an additional credit of R$ 27,415 as additional deferred tax asset was recorded in the balance sheet. The estimate of recovery of these tax credits is in line with the limits of the Cemar's estimated results.

Based on technical feasibility studies which indicate full recovery of the deferred tax amounts, management anticipates that the tax credits for the amount of R$ 217,518 will be realized by 2018, of this amount, management anticipates a total of R$ 41,145 will be realized in 2010, to be compensated with REFIS.

CEMAR receives benefits from accelerated depreciation until 2013, a technology incentive and SUDENE benefit until 2016, which are being prioritized. Therefore, realization of the deferred taxes will be adjusted to these benefits.

(In thousands of Reais, except when stated otherwise)

The aforementioned technical studies correspond to Management's best estimates of the Company's future growth and the market in which it operates. A new technical viability study for 2010 has been prepared by the Company, which will be submitted for approval by the Board of Directors on March 24, 2010.

### *Reconciliation of income tax and social contribution expenses*

The reconciliation of expense calculated by applying the tax rates to the result of the Parent Company and the Consolidated of Income Tax (IR) and Social Contribution (CS) expense debited in net income is stated, on the quarterly of 2009 and 2010 as follow:

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | **06/30/2010** | **06/30/2009** | **06/30/2010** | **06/30/2009** |
| Profit before income and social contribution taxes | 84,724 | 140,804 | 135,845 | 241,273 |
| (-) Results from discountinued operations | 38,996 | 0 | 0 | 0 |
| (-)Profit sharing | (900) | ( 2,144) | ( 6,465) | ( 9,870) |
| (=)Profit before income and social contribution taxes) | 44,828 | 138,660 | 129,380 | 231,403 |
| Taxes rates | 34% | 34% | 34% | 34% |
| **Income and social contribution taxes calculated at statutory rates** | (15,242) | (47,144) | ( 43,989) | ( 78,677) |
| Effects of income tax and social contribution on net income on the permanent additions and exclusions | - | ( 419) | 10,571 | 25,614 |
| Effect of income tax and social contribution on net income on the equity in income of external subsidiary | 14,820 | 45,919 | 14,820 | (14,729) |
| Difference between Calculation Basis - IR and CS | - | - | - | 9 |
| Reversal of Provision for IRPJ and CSLL - Deferred | - | - | 434 | 29,616 |
| Compensation of tax loss - 30% - not recognized to results | - | - | ( 1,424) | - |
| Unrecognized deferred tax credits - CVM nº 371/002 - Light S.A | - | - | 7,212 | ( 1,837) |
| Tax incentives | - | - | 25,127 | 26,885 |
| Tax incentives adjustments from previous years | - | - | ( 4,640) | |
| Others | - | - | - | - |
| **Subtotal** | ( 422) | ( 1,644) | 8,111 | (13,119) |
| Current income and social contribution taxes | - | - | (17,696) | (37,883) |
| Deferred income and social contribution taxes | - | - | 12,776 | 24,764 |
| | ( 422) | ( 1,644) | ( 4,920) | (13,119) |

- *Incentive for accelerated depreciation*

  Art. 31 of Law 11,196/2005, regulated by Decree 5,988/2006, granted an incentive for accelerated depreciation, for purposes of calculating income tax, for assets acquired between January 1st, 2006 and December 31, 2013, by corporate entities that have had projects approved that refer to installation, extension, modernization or diversification, that fall within the sectors of the economy considered priorities for regional development, in less developed micro-regions located in areas where the extinct SUDENE and SUDAM operated. Incentive accelerated depreciation consists of the full depreciation of the asset in the same year that it is purchased.

  This incentive was obtained by CEMAR through government decree 0043/2007 issued by ADENE on April 27, 2007. Under the terms of the Government decree MIN nº 1211, issued on December 20, 2006, the Ministry of National Integration listed the 217 municipalities in the State of Maranhão, that are classified as less developed micro-regions referred to in the Government decree from ADENE. Consequently, the subsidiary CEMAR has adopted the incentive for all of the 217 municipalities from the State of Maranhão.

- *Incentive for income tax reduction*

  On May 14, 2007, the Northeast Development Agency - ADENE, now the Superintendence for the Development of the Northeast - SUDENE, which belongs to the Ministry of National Integration, issued Constitutive Report 0061/2007, which granted to CEMAR an increase in the percentage reduction to income tax from 25% to 75%, justified by the total modernization of its electrical facilities. This reduction is valid from 2007 until the year 2016.

  The CVM, through decision 555, approved Technical Pronouncement CPC 07, which refers to government grants and assistance, and determined the book recognition of grants given in the form of reduction or exemption of taxation on income. In the subsidiary CEMAR, total income to June 30, 2010, was R$ 25,127 referred to the SUDENE tax incentive (R$26,756 at June 30, 2009) to form the tax incentive reserve. Law 11,638/07 eliminated Capital Reserves and Donations for Investments and created the Tax Incentive Reserve, whereby the general shareholders meeting can, following a proposal by management, allocate to the tax incentive reserve the part of net profit that arises from government subsidies or grants for investments, which can be excluded from the calculation base for compulsory dividends.

(In thousands of Reais, except when stated otherwise)

## 10 Regulatory assets and liabilities

| | | Assets | | | |
|---|---|---|---|---|---|
| | | 06/30/2010 | | 03/31/2010 | |
| | **Ref.** | **Current** | **Non current** | **Current** | **Non current** |
| Compensation Account for Variations in the Values of Portion A Items - CVA | **(a)** | 14,639 | - | 16,351 | - |
| Deferred Tariff Re-composition - RTD | **(b)** | 2,300 | - | 18,271 | - |
| Involuntary exposure to PLD | **(c)** | 359 | - | 2,855 | - |
| Low income estimate | **(f)** | 1,528 | - | 12,139 | - |
| Cast iron assets | | 194 | - | 213 | - |
| Lights for All Program - PLPT | **(e)** | 247 | | 1,959 | - |
| Others | | 721 | - | 529 | - |
| Total | | 19,988 | - | 52,317 | - |

| | | Liabilities | | | |
|---|---|---|---|---|---|
| | | 06/30/2010 | | 03/31/2010 | |
| | **Ref.** | **Current** | **Non current** | **Current** | **Non current** |
| Compensation Account for Variations in the Values of Portion A Items - CVA | **(a)** | 13,391 | - | 11,228 | - |
| Adjustment application of loss level - 1st Cycle | **(g)** | 293 | - | 2,327 | - |
| Financial exposition | **(d)** | 253 | - | 983 | - |
| Frontier Adjustment Installment | | 39 | - | 311 | - |
| Others | | 7 | - | 53 | - |
| Total | | 13,983 | - | 14,902 | - |

(In thousands of Reais, except when stated otherwise)

### *Periodic tariff review*

The National Electricity Agency - ANEEL, through Homologation Resolution 870, of August 25, 2009, homologated the results of the process for the Periodic Tariff Review, which was being processed by this Agency. Consequently, CEMAR's tariffs were adjusted by -11.03%, with the average impact for the consumer of -1.64%, resulting from considering the financial components of 9.55%. In addition, the value of the component Xe of Factor X was fixed at 1.06%, which considered the amount of R$712,774 (seven hundred and twelve million, seven hundred and seventy four thousand) for investments to be made by CEMAR in the tariff cycle which began in August /2009, the value of technical losses from injected energy of 12.42% and the value for non technical losses on the market billed for low voltage of 24.16%. In the same process, through the Resolution for authorization number 2,061, of August 25 2009, ANEEL established the limits for the continuity of electricity distribution services, in terms of Duration Equivalent to Interruption per Consumer Unit - DEC and Frequency Equivalent to Interruption per Consumer Unit - FEC, for the group of consumer units from the concession area of Maranhão - CEMAR, for the period 2010-2013.

### a. *Compensation Account for Variations in the Values of Portion A Items - CVA*

The Inter-Ministry Ruling by the Treasury Ministry and Mines and Energy Ministry, number 25, of January 24, 2002, established a Compensation Account for the Variation in Values for Items from "Portion A' - CVA, in order to register the variations in costs, both negative and positive, arising during the period between the annual tariff adjustments, for those items included in the assignment contracts for the distribution of electrical energy.

| | **Assets** | | **Liabilities** | |
|---|---|---|---|---|
| | **Current** | **Total** | **Current** | **Total** |
| CVA - 08/28/2007 to 08/27/2008 | 69 | 69 | 34 | 34 |
| CVA - 08/28/2008 to 08/27/2009 | 1,580 | 1,580 | 57 | 57 |
| CVA - 08/28/2009 to 08/27/2010 | 12,990 | 12,990 | 13,300 | 13,300 |
| Total at June 30, 2010 | 14,639 | 14,639 | 13,391 | 13,391 |
| Total at March 31, 2010 | 16,351 | 16,335 | 11,228 | 11,228 |

(In thousands of Reais, except when stated otherwise)

| CVA - Assets | Balances at 03/31/2010 | Remuneration | Constitution (Reversion) | Amortization | Balances at 06/30/2010 |
|---|---|---|---|---|---|
| CCC | 7,752 | 200 | 2,043 | (1,023) | 8,972 |
| CDE | 477 | 12 | 168 | ( 160) | 497 |
| ESS | 3,792 | 61 | 627 | (2,880) | 1,600 |
| Transport | 2,364 | 48 | 29 | ( 55) | 2,386 |
| Energy purchased | 73 | 1 | 3 | ( 57) | 20 |
| PROINFA | 1,893 | 23 | 368 | (1,120) | 1,164 |
| Total | 16,351 | 345 | 3,238 | (5,295) | 14,639 |

| CVA - Liabilities | Balances at 03/31/2010 | Remuneration | Constitution (Reversion) | Amortization | Balances at 06/30/2010 |
|---|---|---|---|---|---|
| CCC | - | - | - | - | - |
| Energy purchased | 10,560 | 7 | 4,171 | (1,404) | 13,334 |
| Transport | 238 | 4 | - | (185) | 57 |
| ESS | 430 | - | - | (430) | - |
| Total | 11,228 | 11 | 4,171 | (2,019) | 13,391 |

## b. *Deferred Tariff Re-composition - RTD*

The tariff review process, established in the electricity distribution service concession contracts, took place for the first time in the case of CEMAR in August 2005, and was intended to take place once every four years. This process has the objective of redefining the level of the power supply tariffs based on efficient operating costs and so as to provide an adequate return on investments made efficiently and prudently by the companies.

The periodic tariff review for 2009 resulted in a financial component being granted for the amount of R$59,010 which referred to this last installment, to be amortized over the next twelve months. At June 30, 2010, CEMAR had calculate a Regulatory Asset for the total amount of R$2,300, recorded on current assets (R$18,271 recorded on current assets, at March 31, 2010.

### c. *Involuntary exposure to PLD*

As of January 2008, the energy purchased through agreements was insufficient to meet market demand and CEMAR was required to purchase energy in the SPOT market, short-term market, based on the Difference Settlement Price (PLD). Such exposure was due to the unsuccessful Auctions A-1 in 2006 and 2007, Adjustment Auction in 2007 and reduction of PROINFA quotas by ANEEL in December 2007 (after the conduction of purchase auctions).

ANEEL approved, as a result of such involuntary exposure, through Normative Resolution nº 305, of March 18, 2008, the recognition of energy purchase in the SPOT market through an agreement. In such context, the variation of SPOT prices is captured by the method of compensation of variation in the costs of Portion A (CVA), resulting in a regulatory asset, which minimizes the impact of exposure to PLD on the Company's result. In August 2009, the amount of R$9,220 was granted by ANEEL by means of the periodic tariff adjustment in 2009, taking into account the volume of PLD exposure to which the company was subject in 2008.

At June 30, 2010 CEMAR recorded a unarmortized balance of involuntary exposure to PLD of R$359, recorded in current assets (R$2,855 at March 31, 2010, recorded in current assets).

### d. *Financial exposure*

Upon CEMAR's tariff adjustment, ANEEL approved CCEARs' net and negative financial exposure in the financial statements for 2008. This amount is based on Article 28 of Decree nº 5,163, of July 30, 2004, which provides for that any potential differences in prices in the short-term market of the Electric Energy Commercialization Chamber (CCEE) will be transferred by the distribution agents to consumers.

## e. *Light for All Program ("Programa Luz para Todos)"*

The expansion of the distribution system and increase in the dispersion level of consumers, due to the inclusion of new assets and increase in the number of consumption units served by the Light for All Program, resulted in the increase in costs from commercial and operational and network maintenance activities and in the level of non-funded investments. The deficit caused by the growth of PLPT is verified pursuant to Resolution nº 294/2007 and considered in the adjustment or tariff adjustment processes as financial components. In August 2009, the amount of R$ 6,327 was granted by ANEEL in the period tariff adjustment of 2009, taking into account the volume of such deficit.

As of June 30, 2010, a CEMAR CEMAR presented an unamortized balance of such regulatory asset of R$247, recorded in current assets (at March 31, 2010 R$1,959, recorded in current assets).

## f. *Low income estimate*

As of the periodic tariff adjustment of 2009, ANEEL started to take into account an estimate of revenue supplementation in the amount of CDE incentive to cover the discounts granted to Low Income residential consumers, pursuant to Regulatory Resolution nº 89, of October 25, 2004. The value granted was R$ 39,206 to CEMAR. This concession began in August 2009 and is being amortized monthly until it completes the 12 months provided in the Tariff Review.

## g. *Adjustment for Application of the loss target for the 1st cycle*

On June 23, 2009, ANEEL received a request, through Official Document 316/2009-TCU/SEFID, to express its understanding regarding the procedures adopted by the Regulator to define technical and non technical losses at the subsidiary CEMAR, between 2005 and 2008.

(In thousands of Reais, except when stated otherwise)

The reply presented by this Agency to TCU, through Official Document 128/2009-AIN/ANEEL, dated July 13, 2009, reported the methodologies and procedures adopted within the first cycle of tariff reviews for electric energy distributors and stated that a detailed analysis would be provided within the second tariff review of CEMAR.

Thus, this issue was analyzed within ANEEL/SRE, which verified that, in order to reach the regulatory goal of 4 p.p, the first step in the reduction to non technical losses should have been applied in the tariff review of 2005, for the test year, however, this was not the case. Consequently, to correct this error, the tariff adjustments from 2006 to 2008 were recalculated by ANEEL/SRE in order to consider a higher loss reduction in the years subsequent to the review, to enable the regulatory target defined to be achieved. This correction resulted in a financial component of R$ 7,516, which was considered in the periodic tariff review of 2009 in the subsidiary CEMAR.

## 11 Investments

The main data about investments in parent company and its subsidiaries is as follows:

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 06/30/2010 | 03/31/2010 | 06/30/2010 | 03/31/2010 |
| **Shareholder's equity equivalents:** | | | | |
| CEMAR | 550,764 | 506,940 | - | - |
| Geradora de Energia do Norte | 35,366 | 34,128 | - | - |
| Equatorial Soluções | 1,841 | 245 | - | - |
| **Subtotal** | 587,971 | 541,313 | - | - |
| Others | | | (2,888) | (2,888) |
| Negative goodwill | ( 3,109) | ( 3,109) | - | - |
| **Subtotal** | ( 3,109) | ( 3,109) | (2,888) | (2,888) |
| **Total** | 584,862 | 538,204 | (2,888) | (2,888) |

### *a. Information about subsidiary and joint ventures*

(In thousands of Reais, except when stated otherwise)

| | CEMAR | RME | Geradora de Energia do Norte | Equatorial Soluções |
|---|---|---|---|---|
| **Balances on 03/31/20010** | | | | |
| Interest (%) | 65.11% | 100.00% | 100.00% | 100.00% |
| Capital | 310,278 | 177,327 | 134,020 | 1 |
| Shareholder's equity | 778,605 | 373,552 | 136,512 | 246 |
| Net income for the year | 48,861 | 14,387 | 2,492 | 59 |
| **Balances on 06/30/2010** | | | | |
| Interest (%) | 65.11% | - | 100.00% | 100.00% |
| Capital | 364,433 | - | 139,039 | 1 |
| Shareholder's equity | 845,914 | - | 141,464 | 1,842 |
| Net income for the year | 116,170 | - | 7,443 | 1,744 |

### b. *Movement of investments in subsidiary and joint ventures*

| | CEMAR | RME | Geradora de Energia do Norte | Equatorial soluções | Total |
|---|---|---|---|---|---|
| **Balances on 12/31/2009** | 475,250 | 359,165 | 33,505 | 186 | 868,106 |
| Equity in the income | 31,802 | 14,387 | 623 | 59 | 46,870 |
| Capital loss | (112) | - | - | - | (112) |
| **Balances on 03/31/2010** | 506,940 | 373,552 | 34,128 | 245 | 914,864 |
| Equity in the income | 43,824 | - | 1,238 | 1,597 | 46,659 |
| Partial Spin off | - | (373,552) | - | - | (373,552) |
| **Balances on 06/30/2010** | 550,764 | - | 35,366 | 1,842 | 587,971 |

(In thousands of Reais, except when stated otherwise)

## 12 Related parties

The main asset and liability balances at June 30, 2010 and March, 31, 2010, and the transactions that affected the results for the year, from related party transactions, refer to transactions between the Company and its subsidiary and joint ventures and its related parties, between shareholders, and related parties, key professionals from management and other related parties, in accordance with CVM Decision 560, of December 11, 2008, which approved Technical Pronouncement CPC 05 - Disclosure of Related Parties.

| | | | 06/30/2010 | | | 03/31/2010 | | |
|---|---|---|---|---|---|---|---|---|
| **Companies** | **Ref** | **Transaction Nature** | **Assets** | **Liabilities** | **Income statement** | **Assets** | **Liabilities** | **Income statement** |
| ELETROBRÁS | (a) | Loans | - | 419,588 | 21,031 | - | 413,068 | 5,913 |
| | | Dividends | - | 135 | - | - | 19,454 | - |
| FASCEMAR | (b) | Loans | - | 25,209 | 1,691 | - | 25,658 | 840 |
| | | Private pension | - | - | 845 | - | - | 432 |
| CHESF | (c) | Electric energy purchased | - | 8,401 | 36,237 | - | 7,848 | 18,042 |
| | | Distribution system use | - | 793 | 3,661 | - | 816 | 1,839 |
| ELETRONORTE | (d) | Electric energy purchased | - | 4,308 | 18,470 | - | 3,993 | 9,103 |
| | | Distribution system use | - | 3,031 | 13,445 | - | 2,986 | 6,733 |
| FURNAS | (e) | Compra de energia elétrica | - | 13,639 | 57,590 | - | 12,611 | 28,926 |
| | | Distribution system use | - | 951 | 4,353 | - | 981 | 2,209 |
| CEMIG | (f) | Electric energy purchased | - | 2,477 | 10,598 | - | 2,305 | 5,224 |
| | | Distribution system use | - | 305 | 1,394 | - | 310 | 700 |
| CEPISA | (g) | Distribution system use | - | 7,515 | 6,658 | - | 8,254 | 3,458 |

(a) The amounts with ELETROBRÁS refer to the dividends payable and loan contracts. The loan contracts with ELETROBRÁS arise from the financing lines specifically for the Electrical Sector and the terms agreed are the same as those practiced with other Brazilian electrical energy distributors (see Note 18).

(b) The amounts with FASCEMAR refer to borrowings and contributions between CEMAR and FASCEMAR. The loan contracts are described in note 17 and the terms of the pension plan between CEMAR and FASCEMAR are presented in Note 28.

(c) The amounts with Companhia Hidroelétrica do São Francisco - CHESF refer to the contracts to purchase electrical energy, which are agreed under normal market terms and also use of the network. The products contracted from CHESF are: CCEAR 2005 nº 82/2004 valid until 2012, CCEAR 2006 nº.460/2004 valid until 2013, CCEAR 2007 nº 770/2004 valid until 2014, CCEAR 2008 nº 1,158/2005 valid until 2015 e A-1 nº 3,172/2006 valid until 2014 and CCEAR 2009 nº 27220 valid until 2016.

(d) The amounts with Centrais Elétricas do Norte do Brasil S.A. - ELETRONORTE refer to the contracts to purchase electrical energy, which are agreed under normal market terms and also use of the network The contracts are: contract product CCEAR 2005 nº 184/2004 valid until 2012, contract product CCEAR 2006 nº 565/2004 valid until 2013, contract product CCEAR 2007 nº 863/2004 valid until 2014, contract product CCEAR 2008 nº 1226/2005 valid until 2015 and contract product A-1 nº 3193/2006 valid until 2014.

(e) The amounts with Furnas Centrais Elétricas S.A. - FURNAS, refer to the contracts to purchase electrical energy, which are agreed under normal market terms and also use of the network. The contracts are: contract CCEAR 2005 nº 286/2004 valid until 2012, contract CCEAR 2006 nº 670/2004 valid until 2013, contract CCEAR 2007 nº 925/2004 valid until 2014, contract P8-Nova nº 1833/2005 valid until 2037 and contract CCEAR 2009 nº 27219 valid until 2016.

(f) The amounts with Cemig Geração e Transmissão S.A. - CEMIG refer to the contracts to purchase electrical energy, which are agreed under normal market terms and also use of the network. The contracts are: contract CCEAR 2006 nº 390/2004 valid until 2013, o contract CCEAR 2008 nº 1056/2005 valid until 2015 and contract CCEAR 2009 nº 3293 valid until 2016.

(In thousands of Reais, except when stated otherwise)

(g) The amounts with Companhia Energética do Piauí - CEPISA refer to use of the network.

Total remuneration paid to the parent company's management during the quarters ended June 30, 2010 and 2009 is presented below:

| | 06/30/2010 | 06/30/2009 |
|---|---|---|
| Current benefits | 1,292 | 3,248 |
| Post employment benefits (Private pension) | 5,936 | - |
| | 7,228 | 3,248 |

Equatorial Energia S.A., the parent company of CEMAR, provides guarantees as the cosignatory for the Company for the financing contracts listed below:

| Institution | Value | Endorsement (%) | Iniciation | End | Amount released | Balance on 2nd quarter |
|---|---|---|---|---|---|---|
| 3rd debenture issue | 267,300 | 100 | 03/01/2007 | 03/01/2013 | 267,300 | 275,665 |
| Special Agency for Industrial Financing - FINAME (40/00221-7) | 46 | 100 | 04/20/2006 | 05/15/2013 | 46 | 10 |
| Special Agency for Industrial Financing - FINAME (40/00222-5) | 388 | 100 | 07/07/2006 | 05/15/2013 | 388 | 80 |
| Special Agency for Industrial Financing - FINAME (Simplificado) | 776 | 100 | 03/25/2010 | 10/15/2019 | 776 | 783 |
| Banco de Desenvolvimento do Nordeste - BNDES (106607040004100) | 28,481 | 100 | 04/10/2007 | 02/15/2012 | 28,481 | 13,079 |
| Banco de Desenvolvimento do Nordeste - BNDES (10/473589-0) | 79,663 | 100 | 03/11/2008 | 07/15/2013 | 79,651 | 62,255 |
| Banco do Nordeste do Brasil - BNB | 136,076 | 100 | 11/23/2005 | 02/28/2017 | 136,076 | 107,226 |
| Banco do Nordeste do Brasil - BNB (193.2007.4165.2386) | 9,652 | 100 | 12/06/2007 | 12/06/2012 | 9,652 | 6,071 |
| Banco do Nordeste do Brasil - BNB (193.2008.2808.3018) | 144,939 | 100 | 02/05/2009 | 02/05/2021 | 135,800 | 137,828 |
| Banco do Nordeste do Brasil - BNB (193.2009.930.3304) | 7,800 | 100 | 09/02/2009 | 09/02/2010 | 7,800 | 1,969 |
| Financer for Studies and Projects - FINEP | 2,637 | 100 | 06/13/2006 | 06/30/2013 | 2,359 | 1,698 |
| International Finance Corporation - IFC * | 135,056 | 50 | 02/01/2008 | 01/15/2016 | 135,056 | 130,063 |
| Total | 812,814 | | | | 803,385 | 736,727 |

* Exposure limit of US$40,000,000.00

## 13 Property, plant and equipment

(In thousands of Reais, except when stated otherwise)

Fixed assets, by activity, comprises the following:

| | Consolidated | | | |
|---|---|---|---|---|
| | 06/30/2010 | | | 03/31/2010 |
| | Costs | Accumulated depreciation | Net value | Net value |
| **Activities** | | | | |
| Generation | 145,709 | ( 645) | 145,064 | 137,683 |
| Distribution | 2,433,284 | (761,879) | 1,671,405 | 1,693,771 |
| Administration | 58,543 | ( 18,513) | 40,030 | 5,692 |
| Selling | 9,357 | ( 3,790) | 5,567 | 40,623 |
| **In service** | 2,646,893 | (784,827) | 1,862,066 | 1,877,769 |
| Distribution | 417,506 | - | 417,506 | 334,983 |
| Administration | 7,522 | - | 7,522 | 7,002 |
| Selling | 1,107 | - | 1,107 | 830 |
| **In progress** | 426,135 | - | 426,135 | 342,815 |
| **Total** | 3,073,028 | (784,827) | 2,288,201 | 2,200,584 |
| Special Obligations linked to the concession (c) | ( 949,221) | - | ( 949,221) | ( 902,749) |
| **Net total** | 1,338,980 | (784,827) | 1,338,980 | 1,317,835 |

(In thousands of Reais, except when stated otherwise)

The substitution of the consolidated fixed assets is demonstrated below:

| | Balances on 03/31/2010 | Additions | Write-offs | Transfer Capitalization | Transfer Inventories | Balances on 06/30/2010 |
|---|---|---|---|---|---|---|
| **In service** | | | | | | |
| Generation | 138,323 | 7,381 | - | - | - | 145,704 |
| Distribution | 2,430,315 | - | (98) | 3,066 | - | 2,433,283 |
| Selling | 9,304 | - | - | 54 | - | 9,358 |
| Administration | 58,416 | 220 | - | 311 | - | 58,947 |
| Subtotal | 2,636,358 | 7,601 | (98) | 3,431 | - | 2,647,292 |
| **(-) Depreciation** | | | | | | |
| Generation | ( 641) | ( 3) | - | - | - | ( 644) |
| Distribution | (736,543) | (25,397) | 62 | - | - | (761,878) |
| Selling | ( 3,612) | ( 179) | - | - | - | ( 3,790) |
| Administration | ( 17,495) | ( 1,013) | - | - | - | ( 18,508) |
| Subtotal | ( 758,291) | (26,592) | 62 | - | - | (784,820) |
| Total | 1,878,067 | (18,991) | ( 36) | 3,431 | - | 1,862,472 |
| **In progress** | | | | | | |
| Distribution | 279,628 | 40,429 | (341) | (3,066) | 43,347 | 359,997 |
| Selling | 830 | 330 | - | ( 54) | - | 1,106 |
| Administration | 6,705 | 700 | ( 40) | ( 311) | 75 | 7,128 |
| Stock of investments | 55,354 | 45,501 | - | - | (43,357) | 57,498 |
| Subtotal | 342,517 | 86,960 | (381) | (3,431) | 65 | 425,729 |
| Total | 2,220,584 | 67,969 | (417) | - | 65 | 2,288,201 |

According to articles 63 and 64 of Decree 41,019, of February 26, 1957, equipment and facilities used in the sub-transmission, distribution and sale of electricity are tied to these services, and cannot be removed, sold, assigned or given as mortgage guarantees without previous express authorization from ANEEL.

(In thousands of Reais, except when stated otherwise)

ANEEL Resolution 20, of February 03, 1999, regulates the detachment of the assets of Public Electricity Service concessions, granting prior authorization for the detachment of assets that no longer serve for the Concession and are to be sold, and determines that the proceeds from the sale shall be deposited in a dedicated bank account for investment in the concession.

In the subsidiary CEMAR, on June 30, 2010, the balance of disposal of goods and rights is R$522 (R$522 on March, 31, 2010).

### *Fixed assets in progress*

In Subsidiary CEMAR, the balance of fixed assets in progress refers to work in progress, materials in storage, purchase in progress and prepayment of suppliers, in the amounts of R$368,327, R$53,986, R$0 and R$3,524, respectively (R$285,806, R$53,669, R$0 and R$1,687 at March 31, 2010, respectively). Of the total materials in storage, the amount of R$41,384 (R$41,755 at March 31, 2010), represents material held in storage to meet the requirements of the "Programa Luz para Todos", of Subsidiary CEMAR, and mainly refers to poles, transformers, cables, meters, power converters, among other items to be used for works in progress. A provision was made, by the Subsidiary CEMAR, for losses deriving from items which have not been used for over 180 days, with amount at June 30, 2010 of R$3,959 (R$3,358 at March 31, 2010). The balance of fixed assets in progress for distribution is net of this provision.

### *Depreciation rates*

The main annual depreciation rates, according to MCSPE - Equity Control Manual of the Electric Energy Sector, as amended by ANEEL Resolution 367, of June 2, 2009, are as follows:

| Generation | % | Distribution | | | |
|---|---|---|---|---|---|
| | | Lines, networks and substations - voltage < 69KV | % | Lines, networks and substations - voltage > 69KV | % |
| Generator | 3.3 | | | | |
| Buildings | 4.0 | Condenser banks | 6.7 | Condenser banks | 5.0 |
| Gas turbines | 5.0 | Switches | 6.7 | Switches | 3.3 |
| Generator sets | 6.7 | Conductors | 5.0 | Conductors | 2.5 |
| | | Buildings | 4.0 | Buildings | 4.0 |
| | | Structures | 5.0 | Structures | 2.5 |

(In thousands of Reais, except when stated otherwise)

| Generation | % | Distribution | | | |
|---|---|---|---|---|---|
| **Sales/administration** | **%** | Regulators | 4.8 | Regulators | 3.5 |
| Furniture and fixtures | 10.0 | Re-connectors | 4.3 | Re-connectors | 4.3 |
| Buildings | 4.0 | Transformers | 5.0 | Power Transformers | 2.5 |
| Vehicles | 20.0 | Meters | 4.0 | Meters | 3.0 |
| IT equipment | 10.0 | | | | |

### *Obligation related to concession*

The obligations related to the Public Electricity Service concession represent the amounts received from the Federal Government, State Governments, Municipal Governments and consumers, donations not dependent on a return in favor of the donator and allocations to investments in public electricity services, specifically distribution operations. The maturity date for these liabilities is established by the regulatory body for power distribution and supply concessions, and settlement will be made until the end of the concession period.

The contributions from consumers refer to funds received to execute the services required to meet electricity supply requests. The donations and subsidies are mainly the amounts provided by ELETROBRÁS to finance the “Programa Luz para Todos”, to the amount of R$857,625 (R$810,453 at March 31, 2010), net of taxes. Government participation refers to federal funds received to execute electrical projects linked to the Public Electricity Service. Because of their nature, these accounts are not financial obligations and therefore should not be included as liabilities for the purposes of determining the financial indicators.

Stated as offsets to property, plant and equipment, obligations related to the concession mainly refer to funds received from consumers to implement ventures necessary to meet electricity orders. These obligations are directly related to the public electricity service concession. According to SFF/ANEEL Circular 1,314/2007, issued June 27, 2007, they shall be amortized as from the 2$^{nd}$ periodical tariff review (August 28, 2008) at a rate to be specified by ANEEL corresponding to the average rate of the assets in service.

(In thousands of Reais, except when stated otherwise)

## 14 Intangible assets

### a. *Goodwill from concession asset*

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | **06/30/2010** | **03/31/2010** | **06/30/2010** | **03/31/2010** |
| **Goodwill based on expected future profitability** | | | | |
| Goodwill on the purchase of CEMAR | 291,810 | 291,810 | 291,810 | 291,810 |
| Goodwill on the purchase of GERANORTE | 11,500 | 11,500 | 11,500 | 11,500 |
| Accumulated amortization | ( 62,802) | ( 60,536) | ( 62,802) | ( 60,536) |
| | 240,508 | 242,774 | 240,508 | 242,774 |
| **Other intangible (b)** | - | - | 53,488 | 52,724 |
| Total | 240,508 | 242,774 | 293,996 | 295,498 |

The historic cost of goodwill refers to the acquisitions of CEMAR, on June 30, 2000 and Geranorte, on October 01, 2008. This refers to the future benefit acquired from the right to exploit the concession and is classified as intangible assets with a defined useful life. The goodwill is being amortized based on the forecast net profit curve for the concessionaires over the remaining period of the concession.

### b. *Other intangible*

Considering the activities, the intangible is constituted as follow:

| | Consolidated | | | |
|---|---|---|---|---|
| | 06/30/2010 | | | 03/31/2010 |
| **Intangible activity** | **Costs** | **Accumulated amortization** | **Net value** | **Net value** |
| Distribution | 32,115 | (11,225) | 20,890 | 22,269 |
| Generation | - | - | - | - |
| Administration | 31,294 | (20,285) | 11,009 | 10,980 |
| Sales | 8,922 | ( 4,913) | 4,009 | 4,454 |
| **In service** | 72,331 | (36,423) | 35,908 | 37,703 |
| Distribution | 7,601 | - | 7,601 | 6,132 |

(In thousands of Reais, except when stated otherwise)

| | Consolidated | | | |
|---|---|---|---|---|
| | 06/30/2010 | | | 03/31/2010 |
| **Intangible activity** | **Costs** | **Accumulated amortization** | **Net value** | **Net value** |
| Generation | | | | - |
| Administration | 9,409 | | 9,409 | 8,556 |
| Sales | 570 | - | 570 | 333 |
| **In progress** | 17,580 | - | 17,580 | 15,021 |
| **Total intangible, net** | 89,911 | (36,423) | 53,488 | 52,724 |

The intangible asset in the subsidiary CEMAR comprises softwares, amortized at the rate of 20% p.a. rights of way (not depreciated) and others.

## 15 Deferred charges

Deferred charges, at June 30, 2010 consist of R$395 (R$432 at March 31, 2010) which refer to the parent company's restructuring costs of Parent company and R$1,393 (R$1,430 at March 31, 2010) of joint venture, Geranorte arising from pre-operational expenses.

| | Controladora | | Consolidado (Reclassificado) | |
|---|---|---|---|---|
| | 06/30/2010 | 03/31/2010 | 06/30/2010 | 03/31/2010 |
| **Deferred charges** | | | | |
| Financial charges | - | - | 530 | 528 |
| Organization/administration/others | - | - | 594 | 595 |
| Tax charges | - | - | 119 | 119 |
| Insurance | - | - | 531 | 531 |
| Technical consulting | - | - | 70 | 70 |
| Travel and accommodation | - | - | 18 | 18 |
| Pre-operational income | - | - | ( 405) | ( 405) |
| Restructuring costs | 740 | 740 | 740 | 740 |
| Amortization | (345) | (308) | ( 409) | ( 335) |
| Total | 395 | 432 | 1.788 | 1,861 |

(In thousands of Reais, except when stated otherwise)

## 16 Accounts payable to suppliers

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 06/30/2010 | 03/31/2010 | 06/30/2010 | 03/31/2010 |
| **Current** | | | | |
| Charges of system services **(c)** | - | - | 16,235 | 16,895 |
| Free energy - Compensation of generators **(a)** | - | - | 276 | 261 |
| Energy auctions **(b)** | - | - | 51,577 | 46,109 |
| Others | 213 | 461 | 8,680 | 3,460 |
| | 213 | 461 | 76,768 | 66,725 |
| Material and services | - | - | 73,425 | 49,362 |
| Total | 213 | 461 | 150,193 | 116,087 |

### *a. Free Energy - Reimbursement Payable to Generation Companies*

ANEEL approved, in the meeting of the Board of Executive Officers held on December 15, 2009, the method and procedures for calculation of balances of Free Energy and Revenue Loss of generation and distribution companies after the conclusion of collection of the Extraordinary Tariff Recomposition (RTE) in energy supply tariffs. However, Resolution nº 387, of December 15, 2009, published on January 12, 2010, concluded the process for calculation of final balances of Revenue Loss and Free Energy and defined the reimbursement amount payable to agents, as calculated by the companies, which will be approved by the Agency.

### *b. Energy supply and connection charges in CEMAR*

Pursuant to Decree Law nº 5,163, of July 30, 2004, which in part of the new legislation that governs the electric energy sector, CEMAR negotiated new agreements for the Purchase of Electric Energy in the Regulated Environment, as decribed below:

| **Energia contratada** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** |
|---|---|---|---|---|---|---|---|

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Product 2005/2012 | 2,922,632 | 2,922,632 | 2,930,639 | - | - | - | - |
| Product 2006/2013 | 1,110,517 | 1,110,517 | 1,113,560 | 1,110,517 | - | - | - |
| Product 2007/2014 | 405,307 | 405,307 | 406,418 | 405,307 | 405,307 | - | - |
| Product 2008/2015 | 212,868 | 212,868 | 213,451 | 212,868 | 212,868 | 212,868 | - |
| PROINFA | 101,987 | 101,987 | 101,987 | 101,987 | 101,987 | 101,987 | 101,987 |
| MCSD | 96,257 | 96,257 | 95,705 | 20,107 | 10,934 | 7,961 | 7,982 |
| New 2008/2022/2037 | 25,579 | 25,579 | 25,649 | 25,579 | 25,579 | 25,579 | 25,579 |
| New 2009/2023/2038 | 99,695 | 99,695 | 99,967 | 99,695 | 99,694 | 99,694 | 99,587 |
| New 2010/2024/2039 | 369,848 | 369,848 | 370,860 | 369,848 | 369,848 | 369,848 | 369,848 |
| Auction A-3 | 239,498 | 239,498 | 240,154 | 239,498 | 239,498 | 239,498 | 239,498 |
| Auction Source Alternative | 3,888 | 3,888 | 3,899 | 3,888 | 3,888 | 3,888 | 3,899 |
| Auction A-3 ( 2007) | 55,937 | 55,937 | 56,091 | 55,937 | 55,937 | 55,937 | 56,091 |
| Auction A-3 ( 2008) | - | 117,471 | 117,793 | 117,471 | 117,471 | 117,471 | 117,793 |
| Auction A-5 ( 2006 ) | - | 162,591 | 163,037 | 162,591 | 162,591 | 162,591 | 162,591 |
| Auction A-5 ( 2007 ) | - | - | 438,322 | 437,124 | 437,124 | 437,124 | 437,124 |
| Auction Santo Antonio | - | - | 905 | 81,259 | 206,907 | 310,304 | 310,304 |
| Auction Jirau | - | - | - | 68,187 | 127,279 | 178,163 | 212,269 |
| Auction A-5 ( 2008 ) | - | - | - | 453,617 | 454,860 | 453,617 | 454,860 |
| Auction A-1 | 16,194 | 16,194 | 16,238 | 16,194 | 16,194 | - | - |
| Auction setting | - | - | - | - | - | - | - |
| Total - MWh | 5,660,207 | 5,940,269 | 6,394,675 | 3,981,674 | 3,047,966 | 2,776,530 | 2,599,412 |

### c. *Power network use charges in CEMAR*

In 1999, electric energy distribution companies have entered into the Agreements for Use of the Transmission System (CUST) with 15 energy transmission companies and the National System Operator (NOS), the agency created to plan and operate the Brazilian electric energy system, whereby the distribution companies are required to pay for the use of the transmission assets due to the interconnection of the entire Brazilian electric energy transmission system.

(In thousands of Reais, except when stated otherwise)

## 17 Loans and financing

| | Consolidated | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 06/30/2010 | | | | | 03/31/2010 | | |
| | Current | | Non current | | | Current | Non current | |
| | Principal and charges | Funding costs to apportion (*) | Principal and charges | Funding costs to apportion (*) | Total | Principal and charges | Principal and charges | Total |
| **Foreign currency** | | | | | | | | |
| National Treasury | 812 | - | 8,243 | - | 9,055 | 916 | 8,516 | 9,432 |
| Financial Institutions | - | - | - | - | - | - | - | - |
| | 812 | - | 8,243 | - | 9,055 | 916 | 8,516 | 9,432 |
| **Local currency** | | | | | | | | |
| Eletrobrás | 41,031 | - | | | | 45,306 | 368,013 | 413,319 |
| IFC | 26,174 | (265) | 378,674 | - | 419,705 | 23,153 | 103,889 | 125,430 |
| BNB | 25,245 | (266) | 103,889 | (1,215) | 128,583 | 27,193 | 233,066 | 258,156 |
| BNDES | 28,221 | (3) | 227,849 | (1,707) | 251,121 | 28,270 | 54,095 | 82,355 |
| FINEP | 569 | (5) | 47,113 | ( 6) | 75,325 | 570 | 1,269 | 1,823 |
| FINAME | 97 | - | 1,128 | ( 9) | 1,683 | 98 | 792 | 890 |
| Bradesco | - | - | 776 | - | 873 | - | - | - |
| ABN Amro | - | - | - | - | - | - | - | - |
| ABC | 7,561 | - | - | - | 7,561 | - | - | - |
| Itaú BBA | 28,775 | - | - | - | 28,775 | 7,623 | - | 7,623 |
| Itaú | - | - | - | - | - | 47,437 | - | 47,437 |
| **Local currency** | | | | | | | | |
| Votorantim | 28,838 | - | - | - | 28,838 | 3,000 | - | 3,000 |
| BASA | - | - | - | - | - | - | 42,774 | 42,774 |
| Instituições financeiras | - | - | - | - | - | 50,474 | 1 | 50,475 |
| | 186,511 | (539) | 759,429 | (2,937) | 942,465 | 233,124 | 803,899 | 1,033,282 |
| Loans - debt with FASCEMAR | 5,307 | - | 19,902 | - | 25,209 | 5,132 | 20,526 | 25,658 |
| **Total** | 192,630 | (539) | 787,574 | (2,937) | 976,729 | 239,172 | 832,941 | 1,068,372 |
| **Total, net** | 192,091 | | 784,637 | | | 238,636 | 829,736 | |

**(*)** In accordance with Decision 556, of November 12, 2008, which approved Technical

(In thousands of Reais, except when stated otherwise)

Pronouncement CPC 08, the subsidiary CEMAR appropriated the costs that refer to borrowings obtained in 2008 to results, over the period of the funding, based on the amortized cost method.

The Company appropriated the costs from obtaining loans, for the amount of R$4,526 at June 30, 2010 (R$2,353 at June 30, 2009), with the remaining balance registered to liabilities to appropriate for the amount of R$3,477, at June 30, 2010 and (R$1,871 at June 30, 2009).

| Description | Contractual rates % p.a. | Transaction costs incurred | Balance of transaction costs to appropriate | Maturity | Value of debt 06/30/2010 | Value of debt 03/31/2010 |
|---|---|---|---|---|---|---|
| BNB New Head Office | 10% | 207 | 62 | 12/06/2012 | 6,071 | 6,680 |
| BNB II | 10% | 2.174 | 1,911 | 2/5/2021 | 137,828 | 137,755 |
| FINEP | TJLP + 2% | 31 | 14 | 6/30/2013 | 1,698 | 1,840 |
| BNDES II | TJLP + 3.6% | 15 | 9 | 7/15/2013 | 62,255 | 67,320 |
| IFC | 90.9% do CDI + 1.5% | 2.100 | 1,481 | 1/15/2016 | 130,063 | 127,042 |
| Total | | 4.526 | 3,477 | | 337,915 | 340,637 |
| Current | | | 539 | | 51,575 | 48,524 |
| Non current | | | 2,937 | | 286,341 | 292,114 |

### *Balance for National Treasury Debt*

The National Treasury balance refers to the financing of medium and long term contracts and the interest due to commercial banks and other foreign creditors, not deposited with the Central Bank of Brazil, under the terms of Resolutions 1,541/88 and 1,564/89 of the National Monetary Council - CMN, which were the object of an exchange for a bonus issued by the Government. This debt is guaranteed by CEMAR’s income from the supply of electricity. At June 30, 2010, the average effective rate for this operation was 4.50% per annum (4.61% per annum at March 31, 2010).

***Balance for Debt with ELETROBRÁS:***

The contracts ECF - 2035/00, ECF - 2034/00, ECF - 2033/00, ECF - 1510/97, ECF - 1639/97, ECF - 1645/97, ECF - 1960/99, ECF - 1907/99, ECF - 1908/99 and ECF - 1473/97, with ELETROBRÁS refer basically to funds to construct transmission lines and substations, for the Supervision, Automation and Control Program - SAC and the Energy Conservation Program. The financing is guaranteed by income earned by CEMAR, and in some cases, by promissory notes. All of these contracts were renegotiated on April 27, 2004, through the signing of a Debt Renegotiation Contract. The main characteristics of the new terms agreed are described in item (c) of this note. At June 30, 2010 the average effective rate for this operation was 9.52% per annum.

The average effective rate for the contracts with ELETROBRÁS, at June 30, 2010, was 7.93% per annum (6.77% per annum at March 31,2010). The main contracts with ELETROBÁS include:

**i.** On January 9, 2007, the first liberation of funds from the financing contract ECF-2522/2005 occurred, agreed between CEMAR and ELETROBRÁS. In June 2009, the fourth liberation of this contract occurred, for the amount of R$7,273 and in December 2009 the fifth liberation occurred, for the amount of R$3,495. This contract is tied to resources from the Global Reserve Reversal - RGR. The cost of this financing is 7% per annum, plus the variation in the RGR. The amount matures in 7 years, and has a grace period of 2 years and is being amortized over 5 years. At June 30, 2010 the average effective rate for this operation was 7% per annum. These funds are guaranteed by income earned by CEMAR, and have been allocated to finance the direct costs of investments to improve the supply of electricity and expand the system. There is no contractual clause that provides for the anticipated settlement of the installments outstanding;

In January 2009, the first liberation of funds from the financing contract ECF-2724/2008, occurred, agreed between CEMAR and ELETROBRÁS, for the total amount of R$97,686. The first liberation corresponds to 10% of the value of the contract, that is R$9,769. In June 2009 CEMAR received the second liberation, for the amount of R$20,065; in December 2009 it received the third liberation, for the amount of R$14,711 and in June 2010 the fourth liberation, for the amount of R$8,442. This contract is tied to resources from the Global Reserve Reversal - RGR. The cost of this financing is 7% per annum, plus the variation in the RGR. The amount matures in 7 years, and has a grace period of 2 years and is being amortized over 5 years. At June 30, 2010 the average effective rate for this operation was 7% per annum. These funds are guaranteed by income earned by CEMAR, and have been allocated to finance the direct costs of investments to improve the supply of electricity and expand the system. There is no contractual clause that provides for the anticipated settlement of the installments outstanding.

**iii.** In March 2009, CEMAR agreed a confession of indebtedness and Debt recognition contract, ECF-2728/2008, with ELETROBRÁS, for the total amount of R$30,731, which referred to recognition of the debt arising from the Contract for Financing and Concession of Subsidy ECFS - 0140/2006. The balance for this contract will be corrected by the SELIC rate, maturing in 16 months, with a grace period of 4 months, and amortization over 12 months. At June 30, 2010 the effective rate for this operation was 8.82% per annum (9% per annum at March 31, 2010).

**iv.** In October 2009, the first liberation of funds from the financing contract ECF-2585/2006, occurred, agreed between CEMAR and ELETROBRÁS, for the total amount of R$1,161. The first liberation corresponds to 10% of the value of the contract, that is R$116. This contract is tied to resources from the Global Reserve Reversal - RGR. The cost of this financing is 6.5% per annum, plus the variation in the RGR. The amount matures in 67 months, with a grace period of 7 months and is being amortized over 60 months. At June 30, 2010 the average effective rate for this operation was 6.5% per annum. These funds are guaranteed by income earned by CEMAR, and have been allocated to finance the direct costs of the Project to Improve and Expand the Public Lighting Systems for the municipal of Pinheiro.

(In thousands of Reais, except when stated otherwise)

### *Balance for debt with IFC*

On February 28, 2008, CEMAR finalized the contracting of financing for the amount of US$80,000,000.00 with IFC - International Finance Corporation, for the purpose of financing part of the investments made in 2007, and part of the investments forecast for the two 2008/2009. The loan was granted in Brazilian Reais, for the amount of R$135,056, based on the selling PTAX of 1.6882 on February 26, 2008. The cost of the operation was fixed at 90.9% of the CDI, through a foreign exchange swap by IFC, bearing an additional cost of 1.5% p.a. for the "Exposure Fee". The term for this financing is 8 years, and it has a two year grace period. The funds are guaranteed by trustee assignment over the Company's receivables, and by a surety from its parent company Equatorial Energia S.A. At June 30, 2010, the effective rate for this operation was 9.49% per annum (9.64% per annum at March 31, 2010).

Under the terms of this contract CEMAR has to report certain financial indices, to be calculated annually, based on its audited financial statements:

- 1º Covenant: a ratio, from dividing the NET FINANCIAL DEBT by the EBITDA for the previous 12 months, of less than or equal to 2.5 (two and a half); and
- 2ª Covenant: a ratio, from dividing the EBITDA for the previous 12 months by the NET FINANCIAL EXPENSES, of greater than or equal to 2.0 (two).

| | **2T10** | **1T10** | **4T09** | **3T09** |
|---|---|---|---|---|
| Gross debt * | 1,187,222 | 1,186,412 | 1,217,266 | 1,185,445 |
| (-) Cash and cash equivalents | ( 403,719) | ( 381,954) | ( 357,467) | ( 264,059) |
| (-) Low income receivable | ( 23,399) | ( 22,490) | ( 23,115) | ( 20,265) |
| (-) Net regulatory assets | ( 6,005) | ( 37,415) | ( 68,094) | (100,030) |
| **= Financial debt, net** | 754,099 | 744,553 | 768,590 | 801,091 |
| EBITDA** | 107,069 | 88,774 | 130,436 | 137,228 |
| EBITDA ajusted for the previous 12 months | 463,507 | 452,291 | 470,336 | 450,275 |
| **1º Covenant: <=2,5** | 1,6 | 1,6 | 1,6 | 1,8 |
| Despesa financeira líquida trimestral | 11,244 | 27,839 | 11,480 | 33,314 |
| Despesa financeira líquida nos últimos 12 meses | 83,877 | 83,810 | 93,283 | 91,841 |
| **2º Covenant: >=2,0** | 5,5 | 5,4 | 5,0 | 4,9 |

* Corresponds to the gross debt from loans and financing (presented in this note 16) and the gross debt for debentures (see note 17).

** EBITDA calculated according to the financing contract, and refers to profit before interest, taxes and amortization, excluding other non recurring income and expenses. The other non recurring income and expenses refer to write offs and disposals of fixed assets.

### *Balance for debt with Banco do Nordeste do Brasil*

The funds were obtained from the Constitutional Fund for Financing for the Northeast - FNE. These funds are guaranteed by a bank surety letter, short term investments, CEMAR's income and a guarantee from its parent company Equatorial Energia S.A. At June 30, 2010, the effective interest rate for this operation was 8.5% per annum (8.5% per annum at March 31, 2010).

BNB Nova Sede - The funds were obtained from the Constitutional Fund for Financing for the Northeast - FNE. These funds are guaranteed by a bank surety letter, short term investments, CEMAR's income and a guarantee from its parent company Equatorial Energia S.A. At June 30, 2010, the effective interest rate for this operation was 8.5% per annum (8.5% per annum at March 31, 2010).

BNB II - In March 2009, CEMAR received the first liberation of the loan obtained from Banco do Nordeste do Brasil - BNB, for the amount of R$37,008; in September 2009 it received the second installment, for the amount of R$69,247; and in December 2009 the third installment, for the amount of R$29,545, for the purpose of complementing the financing for investments to be made in the electricity network. The funds were obtained from the Constitutional Fund for Financing for the Northeast - FNE. The interest rate for FNE is 8,50% per annum, considering the bonus for full performance of the contract of 1.5%, on the interest payment. These funds are guaranteed by a bank surety letter, short term investments, CEMAR's income and a guarantee from its parent company Equatorial Energia S.A. At June 30, 2010, the effective interest rate for this operation was 8.5% per annum (8.5% per annum at March 31, 2010).

BNB Giro - In September 2009, CEMAR received the liberation of the loan obtained from Banco do Nordeste do Brasil - BNB, for the amount of R$7,800, for the purpose of complementing the Company's working capital funds. The total term for the financing is 12 months, and it bears an effective interest rate of 13.35% per annum.

### *Balance for Debt with BNDES*

On April 10, 2007, CEMAR contracted financing of R$ 28,481, from Itaú BBA, tied to funds originating from transfers from the National Bank for Economic and Social Development - BNDES. The cost of this financing is TJLP + 4.8% per annum. The total term is 5 years, with a grace period of 1 year, and amortization over 4 years. These funds are guaranteed by CEMAR's income, and a surety guarantee from Equatorial Energia S.A. These funds have been allocated to finance the implantation of the Program to Combat Electricity Losses from CEMAR's distribution system, the distribution network management system - "GEOREDE" and the ELUCID Commercial System - "UE-COM". At June 30, 2010, the effective rate for this operation was 10.80% per annum (10.86% per annum at March 31, 2010).

According to this contract CEMAR has to present the following financial indices, to be determined annually, based on its audited financial statements:

- 1st Covenant: a ratio between net financing indebtedness and EBITDA of less than or equal to 4.50; and
- 2nd Covenant: a ratio between of net financing indebtedness and the sum of net financial indebtedness and shareholders' equity of less than or equal to 0.60.

On March 11, 2008, CEMAR contracted financing for the amount of R$79.663 from Unibanco - União de Bancos Brasileiros S.A., tied to funds originating from repasses from the National Bank for Economic and Social Development - BNDES. The cost of this financing is TJLP + 3.6% per annum. The total term is 5 years, with a grace period of 1 year, and amortization over 4 years. These funds are guaranteed by CEMAR's income, for the amount of up to 3.47% of net income and a surety provided by Equatorial Energia S.A., and are allocated to finance the implantation of the project "CEMAR Operational Expansion and Quality", with investments aimed at combating the electricity sales losses, connecting new consumers and up dating the Company's technology. On September 14, 2009, CEMAR received the last liberation of funds for the amount of R$12,451. At June 30, 2010, the effective interest rate for this operation was 9.60% per annum (9.66% per annum at March 31, 2010).

(In thousands of Reais, except when stated otherwise)

According to this contract CEMAR has to present the following financial indices, to be determined annually, based on its audited financial statements:

- 1st Covenant: a ratio between net financing indebtedness and EBITDA of less than or equal to 2.50; and

- 2nd Covenant: a ratio between of net financing indebtedness and the sum of net financial indebtedness and shareholders' equity of less than or equal to 0.60.

The Covenants for the loans with BNDES are presented below:

| | **2T10** | **1T10** | **4T09** | **3T09** |
|---|---|---|---|---|
| (+) Loans and financing and debentures | 1,187,222 | 1,186,412 | 1,217,266 | 1,185,445 |
| (-) Cash and cash equivalents | ( 403,719) | (381,954) | ( 357,467) | (264,059) |
| (-) Debt with ELETROBRÁS - ECF 1960/99 | ( 152,155) | (147,561) | ( 143,164) | (145,661) |
| (-) Low income | ( 23,399) | (22,490) | ( 23,115) | (20,265) |
| Net financial indebtedness | 607,949 | 634,407 | 693,520 | 755,460 |
| (+) Net profit | 67,309 | 48,861 | ( 13,208) | 87,964 |
| (+) Net financial results | 16,705 | 6,425 | 72,595 | 5,748 |
| (+)Provision for income and social taxes | 2,420 | 6,437 | 40,991 | 14,223 |
| (+) Profit sharing | 2,676 | 2,676 | 7,552 | 2,203 |
| (+) Depreciation and amortization | 22,095 | 22,351 | 20,395 | 24,898 |
| (+) Other expenses/revenues non recurrents* | 704 | 2,024 | 2,111 | 2,192 |
| EBITDA | 107,069 | 88,774 | 130,436 | 137,228 |
| EBITDA (12 Months) | 463,507 | 452,291 | 470,335 | 450,275 |
| Equity | 845,914 | 778,605 | 729,744 | 818,933 |
| Net financial indebtedness / EBITDA ≤ 4,5 | 1.3 | 1.4 | 1.5 | 1.7 |
| Net financial indebtedness / Net financial indebtedness +Equity) ≤ 0,6 | 0.4 | 0.4 | 0.5 | 0.5 |

* The other non recurring income and expenses refer to the write offs and disposals of fixed assets.

### *Balance for debt with FINEP*

In December 2009 CEMAR received the last installment for this loan, for the amount of R$278, resulting in a total of R$2,637, which incurs interest at the TJLP rate + 2% per annum, and is being used to finance investments to optimize the performance of the distribution network and energy efficiency programs. The term for this financing is 7 years, with a grace period of 2 years and amortization in 61 installments. This financing is guaranteed by the Company's income and a surety from Equatorial Energia S.A. At June 30, 2010, the effective interest rate for this operation was 8,00% per annum (8,00% per annum at March 31, 2010).

### *Balance for the debt with FINAME (simplified)*

In September 2009, CEMAR contracted Bank Credit Notes, numbers 665897, 665904, 665919, 665928, 665930, 665940, 665952 and 665961, which, together, amount to R$776, from Banco Votorantim, tied to funds originating from transfers from the Special Agency for Industrial Financing - FINAME from the National Bank for Economic and Social Development - BNDES. The cost of this financing is 4,5% per annum. The total period for this financing is 10 years, and it has a grace period of 24 months, with amortization over 8 years. These funds are guaranteed by chattel mortgage and surety guarantee from Equatorial Energia S.A., and are allocated to finance investments in switchgear, transformers, interceptors, key fuse reclosers and isolators. At June 30, 2010, the effective interest rate for this operation was 4.5% per annum.

(In thousands of Reais, except when stated otherwise)

### *Balance for the debt with FASCEMAR*

On March 20, 2001, the contract for the debt acknowledgement was renegotiated between CEMAR and FASCEMAR -Assistance and Social Security Foundation for CEMAR's employees, the Complementary Pension Fund, with the event that gave rise to such being the debt that CEMAR held with FASCEMAR, arising from the retentions and delays in transferring its contributions as the sponsor of the Fund. This debt is guaranteed by CEMAR's receivables. The debt arising from this contract is being paid in 168 monthly, consecutive installments, as from April 2001, and bears interest equivalent to 102% of the DI over extra group, calculated and published daily by the CETIP. At June 30, 2010, the effective rate for this operation was 8.96% per annum (9.13% per annum at March 31, 2010).

### a. *Covenants*

The subsidiary CEMAR have borrowings and financing (BNDES, IFC e 3rd debenture issue CCB Bradesco, ABN Amro and BNDES-Finen) ) which require that certain indebtedness indicators and interest coverage be maintained During the quarterly ended June 30, 2010 CEMAR fulfilled all of the indicators required under contract.

### b. *Scaling of current and non current installments for borrowings, financing and debentures (not including financing charges)*

The installments that refer to the principal sums for borrowings, financing and debentures (see Note 18) fall due as follows:

| | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | 06/30/2010 | | | 03/31/2010 | | |
| | Local currency | Foreign currency | Total | Local currency | Foreign currency | Total |
| 2010 | 171,958 | 725 | 172,683 | 178,035 | 718 | 178,753 |
| **Current** | 171,958 | 725 | 172,683 | 178,035 | 718 | 178,753 |
| 2011 | 363 | 63,568 | 85,774 | 85,774 | 718 | 86,492 |
| 2012 | 342 | 171,139 | 167,918 | 167,918 | 528 | 168,446 |
| 2013 | 342 | 283,452 | 280,011 | 280,011 | 339 | 280,350 |
| 2014 | 171 | 106,968 | 103,582 | 103,582 | 169 | 103,751 |

(In thousands of Reais, except when stated otherwise)

| | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | 06/30/2010 | | | 03/31/2010 | | |
| | Local currency | Foreign currency | Total | Local currency | Foreign currency | Total |
| 2015 | - | 102,353 | 99,267 | 99,267 | - | 99,267 |
| após 2015 | 7,025 | 273,933 | 258,807 | 258,807 | 6,761 | 265,568 |
| **Non current** | 8,243 | 1,001,413 | 995,359 | 995,359 | 8,515 | 1,003,874 |
| **Total** | 8,968 | 1,174,096 | 1,173,394 | 1,173,394 | 9,233 | 1,182,627 |

## c. *Statement of debts (does not include the funding costs to amortize)*

**Consolidated**

| Financing | Date of sign | Currency | Financial charges | 06/30/2010 | 03/31/2010 |
|---|---|---|---|---|---|
| TN - Par Bond | 04/15/1994 | *US$* | US$ + 6% p .a | 4,077 | 4,096 |
| TN - Discount Bond | 04/15/1994 | *US$* | US$ + (Libor/Sem + 13/16% p. a.) | 2,818 | 2,800 |
| TN - C. Bond | 04/15/1994 | *US$* | US$ + 8%a .a | 1,391 | 1,581 |
| TN - Debit. Conv. | 04/15/1994 | *US$* | US$ + (Libor/Sem + 7/8% p. a. ) | 769 | 955 |
| **Foreign currency** | | | | 9,055 | 9,432 |
| BNDES II | 03/11/2008 | TJLP | TJLP + 3.6% p. a. | 62,255 | 67,320 |
| ELETROBRÁS | 04/27/2004 | RGR, FINEL and IGP-M | Various | 419,705 | 413,187 |
| BNDES - FINEN | 04/10/2007 | TJLP | TJLP + 4.8%p. a. | 13,079 | 15,045 |
| BNB | 11/23/2005 | FNE | 9.78% p. a. | 107,226 | 111,884 |
| FASCEMAR | 04/20/2001 | CDI | 102%CDI | 25,209 | 25,658 |
| FINEP | 06/13/2006 | TJLP | TJLP + 2% p. a. | 1,697 | 1,839 |
| FINAME | 04/20/2006 | TJLP | TJLP + 9.5% p. a. | 873 | 890 |
| BNB - NOVA SEDE | 12/06/2007 | FNE | 9.78% p. a. | 6,071 | 6,680 |
| BNB - GIRO | | | | 1,969 | 3,940 |
| BNB II | | | | 137,828 | 137,755 |
| IFC | 02/01/2008 | CDI | 90.9% do CDI + 1.5% a.a. | 130,063 | 127,042 |
| ABC | | | | 7,561 | |
| Itau BBA | 09/01/2009 | CDI | | 28,775 | 7,623 |
| Itau | Various | CDI | | - | 47,437 |

(In thousands of Reais, except when stated otherwise)

| Consolidated | | | | | |
|---|---|---|---|---|---|
| **Financing** | **Date of sign** | **Currency** | **Financial charges** | **06/30/2010** | **03/31/2010** |
| Votorantin | Various | CDI | | 28,838 | 3,000 |
| Financial institutions | | | | - | 50,475 |
| **Local currency** | | | | 971,149 | 1,019,775 |
| **Total (does not include the funding costs to amortize)** | | | | 980.204 | 1.029.207 |
| **Current** | | | | 200,995 | 239,173 |
| **Non current** | | | | 787,574 | 790,034 |

## *d. Universal Rural Power Supply Program:*

By way of Resolution 223 dated April 29, 2003, as amended by Resolutions 52 dated March 25, 2004 and 175 dated November 28, 2005, ANEEL established the general conditions for drawing up Electricity Universalization Plans to serve new consumer units, or raise loads, governing the provisions established by articles 14 and 15 of Law 10,438, dated April 26, 2002, and established the responsibilities of public electricity distribution service concessionaires and authorized entities. Law 10,762 dated November 11, 2003 altered the priority for serving municipalities, placing the emphasis on municipalities with a lower rate of electrification and limiting these services to new units, on a low-voltage connection (below 2.3 kV) with an installed load of up to 50 KW.

Since the start of the Program, on 2004, CEMAR has invested R$ 978,378 (R$ 766,543 until December 31, 2008) in the Universalization Program.

***"Programa Luz para Todos"*** - **"**Light for All**"**

Presidential Decree 4,873 dated November 11, 2003, introduced the "Programa Luz para Todos" within the Universalization Plan, which aims to provide electricity, until 2010, to the sections of the Brazilian rural population which do not yet have access to this public service.

The Program is coordinated by the Ministry of Mines and Energy - MME and operated with the participation of Centrais Elétricas Brasileiras S.A. - ELETROBRÁS and the companies comprising the ELETROBRÁS system.

In August 2008, CEMAR signed with ELETROBRÁS, the contract ECF nº. 236/2008 - 4th Series, which referred to the 4th stage of the program, which forecast attending more than 67,136 consumers. The total value of the contract is up to R$338,597, with the amount of R$101,579 liberated at the time of signing the contract. At April, 2009, the subsidiary CEMAR received the second liberating, in the amount of R$67,719 and at September, 2009 the third liberating, in the amount of R$67,719 and at December, 2009 the forth liberating in the amount of R$67,719, Totaling the amount of R$304,738 in releases until June 30, 2010. At June 30, 2010, the effective rate to this operation was 6% per annum. (6% per annum at March 31, 2010).

In January 2010, CEMAR and ELETROBRÁS signed the contract ECFS 281/2009 - 5th *Tranche*, which referred to the 5th stage of the Program, aimed at attending more than 37,647 consumers. The total value of the contract is up to R$ 309,791, with R$ 92,937 liberated at the time of signing the contract. In June 2010, CEMAR obtained the second liberation, for the amount of R$ 61,958, totaling R$ 154,895. At June 30, 2010, the effective interest rate for this operation was 6% per annum.

Os recursos da ELETROBRÁS são originários conforme demonstrado a seguir:

- An amount equivalent to up to 13.33% of the total cost of the respective contracts referred to above, for the amount of up to R$ 1,204,539, not including labor expenses, transportation and management, will be obtained through funds from the Global Reversal Reserve - RGR, which refers to the concession of credit, for the amount of up to R$ 160,565, and;

(In thousands of Reais, except when stated otherwise)

- An amount equivalent to up to 86.67% of the total cost of the respective works, not including labor expenses, transportation and management, will be obtained through funds from the Energy Development Account (CDE), which corresponds to an extension of credit amounting to R$783,035, as an economic subsidy, in accordance with Law 10,762, dated November 11, 2003.

Since the start of the program CEMAR has received R$100,778 under the ECF-027/2004 agreement, with R$13,437 coming from RGR funds and R$87,341 from CDE funds; R$176,341, R$176,341, under the ECFS-140/2006 agreement, with R$23,505 from RGR funds and R$152,836 from CDE funds; R$279,031, which refers to contract ECFS-176/2007, R$37,193 arising from funds from RGR and R$241,838 from CDE; and R$304,738, refer to contract ECFS-236/2008, with R$40,632 derived from RGR funds and R$264,106 from CDE; and R$154,895, refer to contract ECFS-281/2009, with R$19,362 derived from RGR and R$135,533 from CDE.

## 18 Debêntures

| | Consolidated | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 06/30/2010 | | | | | 03/31/2010 | | |
| | Current | | Non current | | | Current | Non current | |
| | Principal and charges | Funding costs to apportion | Principal and charges | Funding costs to apportion | Total | Principal and charges | Principal and charges Encargos | Total |
| Debentures | 61,825 | - | 213,840 | - | 275,665 | 55,508 | 213,840 | 269,348 |

### *Third debenture issue - CEMAR*

On March 28, 2007 the public distribution ended of the 3rd issuance of CEMAR’s non-convertible debentures. The funds obtained for the amount of R$267,300 were initially allocated to make prepayments for existing debts that had more onerous terms for the subsidiary, and the remaining funds were allocated to implement Company’s investment program. At June 30, 2010 the effective rate for this operation was 9.30% from CDI (9.47% *per annum*at March 31, 2010). At June 30, 2010, debentures in the long term amounted to R$257,902, and the respective maturity dates are scheduled as described below:

(In thousands of Reais, except when stated otherwise)

| Maturity | Value |
|---|---|
| 2012 | 53,460 |
| 2013 | 160,380 |
| Total | 213,840 |

## 19 Taxes payable

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| **Circulante** | **06/30/2010** | **03/31/2010** | **06/30/2010** | **03/31/2010** |
| Deferred income and social taxes | - | - | (7,186) | 6,787 |
| ICMS | - | - | 21,888 | 19,765 |
| PIS/COFINS | 49 | - | 7,360 | 6,839 |
| REFIS/PAES | - | - | 1,128 | 1,128 |
| Provision for income and social taxes | 500 | 331 | 17,965 | 7,583 |
| Withholding income tax - Interest on shareholders' equity | 960 | 960 | 960 | 960 |
| Social charges and others | - | 3 | 5,263 | 4,470 |
| Others | ( 59) | ( 52) | 1,884 | 1,212 |
| **Total** | 1,450 | 1,242 | 49,262 | 48,744 |

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| **Non current** | **06/30/2010** | **03/31/2010** | **06/30/2010** | **03/31/2010** |
| Deferred income and social taxes | - | - | 73,762 | 71,866 |
| Installment Payment - Law 11.941/09 | - | - | - | |
| REFIS/PAES | - | - | 83,536 | 83,536 |
| PIS and COFINS | - | - | 77,149 | 70,512 |
| Others | - | - | 744 | 707 |
| **Total** | - | - | 235,191 | 226,621 |

(In thousands of Reais, except when stated otherwise)

### a. *Tax Recovery Program - REFIS*

| | **06/30/2010** |
|---|---|
| **Balance at beginning of year** | 13,681 |
| Provisions REFIS Law 11,941 | 72,522 |
| Payments | ( 1,987) |
| Updates | 449 |
| Balance at year end | 84,665 |
| Current Liability | 1,129 |
| Non current liability | 83,536 |

*Installment of taxes - Law 11,941/09*

On November 28, 2009, CEMAR formalized its adhesion to the installment payment scheme considered in article 1 of Law 11,941/2009, resulting in the compulsory and definitive waiver of the Special Installment Scheme - PAES. Under the terms applicable for the new installment payments, the remaining balance for the consolidated debts from the Special Installment Scheme - PAES will be paid in up to 180 monthly installments. Consolidation of these debts is pending conclusion by the Brazilian Internal Revenue Services - RFB.

The primary benefits from the inclusion in the new REFIS were the reduction of interest and fine in the amount of R$ 24,756, the possibility to pay the outstanding installment of interest and fine by using tax losses, in addition to the own disbursement of cash in installments. The original amount included in REFIS was R$ 72,521. Taking into account that 34,028 will be offset against tax losses, the actual installment payment will result in future cash disbursements of R$ 38,493.

This debt, for the amount of R$38,793 will be settled in 180 installments. The consolidation of these debts is pending conclusion by the Brazilian Internal Revenue Services - RFB. The payments are registered to the account for other taxes recoverable, until the consolidation of the debts included in the installment payment program has been homologated.

(In thousands of Reais, except when stated otherwise)

## 20 Provision for contingencies

Cemar is party (defendant) to legal claims and administrative processes with various courts and government bodies, arising from the normal course of its operations, involving tax, labor and civil aspects and other issues.

Management, based on information from its legal advisors, analysis of pending legal claims and, with respect to labor claims, based on prior experience for amounts claimed, has registered a provision for an amount considered sufficient to cover estimated probable losses from the on going claims, as follows:

| | 06/30/2010 | | | 03/31/2010 | | |
|---|---|---|---|---|---|---|
| | **Value** | **Judicial deposit** | **Net provision** | **Value** | **Judicial deposit** | **Net provision** |
| Civil and tax | 28,393 | 10,973 | 17,420 | 28,238 | 9,882 | 18,356 |
| Labor | 8,587 | 26,161 | (17,574) | 8,479 | 24,698 | (16,219) |
| Regulatory | 2,975 | - | 2,975 | 2,975 | - | 2,975 |
| | 39,955 | 37,134 | 2,821 | 39,692 | 34,580 | 5,112 |
| **Current** | 14,982 | 13,381 | 1,601 | 14,595 | 12,095 | 2,500 |
| **Non current** | 24,973 | 23,753 | 1,220 | 25,097 | 22,485 | 2,612 |
| | 39,955 | 37,134 | 2,821 | 39,692 | 34,580 | 5,112 |

The contingent liabilities are stated net of legal deposits, however, not all of the legal deposits necessarily refer to the liability demands, but may be the result of claims by Cemar.

(In thousands of Reais, except when stated otherwise)

### *Movement of Processes*

| | 03/31/2010 | 06/30/2010 | | | |
|---|---|---|---|---|---|
| | Initial Balance | Increase in provision | Use (1) | Reversion (2) | Final Balance |
| Civil and tax | 28,236 | 1,976 | (1,043) | (778) | 28,391 |
| Labor | 8,481 | 1,757 | (1,649) | - | 8,589 |
| Regulatory | 2,975 | - | - | - | 2,975 |
| | 39,692 | 3,733 | (2,692) | (778) | 39,955 |

**(1)** Effective costs form legal contingencies.

**(2)** Reversals realized during the quarter.

### *Labor claims*

Claims filed by former employees against CEMAR, including claims for overtime, hazardous activities, additional remuneration, salary parity/reclassification and others, in addition to claims brought by former employees of CEMAR's contractors (joint liability) involving claims for indemnification and others.

### *Civil and tax*

The most significant individual contingency provision recorded refers to two demands, one that refers to a claim for settlement of accounts and the other for indemnity, both arising from the agreement to charge the Public Illumination Tariff - TIP, which were filed by the municipal of as São Luís against CEMAR. The first claim filed demanded payment of the amount arising from not transferring the amounts collected for investment in the public illumination park for the city and the decision for the second claim demanded an indemnity payment as a result of CEMAR not providing, over the years, the calculations for correcting the TIP value, in order to meet the monthly cost for the public illumination service. These claims were judged against CEMAR, and the latter is in the process of settling the sentences passed.

CEMAR filed two claims to annul the judgments with the Appeal Courts in Maranhão. In September 2009, the Court, confirming the injunction that had been granted previously, and gave a favorable sentence in the lower courts for the recessionary claim filed against the decision given for the indemnity claim filed by the Municipal for São Luis. An appeal can still be filed against this decision with the higher courts. The other recessionary claim, filed against the decision given in the claim for settling accounts, has not altered significantly during the previous three months. Consequently, the financial statements of CEMAR include a provision of R$30,696 (R$30,490 at March 31, 2010).

In addition to the losses provisioned for above, there are other civil contingencies monitored by Management, based on the assessment of Cemar's legal department and external advisors, for which the chance of loss is rated as possible and remote, amounting to R$49,636 and R$17,527, respectively (R$49,050 and R$15,875 respectively, at March 31, 2010) therefore no provision for these losses has been recorded.

CEMAR is subject to environmental protection laws and the respective municipal, state and federal regulations. The Company considers that exposure to environmental risks, based on the assessment of the figures available, in compliance with the applicable laws and regulations, and does not present a material impact on its financial statements or the income from its operations.

### *Regulatory claims*

In the period from September 22, 2009 to October 03, 2009, ANEEL/SFE carried out the Quality inspection (Technical/Commercial). The Inspection resulted in TN nº 015/2009-SFE/ANEEL and AI nº 108/2009-SFE/ANEEL, which established the payment of a fine in the amount of R$1,797. The value of the fine was provisioned in December 2009.

In addition, due to the inspection process conducted in the period from June 23, 2008 to June 27, 2008, which evaluated the quality of the service provided to customers, in particular with respect to the installation of electronic meters, ANEEL/SFE issued the Notification Instrument 093/2008 and the Assessment Notice no 078/2009, the latter establishing the payment of a fine in the amount of R$1,120. The value of the fine was provisioned in December 2009.

(In thousands of Reais, except when stated otherwise)

## 21 Dividends and interest on shareholder's equity (Parent company)

The Ordinary General Meeting was held on March 29, 2010, which approved the proposal to distribute minimum compulsory dividends together with interest on own capital, equivalent to 25% of adjusted net profit, after the legal reserve of R$10,449, amounting to a total of R$50,804. Of the total amount for dividends, a payment was made in May 2010 for the amount of R$49,821, resulting in a balance of R$27 outstanding.

## 22 Researches and development and energy efficiency program

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 06/30/2010 | 03/31/2010 | 06/30/2010 | 03/31/2010 |
| **Circulante** | | | | |
| Energy efficiency program - PEE | - | - | 27,539 | 25,590 |
| Researches and development - P&D | - | - | 12,401 | 11,610 |
| Energy research company - EPE | - | - | 801 | 481 |
| Science and technology development national found | - | - | 1,603 | 962 |
| **Total** | - | - | 42,344 | 38,643 |
| **Current** | - | - | 25,720 | 22,019 |
| **Non current** | - | - | 16,624 | 16,624 |

Refer to amounts due and not yet invested in the Program for Technical Research and Development in the Electrical Sector - P&D, determined in accordance with ANEEL Normative Resolution 219, of April 11, 2006 and the Energy Efficiency Program - PEE, determined in accordance with the terms of ANEEL Normative Resolution 176, of November 28, 2005, altered by ANEEL Normative Resolution 215, of March 28, 2006.

## 23 Shareholders' equity

### *a. Capital*

At June 30, 2010, capital represents R$566,831 (R$925,996 at March 31, 2010) and the composition, by class of share and main shareholders, is presented below:

(In thousands of Reais, except when stated otherwise)

| Shareholders | Common | % |
|---|---|---|
| PCP Latin America Power S/A | 58,671,559 | 54.08% |
| Squadra Investiments | 5,725,240 | 5.28% |
| Minorities | 44,084,029 | 40.64% |
| Total | 108,480,828 | 100.00% |

The Company is listed on the BM&FBOVESPA Novo Mercado (New Market), and has exclusively common shares; guaranteeing 100% "Tag Along" to minority shareholders in the event of mergers or the transfer of the controlling interest

*Change in subsidiary's equity interest*

On April 8, 2009, a total of 17,250 ordinary shares were subscribed to, by the beneficiaries of the Company's Third Share Purchase Option Program. As a result, the Company's capital was represented by 105,817,876 ordinary shares, with no par value.

On June 4, 2009, a total of 41,229 ordinary shares were subscribed to, by the beneficiaries of the Company's Third Share Purchase Option Program. As a result, the Company's capital was represented by 105,859,105 ordinary shares, with no par value.

On August 28, 2009, a total of 21,400 ordinary shares were subscribed by the beneficiaries of the Company's third share purchase option program. Consequently, the Company's capital increased to 105,880,505 ordinary shares, with no par value.

On December 1, 2009, 2,525 common shares were subscribed due to the beneficiaries of the Company's Third Stock Option Plan. Accordingly, the Company's capital stock was divided into 105,883,030 registered common shares, without par value.

On January 4, 2010, 2,098,244 common shares were subscribed due to the beneficiaries of the Company's Third Stock Option Plan. Accordingly, the Company's capital stock was divided into 107,981,274 registered common shares, without par value.

On March 4, 2010, 499,554 common shares were subscribed due to the beneficiaries of the Company's Third Stock Option Plan. Accordingly, the Company's capital stock was divided into 108,480,828 registered common shares, without par value.

### b. *Capital reserve*

In compliance with CVM Decision 562, of December 17, 2008, which approved Technical Pronouncement CPC 10, the Company has recorded as Capital reserve the total amount of R$11,304, being the amount of R$6,220 , recorded on first quarter of 2010 and R$81 on second quarter of 2010 (R$2,392 in 2009), which referred to the options granted recognized.

### c. *Profit reserve - Legal reserve*

The reserve was recorded at the rate of 5% of the net profit before tax and Interest on shareholders' equity for the year, as determined by corporate legislation and defended by the Management Board, up to the limit of 20% of the capital.

Of the income reported for 2009, R$10,450 was allocated to constitute the legal reserve, and based on the Management Board Meeting, held on dia March 26, 2010 for the purpose of increasing capital, to be approved in the Ordinary and Extraordinary General Meeting.

### d. *Reserve for investment and expansion*

This was constituted from part of the income from 2008 not distributed, as provided in the Company's statutes, for the amount of R$82,302, for the purpose of partially financing the investments included in the Company's development plan. In 2009, in the amount of R$147,737 was added to this reserve.

### e. *Stock option program*

The information presented in this section is adjusted based on the conversion and grouping of the Company's shares, implemented on April 7, 2008, in order to provide a better understanding of such. On this date the Company's capital was represented by 105,573 thousand common shares, after converting one preferred share into one common share, and subsequently grouping three common shares into one share of the same class.

### *First option plan for the acquisition of shares*

On February 2, 2006 the Extraordinary General Meeting approved (and ratified on February 13, 2006) Equatorial's Stock Option Plan, for management and employees of the Company and its subsidiaries, comprising two programs - the First and Second Stock Option Programs, which include common shares and preferred shares in Equatorial. This plan may be discontinued at any time by rule of the Company's Board of Directors.

The beneficiaries entitled to participate in the Plan are administrators and employees from the Company and from the subsidiaries under its control, and have to be selected by the Plan's Management Committee.

- Equatorial's Stock Option Plan Number 1 ("SOP 1")

  Plan 1, which considers options to subscribe to 2,934 thousand common shares (equivalent to 2,934 common shares and 5,868 thousand preferred shares prior to the conversion and grouping referred to in the first paragraph of this note). Since May 2008, all of the shares within this Plan were subscribed by the beneficiaries, consequently, there is no balance outstanding for new subscriptions.

- Equatorial's Stock Option Plan Number 2 ("SOP 2")

Plan 2, which considers options to subscribe to 2,060 thousand common shares (2,060 thousand common shares and 4,120 thousand preferred shares, prior to the conversion and grouping) from the shares issued by Equatorial. The beneficiaries that acquired or subscribed to the shares within the ambit of Plan 2 have to make the payments using exclusively the shares that were subscribed or acquired to support the CEMAR plan. The subscription price of the shares stated in the Plan is equivalent to the average price of the Company's common shares negotiated on the Futures and Commodities Exchange ("BM&FBOVESPA") during the 30 days prior to the date of exercising the respective options.

Until June 30, 2009, the balance for shares to be subscribed under Program 2, was 626 thousand common shares, given that subscriptions were made for 1,434 thousand common shares (1,434 thousand common and 2,868 thousand preferred shares) since the granted until the date mentioned above.

Do not having more subscription in the Program compass, at September 30, 2009, the balance for share options to be subscribed under Program 2 was 626 thousand common shares, considering the grouping stated above, with the initial exercise date being January 31, 2009 and the closing date being January 31, 2011.

According to the Plan, recipients of shares that have been subscribed or acquired under the Plan may only sell, transfer or by any other means dispose of the Company's shares, after the Company has been offered the pre-emptive rights to acquire them. The Company's pre-emptive right shall only be exercised, if it so desires, to acquire all of the Shares offered by the Recipient, where the recipient undertakes to sell them to the Company at the subscription price defined above, restated by the IGP-M/FGV price index between the subscription date and the date the share price is paid, even if another purchaser is offering a better price.

*Second option plan for the acquisition of shares*

On April 5, 2007, the creation of a Second Stock Option Plan for the acquisition of Equatorial shares by the management and employees of the Company and subsidiaries was approved at an Extraordinary Shareholders' General Meeting, to be selected by the Plan's Management Committee.
The recipient should use at least 50% of the Profit Share, Performance Bonus or any other means of variable annual compensation ("PL") they are entitled to, net of income tax and other applicable charges, in the subscription of the shares in the lots for which an option has been awarded. The recipients shall also use all of the dividends and interest on shareholders' equity received on their shares acquired under the Plan to subscribe the shares in the lots for which an option has been awarded.

The holder of the shares may only sell, transfer or by any other means dispose of the Company's shares originally subscribed or acquired under the Plan after the term of 2 (two) years has expired as from the date the Plan was approved by the General Shareholders Meeting.

This Plan considers options to subscribe to 1,044 thousand common shares (1,044 thousand common shares and 2,088 thousand preferred shares, originally, prior to the conversion and grouping) issued by Equatorial. On April 05, 2007, the price of these shares to be acquired or subscribed by the beneficiaries from exercising the options was determined by the Committee at R$15.00, (originally determined at R$5.00, the price equivalent to 1/3 of 90% of the weighted average price of the Company’s units on the Futures and Commodities Exchange Stock Exchange - BM&FBOVESPA, during the previous 30 days). This price will be accrued of monetary correction based on the Market General Price Index (IGPM/FGV), or another index based on a similar base of assessment that might be chosen by the Committee, in case the referred index stops being available or applicable, in the shortest frequency interval accepted by law, between the dates of signature and effective date of the exercise of the options.

On March 05, 2009, the Company’s management board approved the cancellation of the Second Plan, given: i) the non compliance of the terms of the concession specified in the Second Plan, 692 thousand options granted cannot be exercised; and ii) that the other options granted within the ambit of the Second Plan were replaced by options granted as part of the Third Plan.

### *Third stock option plan*

The Extraordinary General Meeting, of October 16, 2008, approved the creation of the 3rd Stock Option Plan for Equatorial. The options for subscribing to shares to be offered under the terms of the Plan will represent a maximum of 4,000 shares in Equatorial. Once the option has been exercised by the interested parties, the shares will then be issued through a capital increase in the Company, within the authorized capital limits provided in the Statutes. Further details on the Plan can be obtained from the minutes of the EGM, which approved the plan, and which are available on the Company’s site and also the CVM site.

The beneficiaries have to use at least 50% (fifty percent) of the value of the profit share, performance bonus or any other form of annual variable (“PL”) to which they are entitled, net of income tax and other charges due, on the subscription of shares included in the lots for which the option has been granted. In addition, the beneficiaries should use all of the dividends, interest on own capital received, for the shares owned, and acquired within the ambit of the plan for the subscription of shares included in the lots for which the options have been granted.

(In thousands of Reais, except when stated otherwise)

On February 09, 2009, the Management Committee for the Third Plan granted 3,819 thousand share purchase options, of which 163 thousand were subscribed on the same date. After, on May 07, 2009, a further 181 thousand options were granted, complementing the maximum value to be offered under the terms of the Plan.

On April 8, 2009, a further 17 thousand ordinary shares were subscribed to, using the funds derived from the dividends and interest on own capital paid by the Company for the shares belonging to the beneficiaries acquired as part of the plan, and in accordance with its clauses.

Again, on June 04 and 08, 2009, using funds derived from the dividends distributed by the Company, the beneficiaries of the Plan subscribed to a further 41 thousand ordinary shares.

On August 28, 2009, a further 21 thousand options were subscribed by the beneficiaries of the plan, and consequently, the balance at September 30, 2009, for subscription within the ambit of this plan, was 3,758 thousand options.

On November 30, 3 thousand additional options were subscribed due to the payment of the last installment of dividends relating to 2008.

On January 04 and March 01, 2010, a total of 2,098 thousand and 500 thousand shares were subscribed within the ambit of the Share Purchase Option Plan, respectively. These subscriptions are part of the 1st and 2nd lots granted under the Plan.

Accordingly, the remaining balance to be subscribed, as of June 30, 2010 is 1,156 thousand shares.

The information that refers to the first, second and third share purchase option plans is summarized below:

| | **First plan** | | | | |
|---|---|---|---|---|---|
| **In thousand of stocks** | **Program 1** | **Program 2** | **Second plan** | **Third plan** | **Total** |
| Number of Purchase option | 2,934 | 2,060 | 1,044 | 4,000 | 10,038 |
| Options exercised until 06/30/2009 | (2,934) | (1,434) | ( 38) | (180) | (4,586) |

(In thousands of Reais, except when stated otherwise)

| | First plan | | | | |
|---|---|---|---|---|---|
| **In thousand of stocks** | **Program 1** | **Program 2** | **Second plan** | **Third plan** | **Total** |
| Cancellations and transfer from 2nd to 3rd Plan | - | | (1,006) | | (1,006) |
| **Remaining balance at 06/30/2009** | - | 626 | - | 3,820 | 4,446 |
| Options exercised between 07/01/2009 e 03/31/2010 | - | - | - | (2,664) | (2,664) |
| **Remaining balance at 06/06/2010** | - | 626 | - | 1,156 | 1,782 |

*Potential for dilution*

According to the rules for each option plan, the potential issue of the remaining options would result in an additional dilution for the existing shareholders of Equatorial Energia S.A. equivalent to a maximum of 1.6 not considering the potential dilution of the stock option plans of CEMAR.

*Administration of plans*

The purchase option plans include common shares representing capital, to be managed by a committee consisting of three members of the Company’s Board of Directors. The Committee has powers to establish appropriate rules with respect to granting options, every year, through the Share Options Programs.

## 24 Power supply

A breakdown of power supply by consumer class of Subsidiaries at June 30, 2010 and 2009, is provided below:

(In thousands of Reais, except when stated otherwise)

| | Consolidated | | | |
|---|---|---|---|---|
| | MWh (*) | | R$ | |
| | **06/30/2010** | **06/30/2009** | **06/30/2010** | **06/30/2009** |
| Residential | 474,562 | 1,752,698 | 322,095 | 609,624 |
| Industrial | 105,575 | 394,249 | 59,629 | 106,990 |
| Commercial | 200,466 | 1,086,463 | 148,940 | 375,927 |
| Rural | 33,984 | 56,294 | 16,163 | 15,545 |
| Government | 64,902 | 277,388 | 48,871 | 100,640 |
| Public lighting | 77,746 | 202,230 | 29,326 | 39,463 |
| Public service | 63,255 | 235,404 | 36,250 | 60,084 |
| Own consumption | 1,410 | 11,015 | - | - |
| Low income consumers | - | - | 61,482 | 54,182 |
| Others | - | - | 35,458 | 77,914 |
| RTD | - | - | ( 31,052) | ( 14,368) |
| CVA-PLPT | - | - | ( 3,329) | ( 37) |
| Constitution and amortization of CVA liability | - | - | ( 22,708) | ( 618) |
| **Billed power supply** | 1,021,900 | 4,015,741 | 701,125 | 1,425,346 |
| ICMS | - | - | 138,384 | 376,947 |
| Unbilled power supply | - | - | 4,112 | ( 26,241) |
| **Energy supply** | - | - | 3,417 | 52,599 |
| Total | 1,021,900 | 4,015,741 | 847,038 | 1,828,651 |

(*) Information not audited by independent auditors.

ICMS and income not billed have been excluded from the lines above.

(In thousands of Reais, except when stated otherwise)

## 25 Operating results

The operating costs and expenses, segregated by nature, are presented below:

| | Parent Company | |
|---|---|---|
| | 06/30/2010 | 06/30/2009 |
| **Cost/expense's nature** | | |
| Personnel and management's | 7,533 | 2,331 |
| Material | 13 | 15 |
| Personnel and management's | 1,770 | 2,078 |
| Material | - | 859 |
| Personnel and management's | - | (11,193) |
| Material | (90,463) | (135,061) |
| Personnel and management's | - | 93 |
| **Depreciation and amortization** | 74 | 74 |
| Total | (81,077) | (140,804) |

| | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | Cost of services | | Operating charges | | 06/30/2010 | 06/30/2009 |
| | Electric Energy | For operation | Sales (1) | Administrative (2)) | Total | Total |
| **Cost/expense's nature** | | | | | | |
| Energy purchased for resale | 206,908 | - | - | - | 206,908 | 602,335 |
| Personnel and management's | 9,121 | 377 | 8,391 | 19,756 | 37,645 | 52,521 |
| Material | 2,780 | - | 522 | 662 | 3,964 | 6,628 |
| Outsourced services | 17,287 | - | 22,473 | 26,239 | 65,999 | 81,122 |
| Allowance for doubtful debts | - | - | 1,420 | - | 1,420 | 48,033 |
| Provision for contingences | - | - | - | 599 | 599 | 9,088 |
| Charges on use of transmission system | 41,474 | - | - | - | 41,474 | 41,486 |
| Losses | - | - | 17,406 | - | 17,406 | - |
| Others | 476 | 73 | 3,036 | 8,672 | 12,257 | 22,257 |
| Financing results | - | - | - | 23,126 | 23,126 | 451 |
| Equity income - goodwill amortization | - | - | - | - | - | ( 2,320) |
| Non recurrent income and expenses | - | - | - | 2,727 | 2,727 | 10,022 |
| | 278,046 | 450 | 53,248 | 81,781 | 413,525 | 871,623 |
| Depreciation and amortization | 39,239 | 5 | - | 5,372 | 44,616 | 90,595 |
| Total | 317,285 | 455 | 53,248 | 87,153 | 458,141 | 962,218 |

**(1)** Refers to sales expenses and expenses from the allowance for doubtful receivables.

**(2)** Refers to the net results from administrative, personnel, and management expenses, the provision (reversal) for contingencies, depreciation and amortization, and other operational expenses (income).

## 26 Employees pension fund

***Details of the retirement plan:***

CEMAR sponsors the CEMAR Employee Security and Assistance Fund - FASCEMAR, Complementary Pension Fund, a not for profit private corporate entity, which, as a closed complementary pension entity, is responsible for administering and executing the Pension Benefit Plans.

The corporate structure of FASCEMAR was reorganized in 2005, and a new pension plan was implemented - Plano Misto de Benefícios I - as from May 2006, under the defined contribution system. Since its implementation, 98% of the active participants of the Defined Benefit Plan (BD I) and employees that had no pension benefits have subscribed to the “Plano Misto de Benefícios I”.

At present, BD I is used mainly by retirees and participants using the benefit in April 2006.

CEMAR, as the sponsor, monthly collects a regular equivalent contribution paid by the Participants of both plans included in its staff. In June 20, 2010, this amount totaled R$432 (R$382 at June 30, 2009).

## 27 Insurance coverage

The specification by type of risk and validity of the main insurance, according to the insurance brokers contracted by Equatorial and by the subsidiary CEMAR are described below:

(In thousands of Reais, except when stated otherwise)

**Equatorial:**

| Risks | Terms | Amount insured (R$ thousands) | Premium (R$ thousands) |
|---|---|---|---|
| Civil Responsibility - D&O | 06/07/2011 | 10,000 | 32.0 |
| Equatorial's head office - RJ | 04/22/2011 | 2,789 | 1.0 |

**Cemar:**

| Risks | Vencimento das apólices | Importância segurada (R$ mil) | Prêmio (R$ mil) |
|---|---|---|---|
| Risks named - substations and inventories | 01/01/2011 | 131,490 | 596 |
| General civil liability - operations | 01/01/2011 | 7,000 | 90 |
| Vehicles | 02/01/2011 | (a) | 70 |

The Company and its Subsidiary have the practice of taking out insurance coverage for the assets subject to risk at amounts considered sufficient to cover any incidents, considering the nature of its activity. The Company's and its Subsidiary's insurance contracts are made in accordance with the risk management and insurance fundamentals generally employed by power distribution companies. The risk premises adopted, given their nature, do not fall within the scope of the audit of the financial statements, and consequently, were not audited by our independent auditors. The Company has a vehicle insurance policy. We described above the period comprising the maturity date of such policy. The policy refer to 73 vehicles, insured at market value.

The Company and its subsidiary CEMAR adopt the policy to contract insurance for assets subject to risks for amounts considered sufficient to cover possible accidents, considering the nature of its activities. The Company's and its subsidiary's insurance is contracted in accordance with insurance and risk management principles generally adopted by electricity distribution companies. The risk assumptions adopted, given their nature, are not part of the scope of the audit of the financial statements, and consequently, were not audited by our independent auditors. In January and February 2010, the insurance policies for the subsidiary CEMAR were renewed for another year under the same terms.

(In thousands of Reais, except when stated otherwise)

## 28 Tariff review and Tariff adjustment

The National Electric Energy Agency - ANEEL, through Homologation Resolution 870, of August 25, 2009, homologated the results of the Periodic Tariff Review process, which was being considered by this Agency. As a result of the process, CEMAR's tariffs were adjusted by -11.03%, with an average effect felt by the consumer of -1.64%, resulting from considering the financial components for the amount of 9.55%. In addition, the value of the Xe component of the X Factor was fixed at 1.06%, the value of technical losses from injected energy at 12.42% and the value for technical losses on the low voltage billed market at 24.16%. In the same process, through Authorization 2,061, of August 25, 2009, ANEEL established the continuity limits for electric energy distribution services, for aspects related to the Equivalent Interruption Duration per Unit Consumed - DEC and Equivalent Frequency Duration per Unit Consumed - FEC, for the groups of consumer units from the concession area for Companhia Energética do Maranhão - CEMAR, for the period 2010-2013.

**Base for Regulatory Remuneration**

| **Description** | **Review on August, 2009** |
|---|---|
| (1) Fixed assets in service (New Replacement Value) | 3,104,838 |
| (2) Index for Full Usage | 7,825 |
| (3) Obrigações Especiais | 638,494 |
| (4) Assets fully depreciated | 211,203 |
| **(5)Base for Gross Remuneration = (1)-(2)-(3)-(4)** | **2,247,316** |
| (6) Accummulated Depreciation | 1,346,996 |
| **(7) AIS Net (Market value in use) = (1)-(6)** | **1,757,842** |
| (8) Index for depreciated usage | 7,742 |
| **(9) Remuneration Base value (VBR) = (7)-(8)** | **1,750,100** |
| (10) Warehouse in operation | 5,666 |
| (11) Deferred assets | 0 |
| (12) Lands and easements | 3,872 |
| **(13) Base for Total net remuneration = (1)-(6)-(8)-(3)+(10)+(11)+(12)** | **1,121,144** |
| (14) Base for Gross Remuneration - RGR/PLPT | 68,359 |
| (15) Accummulated Depreciation - RGR/PLPT | 6,431 |
| **(16) Base for net remuneration - RGR/PLPT** | **61,928** |
| (17) Depreciation rate | 4.52% |
| (18) Quota for Regulatory Re-integration = (17) * (6) | 101,579 |

## 29 Financial instruments - CVM Instruction nº 475 and CVM Deliberation nº 566

### a. *General considerations*

In compliance with CVM Decision 566, of December 17, 2008, which approved Technical Pronouncement CPC 14, and CVM Instruction 475, the Company analyzed its financial instruments, as follows: marketable securities, swaps, borrowings and financing, and debenture obligations, and made the necessary adjustments to its accounting registers, when necessary.
These instruments are managed by means of operational strategies and internal controls aimed at ensuring liquidity, profitability and security. The control policy consists of permanently accompanying the terms contracted compared to the market terms.

### b. *Policy for using derivates*

Equatorial only uses derivative operations in two situations: 1- to offer protection against variations in the macro-economic indexers and foreign currency quotations; and 2- for swaps of financial flows tied to the performance of the Company's own shares.

### c. *Market value of financial instruments*

In compliance with CVM Instruction 475, the accounting balances and the market values of the financial instruments included in the balance sheet at June 30, 2010 and March 31, 2010 are shown below:

(In thousands of Reais, except when stated otherwise)

| | Consolidated | | | |
|---|---|---|---|---|
| | 06/30/2010 | | 03/31/2010 | |
| Descrição | Book | Market | Book | Market |
| **Assets** | | | | |
| Marketable securities | 466,480 | 466,480 | 546,532 | 546,532 |
| Swaps | | | - | - |
| **Liabilities** | | | | |
| Loans and financing | 976,728 | 976,728 | 1,068,372 | 1,068,372 |
| Debentures | 319,183 | 319,183 | 269,348 | 269,348 |
| Swaps | | | - | - |

- **Marketable securities** - These are classified as financial assets available for sale, and are not stated at fair values. The market values reflect the amount registered in the balance sheet. The sensitivity of this financial instrument is presented in note “d” below.

- **Borrowings and financing in domestic currency** - These are classified as financial liabilities and not stated at fair values, but registered at their amortized values. The market values of these borrowings are equivalent to their book values, since they refer to financial instruments with exclusive characteristics, derived from their respective financing sources.

- **Debentures** - These are classified as financial liabilities, and are not stated at fair values, but registered at their amortized values.

- **Swaps** - These are classified as derivative instruments, the objective of which is to protect the foreign currency variations and the exchange of financial flows tied to the performance of the Company’s own shares. The market value of the swap operations was determined using marking information available and the normal pricing methodology: for the asset part (in North American dollars), evaluation of the notional value to the maturity date and discounted to the present value at clear coupon rates, published in the BM&F bulletins. The market values of operations involving the exchange of financial flows, were measure using the *Black and Scholes model*. The sensitivity of these operations to risk factors has been detailed in note “d” below.

### *d. Risk factors - CVM Instruction 475*

Since the Company is an investment holding company, its main risks refer to the performance reported by its subsidiary and joint ventures. In compliance with CVM Instruction 475, the Company's risk factors have been detailed below:

- **Credit risk -** The high balances, and also the aging of the receivables, represent a risk to the liquidity and capital structure of the subsidiary and joint ventures. Management accompanies the positions outstanding and registers provisions when necessary, based on orientation from ANEEL;

- **Market risk -** In accordance with the regulation under Decree Law 5,163, of June 30, 2004, CEMAR has to purchase the electricity required to attend its market for 100% of the contractual coverage, through existing contracts (initial contract and auction in 2002) and auction of the regulated environment. Consequently, the configuration of the energy market, mainly with respect to a possible increase in demand in 2009, represents a risk for CEMAR. Furthermore, the existing context for amounts receivable should be considered, as a result of the transactions with CCEE;

- **Interest rate risks -** This risk arises from the possibility of the subsidiary and the joint ventures incurring losses as a result of variations in interest rates, which increase the financial charges for the borrowings and financing obtained on the market.

The Company has not agreed derivative contracts to perform swaps against this risk. However, it continually monitors the market interest rates in order to evaluate the need to contract derivatives to protect against fluctuations in these rates. The Company considers that the high cost associated with contracting pre-fixed rates and the prospects of a reduction in domestic interest rates indicated by the Brazilian macro-economic scenario, justify its option for floating rates.

- **Risk from anticipated maturity** - The Company has borrowing and financing contracts and debentures with covenants, which, in general, require that economic-financial indices have to be maintained at specified levels. Non compliance with these covenants could result in anticipated maturity of the debts; and

- **Risk from energy shortage** - The electric energy purchased and sold by the subsidiaries and joint ventures, is basically, generated by hydro-electric plants. A prolonged shortage of rain, caused by a change in the hydrologic system, could reduce the volume of water at the plant reservoirs and could result in losses arising from an increase in energy costs or a decrease in income as a result of adopting a new rationing program. Given the existing water levels at the reservoirs, the National Operator of the Electricity System - ONS, does not anticipate any form of rationing program for the coming years.

Variations in the foreign exchange and interest rates affect both the Company's financial assets and liabilities. Presented below are the impacts from these variations on the profitability of marketable securities, borrowings and financing and the derivative operations.

### e. *Sensitivity analysis of financial instruments*

*Interest earnings bank deposits*

The Sensitivity of Equatorial's financial assets has been demonstrated using five scenarios.

In compliance with CVM Instruction 475, we present a scenario using the actual interest rates at December 31, 2008 (probable scenario), and two other scenarios, with an increase of 25% (scenario II) and 50% (scenario III) in the indexers.

We have also included two further scenarios that reflect the opposite to that determined in the instruction, in order to demonstrate the effects from a depreciation of 25% (scenario IV) and 50% (scenario V) to these indexers.

(In thousands of Reais, except when stated otherwise)

**Equatorial**

| Operation | Risk | Probable scenario | Scenario II | Scenario III | Scenario IV | Scenario V |
|---|---|---|---|---|---|---|
| **Financial assets** | CDI | 3,801 | 4,767 | 5,715 | 2,853 | 1,914 |
| **Reference to financial assets and liabilities** | | **Rate on 06/30/2010** | **+ 25%** | **+ 50%** | **- 25%** | **- 50%** |
| CDI % | | 8.79 | 10.99 | 13.19 | 6.59 | 4.40 |

### *Sensitivity analysis for variations in interest rates*

The sensitivity of the CEMAR's financial assets and liabilities has been demonstrated in five scenarios. In compliance with CVM Instruction 475, we present a 'probable' scenario and two other scenarios, with an increase of 25% (scenario II) and 50% (scenario III) in the indexers.

We have also included two further scenarios that reflect the opposite to that determined in the instruction, with a depreciation of 25% (scenario IV) and 50% (scenario V) in these indexers.

| | | **Thousand R$** | | | | |
|---|---|---|---|---|---|---|
| | **Risk** | **Probable scenario** | **Scenario II** | **Scenario III** | **Scenario IV** | **Scenario V** |
| **Operation** | | | | | | |
| **Financial assets** | | | | | | |
| Marketable securities | CDI | 14,693 | 18,426 | 22,090 | 11,029 | 7,397 |
| **Financial liabilities** | | | | | | |
| Loans, financing and debentures | | | | | | |
| ECF - 2034/00 | FINEL | (838) | (926) | (1,014) | (750) | (662) |
| ECF - 1510/97 | FINEL | (14) | (15) | (16) | (13) | (12) |
| ECF - 1639/97 | FINEL | (138) | (149) | (161) | (126) | (114) |
| ECF - 1645/97 | FINEL | (28) | (30) | (32) | (26) | (24) |
| ECF -1960/99 | IGP-M | (4,594) | (6,464) | (8,334) | (2,724) | 854) |
| ECF - 1907/99 | FINEL | (19) | (20) | (22) | (17) | (15) |
| ECF - 1908/99 | FINEL | (125) | (138) | (151) | (112) | (99) |
| ECF - 2728/08 | SELIC | (186) | (199) | (211) | (173) | (161) |
| FASCEMAR | CDI | (851) | (1,370) | (1,888) | (333) | 186 |
| FINEP | TJLP | (34) | (58) | (82) | (10) | 14 |

(In thousands of Reais, except when stated otherwise)

| | | Thousand R$ | | | | |
|---|---|---|---|---|---|---|
| | **Risk** | **Probable scenario** | **Scenario II** | **Scenario III** | **Scenario IV** | **Scenario V** |
| FINAME 01 | TJLP | ( 0) | ( 1) | ( 1) | ( 0) | ( 0) |
| FINAME 02 | TJLP | ( 3) | ( 4) | ( 6) | ( 2) | ( 1) |
| BNDES I | TJLP | ( 365) | ( 550) | ( 735) | ( 180) | 5 |
| IFC | CDI | (2,548) | ( 4,954) | ( 5,912) | ( 142) | 815 |
| BNDES II | TJLP | (1,502) | ( 2,383) | ( 3,264) | ( 621) | 260 |
| DEBENTURES 3rd ISSUE | CDI | (6,318) | (12,181) | (18,045) | ( 454) | 11,728 |
| **Reference to financial assets and liabilities** | | **Rate at 06/30/2010** | **+ 25%** | **+ 50%** | **- 25%** | **- 50%** |
| CDI (% 12 months) | | 8.79 | 10.99 | 13.19 | 6.59 | 4.40 |
| SELIC (% 12 months) | | 8.82 | 11.03 | 13.23 | 6.62 | 4.41 |
| TJLP (% 12 months) | | 6.00 | 7.50 | 9.00 | 4.50 | 3.00 |
| IGP-M (% 12 months) | | 5.17 | 6.46 | 7.76 | 3.88 | 2.59 |

# Equatorial Energia S.A

**(Publicly- held company)**

**Composition of the Management Board**

Carlos Augusto Leone Piani

Firmino Ferreira Sampaio Neto

Gilberto Sayão da Silva

Alessandro Monteiro Morgado Horta

Paulo Jerônimo Bandeira de Mello Pedrosa

Celso Fernandez Quintella

Alexandre Gonçalves Silva

**Composition of the Audit Committee**

| Effectives Members | Substitute Members |
|---|---|
| Felipe Sousa Bittencourt | José Guilherme Cruz Souza |
| Paulo Roberto Franceschi | Marços Antonio Krauss |
| Sergio Passos Ribeiro | Bruno Augusto Sacchi Zaremba |

# Equatorial Energia S.A

**(Publicly- held company)**

**Board of Directors**

Firmino Ferreira Sampaio Neto
President

Eduardo Haiama
Finance Directors and Investor Relationship

Tinn Freire Amado
Director

Patrícia Pugas de Azevedo Lima
Director

Ana Marta Horta Veloso
Director

**Controller's Department Management**

Leonardo da Silva Lucas Tavares de Lima
Controller
CPF 023.737.554-08

Geovane Ximenes de Lira
Accountant
CRC PE-012996-O-S - MA