Equatorial Energia S.A.

Independent auditors' report on special review Quarter ended March 31, 2007

(A translation of the original report in Portuguese as filed with the Brazilian Securities Exchange Commission (CVM) containing quarterly financial information prepared in accordance with accounting practices adopted in Brazil and the regulations issued by CVM)

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Independent auditors' report on special review

(A translation of the original report in Portuguese as filed with the Brazilian Securities Exchange Commission (CVM) containing quarterly financial information prepared in accordance with accounting practices adopted in Brazil and the regulations issued by the CVM)

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

1. We have reviewed the quarterly financial information of Equatorial Energia S.A. for the quarter ended March 31, 2007, comprising the balance sheet and the consolidated balance sheet of the Company and its Subsidiary, the related statement of income and the consolidated statement of income, the management report and other relevant information, prepared in accordance with accounting practices adopted in Brazil.

2. Our review was performed in accordance with auditing standards established by the IBRACON - Brazilian Institute of Independent Auditors and the Federal Council of Accountancy, which comprised mainly: (a) inquiries and discussion with management responsible for the accounting, financial and operational areas of the Company and its Subsidiary regarding the criteria adopted in the preparation of the quarterly information; and (b) review of post-balance sheet information and events, which have, or may have, a material effect on the financial and operational position of the Company and its Subsidiary.

3. Based on our special review, we are not aware of any material changes which should be made to the aforementioned quarterly information for it to be in accordance with accounting practices adopted in Brazil and the regulations issued by the Brazilian Securities Exchange Commission (CVM), specifically applicable to the mandatory quarterly information.

4. Our review was performed with the objective of issuing a report on the quarterly financial information mentioned above. The statement of cash flows for the quarter ended March 31, 2007 represents complementary information to the aforementioned quarterly financial information, and is presented to facilitate additional analysis. This complementary information was subjected to the same review procedures applied to the aforementioned quarterly financial information and is presented fairly, in all material respects, in relation to the quarterly financial information taken as a whole.

May 4, 2007

KPMG Auditores Independentes
CRC SP14428/O-6-F-RJ

Vânia Andrade de Souza

Vânia Andrade de Souza
Accountant CRC 1RJ057497/O-2-S-MA

João Alberto da Silva Neto
Accountant CRC 1RS048980/O-0-T-SC-S-MA

(A free translation of the original in Portuguese)

FEDERAL GOVERNMENT SERVICE
BRAZILIAN SECURITIES COMMISSION (CVM)
QUARTERLY INFORMATION (ITR)
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES

Unaudited

Corporate Legislation
March 31, 2007

REGISTRATION WITH THE CVM DOES NOT IMPLY ANY ANALYSIS OF THE COMPANY. COMPANY MANAGEMENT IS RESPONSIBLE FOR THE ACCURACY OF THE INFORMATION PROVIDED.

01.01– IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number (CNPJ)
02001-0	EQUATORIAL ENERGIA S.A	03.220.438/0001-73

4 - State Registration Number – NIRE
35300314531

01.02 - HEAD OFFICE

1 - ADDRESS	2 - SUBURB OR DISTRICT
Av. Colares Moreira 477	Renascença II

3 - POSTAL CODE	4 - MUNICIPALITY	5 - STATE
65075-441	São Luís	MA

6 - AREA CODE	7 - TELEPHONE	8 - TELEPHONE	9 - TELEPHONE	10 - TELEX
98	3217-2123			
11 - AREA CODE	**12 - FAX**	**13 - FAX**	**14 - FAX**	
98	3235-7161			

15 - E-MAIL
equatorial@equatorialenergia.com.br

01.03- INVESTOR RELATIONS OFFICER (Company Mail Address)

1 – NAME
Leonardo Duarte Dias

2 – ADDRESS	3 - SUBURB OR DISTRICT
A. Colares Moreira 477	Renascença II

4 - POSTAL CODE	5 - MUNICIPALITY	6 - STATE
65075-441	São Luís	MA

7 - AREA CODE	8 - TELEPHONE	9 - TELEPHONE	10 - TELEPHONE	11 - TELEX
98	3217-2123			
12 - AREA CODE	**13 – FAX**	**14 - FAX**	**15 - FAX**	
98	3235-7161			

16 - E-MAIL
leonardo.dias@equatorialenergia.com.br

01.04-GENERAL INFORMATION/INDEPENDENT ACCOUNTANT

CURRENT YEAR		CURRENT QUARTER			PRIOR QUARTER		
1-BEGINNING	**2-END**	**3-QUARTER**	**4-BEGINNING**	**5-END**	**6-QUARTER**	**7-BEGINNING**	**8-END**
01/01/2007	12/31/2007	1	01/01/2007	03/31/2007	4	10/01/2006	12/31/2006

9 - INDEPENDENT ACCOUNTANT	10 - CVM CODE
KPMG Auditores Independentes	00418-9

11 - PARTNER RESPONSIBLE	12 - INDIVIDUAL TAXPAYERS' REGISTRATION NUMBER OF THE PARTNER RESPONSIBLE
Vânia Andrade de Souza	671.396.717-53

01.01– IDENTIFICATION

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02001-0	Equatorial Energia S.A	03.220.438/0001-73

01.05– CAPITAL COMPOSITION

Number of shares (units)	Current Quarter	Prior quarter	Same quarter in prior year
Paid-up capital			
1 – Common	102,635,220	102,635,220	102,635,220
2 – Preferred	94,039,957	94,039,957	94,039,957
3 – Total	**196,675,177**	**196,675,177**	**196,675,177**
Treasury Stock			
4 – Common	0	0	0
5 – Preferred	0	0	0
6 – Total	**0**	**0**	**0**

01.06– CHARACTERISTICS OF THE COMPANY

1 - TYPE OF COMPANY Commercial, Industrial Company and Others
2 – SITUATION Operational
3 - NATURE OF OWNERSHIP National Holding
4 -ACTIVITY CODE 1120 – Electric energy
5 - MAIN ACTIVITY Holding
6 - TYPE OF CONSOLIDATION Total
7 - TYPE OF REPORT OF THE INDEPENDENT ACCOUNTANT Unqualified

01.07– COMPANIES EXCLUDED FROM THE CONSOLIDATED FINANCIAL STATEMENTS

1 – CVM CODE	2 - CNPJ	3 – NAME

01.08– DIVIDENDS APPROVED AND/OR PAID DURING AND AFTER THE QUARTER (thousands)

1 – ITEM	2 – EVENT	3 - DATE APPROVED	4 – Type	5 – DATE OF PAYMENT	6 - TYPE OF SHARE	7 - AMOUNT PER SHARE (in Thousands)

01.01 - IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - Federal Corporate Taxpayers' Registration Number (CNPJ)
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01.09 – SUBSCRIBED CAPITAL AND ALTERATIONS IN THE CURRENT YEAR

1 - ITEM	2 - DATE OF ALTERATION	3 - CAPITAL (IN THOUSANDS OF REAIS)	4 - AMOUNT OF THE ALTERATION (IN THOUSANDS OF REAIS)	5 -NATURE OF ALTERATION	7 - NUMBER OF SHARES ISSUED	8 - SHARE PRICE ON ISSUE DATE (IN REAIS)
01	03/08/2006	**350,542**	**30,000**	**Advance for future payment of capital increase payment**	**8,595,988**	**3.49000000000**
02	03/09/2006	**353,122**	**2,580**	**Payment of CEMAR share**	**3,122,228**	**0.8262800000**
03	03/10/2006	527,617	174,495	Profit reserve capitalization	0	0.0000000000
04	04/05/2006	**713,217**	**185,600**	**Public subscription**	**38,400,000**	**14.5000000000**

01.10 - INVESTOR RELATIONS OFFICER

1 – DATE	2 - SIGNATURE

01 - IDENTIFICATION		
1 - CVM CODE	**2 - COMPANY NAME**	**3 - National Corporate Taxpayers' Registry (CNPJ)**
02001-0	Equatorial Energia S.A	03.220.438/0001-73

02.01 - Balance Sheet - Assets (R$ thousand)

1 - Code	2 - Description	3 - 3/31/2007	4 - 12/31/2006
1	Total assets	864,905	832,985
1.01	Current assets	301,932	296,795
1.01.01	Cash and cash equivalents	190,283	186,333
1.01.01.01	Cash	-	-
1.01.01.02	Banks deposits	56	22
1.01.01.03	Payment orders	191	-
1.01.01.04	Available funds	-	-
1.01.01.05	Marketable securities	190,036	186,311
1.01.01.06	Cash in transit	-	-
1.01.02	Credits	-	-
1.01.02.01	Trade accounts receivable	-	-
1.01.02.01.01	Consumers and resellers	-	-
1.01.02.01.02	Allowance for doubtful accounts	-	-
1.01.02.02	Other credits	-	-
1.01.03	Inventories	-	-
1.01.04	Other	111,649	110,462
1.01.04.01	Taxes recoverable	3,796	2,589
1.01.04.02	Low income consumers	-	-
1.01.04.03	Prepaid expenses	22	53
1.01.04.04	Deferred income tax and social contributions	-	-
1.01.04.05	Judicial deposits	-	-
1.01.04.06	Dividends receivable from subsidiary	107,820	107,820
1.01.04.07	Other receivables	11	-
1.02	Noncurrent assets	562,973	536,190
1.02.01	Long term assets	-	-
1.02.01.01	Sundry receivables	-	-
1.02.01.01.01	Consumers and resellers	-	-
1.02.01.01.02	Provision for doubtful accounts	-	-
1.02.01.01.03	Taxes recoverable	-	-
1.02.01.01.04	Prepaid expenses	-	-
1.02.01.01.05	Deferred income tax and social contributions	-	-
1.02.01.01.06	Judicial deposits	-	-
1.02.01.01.07	Other receivables	-	-
1.02.01.02	Related parties	-	-
1.02.01.02.01	Associated companies	-	-
1.02.01.02.02	Subsidiaries	-	-
1.02.01.02.03	Other related parties	-	-
1.02.01.03	Other	-	-
1.02.02	Permanent assets	562,973	536,190
1.02.02.01	Investments	562,973	536,190
1.02.02.01.01	Investment in associated companies	-	-
1.02.02.01.02	Goodwill from investment in associated companies	-	-
1.02.02.01.03	Investments in the subsidiary	325,420	297,356

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1 - Code	2 - Description	3 - 3/31/2007	4 - 12/31/2006
1.02.02.01.04	Goodwill from investment in subsidiary	237,553	238,834
1.02.02.01.05	Other investments	-	-
1.02.02.02	Property, plant and equipments	-	-
1.02.02.02.01	Property, plant and equipments	-	-
1.02.02.02.02	(-)obligations related to the concession	-	-
1.02.02.03	Intangible assets	-	-
1.02.02.04	Deferred charges	-	-

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02.02 - Balance Sheet - Liabilities and Shareholders' Equity (R$ thousand)

1 - Code	2 – Description	3 - 3/31/2007	4 - 12/31/2006
2	Total liabilities and shareholders' equity	864,905	832,985
2.01	Current liabilities	109,524	108,448
2.01.01	Loans and financing	-	-
2.01.01.01	Financial charges	-	-
2.01.01.02	Loans and financing	-	-
2.01.02	Debentures	-	-
2.01.03	Suppliers	-	-
2.01.04	Taxes and social contributions payable	1,360	480
2.01.05	Dividends payable	107,820	107,820
2.01.06	Provisions	138	-
2.01.06.01	Payroll charges	138	-
2.01.06.02	Provision for contingencies	-	-
2.01.07	Related parties	-	-
2.01.08	Other	206	148
2.01.08.01	Payroll	146	30
2.01.08.02	Public lighting tariff	-	-
2.01.08.03	Consumer charges payable	-	-
2.01.08.04	Sundry debits	-	-
2.01.08.05	Empresa de pesquisa energética	-	-
2.01.08.06	Researches and development	-	-
2.01.08.07	Energy Efficiency Program	-	-
2.01.08.08	Other	60	118
2.02	Noncurrent liabilities	-	-
2.02.01	Long term liabilities		
2.02.01.01	Loans and financing	-	-
2.02.01.02	Debentures	-	-
2.02.01.03	Provisions	-	-
2.02.01.03.01	Provision for contingencies	-	-
2.02.01.03.02	Private pension fund	-	-
2.02.01.04	Related parties	-	-
2.02.01.05	Advance for future capital increase	-	-
2.02.01.06	Other	-	-
2.02.01.06.01	Reimbursement to generator	-	-
2.02.01.06.02	Taxes and social contributions payable	-	-
2.02.02	Deferred Income		
2.04	Shareholders' equity	755,381	724,537
2.04.01	Capital	713,217	713,217
2.04.01.01	Subscribed capital	713,217	713,217
2.04.01.02	Capital not paid in	-	-
2.04.02	Capital reserves	-	-
2.04.03	Revaluation reserve	-	-
2.04.03.01	Own assets	-	-

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1 - Code	2 – Description	3 - 3/31/2007	4 - 12/31/2006
2.04.03.02	Subsidiary/associated companies	-	-
2.04.04	Revenue reserves	11,320	11,320
2.04.04.01	Legal	5,957	5,957
2.04.04.02	Statutory	-	-
2.04.04.03	Contingencies	-	-
2.04.04.04	Unrealized profits	5,363	5,363
2.04.04.05	Retention of profits	-	-
2.04.04.06	Special for undistributed dividends	-	-
2.04.04.07	Other revenue reserves	-	-
2.04.05	Retained income	30,844	-
2.04.06	Advance for future capital increase reserve		

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03.01 - Statement of Income (R$ thousand)

1 – Code	2 – Description	3 - 1/1/2007 to 3/31/2007	4 - 1/1/2007 to 3/31/2007	4 - 1/1/2006 to 3/31/2006	4 - 1/1/2006 to 3/31/2006
3.01	Gross sales and/or services revenue	-	-	-	-
3.01.01	Energy electric supply	-	-	-	-
3.01.02	Energy electric sales	-	-	-	-
3.01.03	Emergency capacity charges	-	-	-	-
3.01.04	Other revenues	-	-	-	-
3.02	Deductions from operating revenue	-	-	-	-
3.02.01	Value-Added Tax - ICMS on electricity sales	-	-	-	-
3.02.02	Social contribution on billings – COFINS	-	-	-	-
3.02.03	Social Integration Program – PIS	-	-	-	-
3.02.04	(+) PIS/COFINS on regulatory assets	-	-	-	-
3.02.05	Quota for Global Reversal Reserve – RGR	-	-	-	-
3.02.06	Services Tax – ISS	-	-	-	-
3.02.07	Emergency capacity charges	-	-	-	-
3.02.08	(-)Consumer charges	-	-	-	-
3.03	Net operating revenue	-	-	-	-
3.04	Cost of sales and/or services	-	-	-	-
3.04.01	Electric energy purchased for resale	-	-	-	-
3.04.02	Charge for the transmission and distribution system use	-	-	-	-
3.04.03	Cost Operating - Personal	-	-	-	-
3.04.04	Cost Operating – Material	-	-	-	-
3.04.05	Cost Operating - Third party service	-	-	-	-
3.04.06	Cost Operating – Depreciation and amortization	-	-	-	-
3.04.07	Cost Operating – Leasing and rent	-	-	-	-
3.04.08	Cost Operating – Electric energy inspection fee	-	-	-	-
3.04.09	Cost Operating – Others	-	-	-	-
3.04.10	Cost Third Party Service – Personal	-	-	-	-
3.04.11	Cost Third Party Service – Materials	-	-	-	-

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1 – Code	2 – Description	3 - 1/1/2007 to 3/31/2007	4 - 1/1/2007 to 3/31/2007	4 - 1/1/2006 to 3/31/2006	4 - 1/1/2006 to 3/31/2006
3.04.12	Cost Third Party Service – Third party service	-	-	-	-
3.04.13	Cost Third Party Service - Depreciation and amortization	-	-	-	-
3.04.14	Cost Third Party Service - Leasing and rent	-	-	-	-
3.04.15	Cost Third Party Service – Other	-	-	-	-
3.05	Gross operating profit	-	-	-	-
3.06	Operating revenue/expenses	32,173	32,173	9,191	9,191
3.06.01	Selling expenses	-	-	-	-
3.06.01.01	Selling	-	-	-	-
3.06.01.02	Allowance for doubtful accounts and credit losses	-	-	-	-
3.06.02	General and administrative expenses	(1,956)	(1,956)	(9)	(9)
3.06.02.01	General and administrative expenses	(838)	(838)	(9)	(9)
3.06.02.02	Administrators' fees	(1,118)	(1,118)	-	-
3.06.02.03	Provision for contingencies	-	-	-	-
3.06.02.04	Depreciation and amortization	-	-	-	-
3.06.02.05	Others operating expenses	-	-	-	-
3.06.03	Financial income (expenses)	7,277	7,277	(12,808)	(12,808)
3.06.03.01	Financial income	7,289	7,289	3	3
3.06.03.01.01	Financial income	7,289	7,289	3	3
3.06.03.01.02	Fine charged on electric energy sale	-	-	-	-
3.06.03.02	Financial expenses	(12)	(12)	(12,811)	(12,811)
3.06.03.02.01	Debt charges	-	-	-	-
3.06.03.02.02	Monetary and foreign exchange variation	-	-	-	-
3.06.03.02.03	Interest on loans and financing	-	-	-	-
3.06.03.02.04	Commission and other	-	-	(12,609)	(12,609)
3.06.03.02.05	Other	(12)	(12)	(202)	(202)
3.06.04	Other operating revenue	-	-	-	-
3.06.05	Other operating expenses	-	-	-	-
3.06.06	Equity in income	26,852	26,852	22,008	22,008

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1 – Code	2 – Description	3 - 1/1/2007 to 3/31/2007	4 - 1/1/2007 to 3/31/2007	4 - 1/1/2006 to 3/31/2006	4 - 1/1/2006 to 3/31/2006
3.06.06.01	Equity in income from subsidiary	28,133	28,133	23,252	23,252
3.06.06.02	Goodwill amortization	(1,281)	(1,281)	(1,244)	(1,244)
3.06.06.03	Capital gain from subsidiary	-	-	-	-
3.06.06.04	Other income	-	-	-	-
3.07	Operating income	32,173	32,173	9,191	9,191
3.08	Non-operating result	(69)	(69)	-	-
3.08.01	Non-operating income	-	-	-	-
3.08.01.01	Not operating income	-	-	-	-
3.08.02	Expenses	(69)	(69)	-	-
3.08.02.01	Non-operating expenses	(69)	(69)	-	-
3.09	Income before income tax and social contribution	32,104	32,104	9,191	9,191
3.10	Provision of income tax and social contribution tax	(1,260)	(1,260)	-	-
3.10.01	Social contribution tax	(335)	(335)	-	-
3.10.02	Income tax	(925)	(925)	-	-
3.11	Deferred income before income tax and social contribution	-	-	-	-
3.11.01	Deferred income before income tax and social contribution	-	-	-	-
3.12	Participation/ Statutory contribution	-	-	-	-
3.12.01	Participation	-	-	-	-
3.12.01.01	Minority interest	-	-	-	-
3.12.02	Contribution	-	-	-	-
3.13	Reversal of interest in own capital	-	-	-	-
3.15	Net income	30,844	30,844	9,191	9,191
	Number of shares, ex-treasury stock	196,675,177	196,675,177	196,675,177	196,675,177
	Income per share	0,15683	0,15683	0,04673	0,04673
	Loss per share				

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(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 in the North, Northeast, Central and Western regions of Brazil.

On March 31, 2007, the Company held a 65.35% (65.38% on December 31, 2006) interest in Companhia Energética do Maranhão ("CEMAR" or "Subsidiary"), a listed power distribution company. It holds the power distribution concession for the state of Maranhão, serving, in March 31, 2007, 1,373,183 consumers and covering an area of over 333,000 square kilometers. Public power distribution service concession contract nº 060, entered into by National Electric Energy Agency - ANEEL, CEMAR and the Company, expires on August 10, 2030 and may be extended for a further maximum term of 30 years.

CEMAR was under the administrative intervention of ANEEL between August 2002 and April 2004. This intervention ended when the controlling interest in the Company was transferred. Since then CEMAR's new management has been implementing a financial and operational restructuring plan, and focusing its activities on its customers and returns for its shareholders. This restructuring plan embraces a number of actions, including renegotiation of debt agreements to lengthen debt maturity, negotiation with materials and service suppliers and implementation of a more effective policy for eliminating losses and collecting overdue credits, which has led to a more efficient collection. As a result, CEMAR went from having a deficit of R$146,527 on December 31, 2003 to having positive shareholders' equity amounting to R$497,928 as of March 31, 2007.

On March 6, 2006 ANEEL approved a corporate reorganization plan involving the indirect sale of shares representing 50% of the voting capital and 46.25% of the total capital of the Company to UBS Pactual Latin America Power Fund Ltd., a fund managed by a wholly owned subsidiary of UBS Pactual S.A, as described in Note 21.

Also in the corporate area, on March 30, 2006 the Company made its Initial Public Offering (IPO). Through this Offering the Company raised R$540,270, of which R$185,600 was received by the Company through the Primary Offering, with the issue of new shares. The remaining amount was received through the Secondary Offering, referring to the sale of shares held by the controlling shareholders and management. The IPO was performed under Level 2 of the Corporate Governance Practices issued by the São Paulo Stock Exchange - Bovespa, in the form of UNITS, consisting of 1 (one) common share and 2 (two) preferred shares. Currently about 43% of the Company's common shares and 96% of its preferred shares are outstanding.

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(2) Consolidation

The consolidated quarterly information was 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 CEMAR.

As of March 31, 2007 the Company's interest in CEMAR was 65.35% (65.38% on December 31, 2006). The assets, liabilities, revenues and expenses for the period were fully considered in the consolidated quarterly information.

When applicable the following consolidation procedures were also adopted:

- Elimination of interests in the shareholders' equity of the Subsidiary;
- Elimination of equity in the net income of the Subsidiary;
- Elimination of the balances of assets and liabilities among consolidated company, and
- Separate statement of minority interest in the liabilities and income statement for the period.
- As provided in CVM notification 01/2007, the tax incentive granted to the Subsidiary by the Agency for Development in the Northeast - ADENE, the current Superintendency for Development in the Northeast - SUDENE, (see Note 9), recognized by CEMAR as a capital reserve, was considered in the consolidated financial statements to the results for the years, reducing income tax by R$2,656 (corresponding to Equatorial's share in the capital reserve established by this Subsidiary).

  The balance sheets of CEMAR as of March 31, 2007 and December 31, 2006, and the income statements for the periods ended March 31, 2007 and 2006 are set out in condensed form below:

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02001-0	Equatorial Energia S.A	03.220.438/0001-73

	CEMAR	
	03/31/2007	**12/31/2006**
Assets	**1,822,199**	**1,532,618**
Current assets	696,002	471,974
Noncurrent assets		
Long term assets	344,850	335,461
Permanent assets	781,347	725,183
Liabilities and shareholders' equity	**1,822,199**	**1,532,618**
Current liabilities	427,111	475,428
Noncurrent liabilities	897,160	602,411
Shareholders' equity	497,928	454,779

	CEMAR	
	03/31/2007	**03/31/2006**
Operating revenues	276,559	245,050
Deductions	(81,430)	(73,208)
Net operating revenues	**195,129**	**171,842**
Cost of service	(96,175)	(87,066)
Gross operating income	**98,954**	**84,776**
Operating expenses	(32,816)	(30,222)
Service income	**66,138**	**54,554**
Financial expenses	(8,046)	(6,023)
Operating income	**58,092**	**48,531**
Nonoperating income (expense)	713	(762)
Income before income tax and social contribution	**58,805**	**47,769**
Income tax and social contribution	(19,825)	(12,601)
Net income for the period	**38,980**	**35,168**

(3) Presentation of the financial statements

The individual and consolidated quarterly information was prepared in accordance with accounting practices in Brazil, which include the rules of Corporate Law, the complementary rules of the Securities Commission - CVM and specific legislation issued by ANEEL. These financial statements incorporate the changes introduced by the following accounting standards: (i) Accounting standards and procedures 27 (NPC 27) - Presentation and Disclosure, issued by IBRACON - Institute of Independent Auditors in Brazil, on October 03, 2005, approved by CVM Decision 488, on the same date; and (ii) Accounting standards and procedures 22 (NPC 22) - Provisions, Liabilities, Contingent liabilities and Contingent assets, issued by IBRACON on October 03, 2005, approved by CVM Decision 489, on the same date.

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In compliance with ANEEL Resolution 3073, December 28, 2006, effective as from January 1st, 2007, the consumer charges related to the Energy Efficiency Program - PEE, Research and Development - P&D, the Energy Development Account - CDE and the Fuel Consumption account - CCC, previously recorded as operating costs, are now recorded as deductions against operating income and reclassifications are made for the amounts reported for the 1st quarter of 2006.

(4) Summary of the main accounting practices

a) Statement of income

Operating income and expense are recognized on an accrual basis.

b) Accounting estimates

The accounting estimates were based on objective and subjective factors, based on the judgment of the management of the Company and its Subsidiary, to determine the appropriate amounts to be recorded in the financial statements. Significant items subject to these estimates and assumptions include the provision for doubtful accounts, deferred income tax and social contribution, unrealized revenue, the residual value of fixed assets and the provision for contingencies. Liquidation of the transactions involving these estimates could result in amounts that differ from the estimates, given the inaccuracies inherent to the process for determining them. Management of the Company and its Subsidiary review the estimates and assumptions at least annually.

c) Foreign currency

Monetary assets and liabilities denominated in foreign currencies were translated into reais at the foreign exchange rate ruling at the balance sheet date. Any differences arising from converting foreign currency were recognized to the results for the period.

d) Current and non-current assets:

Marketable securities - Stated at cost plus earnings up to the balance sheet date.

Consumers and resellers - Include the amounts billed to end consumers, 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 - 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 consumers - Include the amounts deriving from the criteria for classifying consumer units in the low income residential subclass, as established by Law 10438/02 (see Note 7).

Investment - Represented by the interest in the Subsidiary, valued using the equity method.

Intangible assets - Represented by the goodwill recorded on the purchase of the Subsidiary, arising from the difference between the purchase price and the book value of the equity in the company purchased, in accordance with CVM Instruction 247, of March 27, 1996. At the end of 2005, the Company had amortized the goodwill on a straight line basis over the remaining period of the Subsidiary's concession contract, since CEMAR was not profitable during the initial years of the concession. As from December 2005, given that CEMAR began to report profits, amortization was made in proportion to the net profit curves projected for the remaining period of CEMAR's concession contract.

Also included is the negative goodwill arising from the corporate reorganization process through which shares in CEMAR were purchased (see Note 12). This negative goodwill will be realized when the shares are sold or when the subsidiary is dissolved.

Property, Plant and Equipment (PP&E) - Recorded at acquisition cost plus monetary correction up to December 31, 1995, 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. The amount calculated is partly debited from net income and partly from the cost of work in progress, according to the usage of such assets.

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.

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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 15d).

Other current and non current assets - Stated at net realizable values.

e) Current and non-current liabilities

Loans, financing, charges and debentures - Restated to reflect the monetary and/or 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.

Provisions for contingencies - Established according to the risk of losing ongoing legal disputes, based on reports prepared by external legal advisors and by the Subsidiary's legal consultants. 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.

f) Provisions

A provision is recognized in the balance sheet when the Company and it's 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.

g) Current and deferred income tax and social contribution

Current income tax and social contribution from the Company and it's Subsidiary are calculated based on the effective income tax and social contribution rates on taxable income.

h) Retirement and pension supplementation plan

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

(5) Marketable securities

Marketable securities refer to transactions made in first-rate Brazilian financial institutions, most of which are remunerated according to the variation of the Bank Deposit Certificates (CDI), at regular market rates and conditions, and are available for use in the operations of the Company and its Subsidiary. The investments include the fund FIQ- Araçagy, at the consolidated amount of R$306,526 (R$304,528 on 31 December, 2006), of which R$190,036 is recorded at the Parent Company, whose only quota holders are the Company and its Subsidiary. The fund's portfolio consists of shares of other non-exclusive investment funds. INTRAG-DTVM, a wholly-owned subsidiary of Banco Itaú, is responsible for the management and custody of the fund FIQ-Araçagy.

		Parent Company		Consolidated	
Financial institution	**Type of investment**	**03/31/2007**	**12/31/2006**	**03/31/2007**	**12/31/2006**
Banco do Nordeste	LFT	-	-	5,199	5,050
Bradesco	Investment fund	-	-	5,175	5,030
	CDB	-	-	600	583
HSBC	CDB	-	-	9,277	9,004
Itau	CDB	-	-	9,277	9,004
	Investment fund	190,036	186,311	306,526	304,528
UBS Pactual	Investment fund	-		846	821
	National Treasury Bill	-	-	-	120
Safra	CDB	-	-	26,000	-
Total		**190,036**	**186,311**	**362,900**	**334,140**

		Parent Company		Consolidated	
Institution	**Type of Investment**	**03/31/2007**	**12/31/2006**	**03/31/2007**	**12/31/2006**
Banco do Nordeste	LFT	-	-	5,199	5,050
Bradesco	Investment Funds	-	-	5,175	5,030
	CDB	-	-	600	583
HSBC	CDB	-	-	9,277	9,004
Itaú	CDB	-	-	9,277	9,004
	Investment Funds	190,036	186,311	306,526	304,528
UBS Pactual	Investment Funds	-	-	846	821
	National Treasury Bills	-	-	-	120
Safra	CDB	-	-	26,000	-
Total		**190,036**	**186,311**	**362,900**	**334,140**

(6) Consumers and resellers

	Consolidated						
		Overdue		03/31/2007		12/31/2006	
	Undue	90 days or less	Over 90 days	Total	Allowance for doubtful debts	Total	Allowance for doubtful debts
Billed power supply							
Private Sector							
Residential	27,864	26,200	8,326	62,390	9,316	61,386	7,223
Industrial	7,635	3,959	5,418	17,012	3,658	17,163	3,110
Commercial	16,418	7,737	5,694	29,849	5,054	31,098	4,149
Rural	2,245	2,423	2,176	6,844	625	6,856	600
	54,162	**40,319**	**21,614**	**116,095**	**18,653**	**116,503**	**15,082**
Public Sector							
Public power	7,136	3,727	1,916	12,779	1,046	10,889	831
Public lighting fee	3,415	1,231	359	5,005	103	8,599	4,403
Public service	5,317	1,757	3,173	10,247	1,035	9,270	1,199
	15,868	**6,715**	**5,448**	**28,031**	**2,184**	**28,758**	**6,433**
Unbilled power supply	24,684	-	-	24,684	-	23,805	-
PERCEE	113	-	-	113	-	113	-
Emergency capacity changes	-	1	45	46	-	183	-
Progress billing	23,667	2,276	4,337	30,280	2,777	28,292	1,948
Other	971	921	2,967	4,859	3,260	4,764	4,194
Subtotal - Consumers	**119,465**	**50,232**	**34,411**	**204,108**	**26,874**	**202,418**	**27,657**
CCEE (Note 6b)	8,057	-	197	8,254	197	8,831	197
Concessionaries	204	-	-	204	-	204	-
Checks in collection	-	-	4,720	4,720	4,720	4,722	4,722
Services rendered	-	-	936	936	792	1,006	764
Total	**127,726**	**50,232**	**40,264**	**218,222**	**32,583**	**217,181**	**33,340**
Current assets	**108,711**	**50,232**	**36,815**	**195,758**	**29,134**	**198,299**	**30,177**
Non current assets	**19,015**	**-**	**3,449**	**22,464**	**3,449**	**18,882**	**3,163**

a) Allowance for doubtful accounts

The allowance for doubtful accounts is established in accordance with the criteria specified by General Instruction 6.32 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 - past due by more than 90 days;
- Commercial consumers - past due by more than 180 days; and
- Industrial, rural and government consumers, public lighting, public services and others - past due by more than 360 days.

b) Electric Energy Trade Chamber - CCEE

The Electric Energy Trade Chamber - CCEE is where energy surpluses (short-term energy) -- 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.

The amounts referring to trading at the Electric Energy Trade Chamber - CCEE were recorded based on information disclosed by CCEE.

According to this information, transactions at the CCEE from September 2000 to December 2002 amounted to $64,986. This total includes a balance receivable by CEMAR of R$8,010, which is being legally disputed. This balance may change depending on court rulings on the interpretation of the market rules in force. Of the remaining balance, R$1,490 represents default. Of this total, a provision has been made for R$197 and R$1,293 is being judicially collected. In accordance with applicable tax rues, these amounts represent a loss, and the company is therefore eligible to a reduction of income tax/social contribution. The other transactions up to March 31, 2007 resulted in the right to a credit of R$47 (R$624 at December 31, 2006).

Total revenue as of March 31, 2007, net of prior periods adjustments, as disclosed by CCEE, was R$510 (R$178 until March 31, 2006).

c) General Electricity Sector Agreement:

In December 2001, the Brazilian Federal Government (through the Electric Energy Crisis Management Committee - GCE) and the power generation and distribution concessionaires executed a “General Electricity Sector Agreement”, which specified the criteria for recomposing extraordinary revenue and losses resulting from the period in which the Emergency Program to Reduce Electric Energy Consumption was in force, to be achieved through a surcharge in electricity supply bills, with 2.9% being charged to residential consumers (except for the low income residential subclass) and to rural consumers, and 7.9% charged to the other consumption classes.

ANEEL Resolutions 480/2002 (loss of margin) and 001/2004 (reimbursement to the generator), approved the amounts of R$29,250 and R$33,570, respectively, for CEMAR. These losses of margin were transferred to the concessionaire and the free energy collected from consumers was passed on to the energy generators, plus the tax payable on billing and monetary correction, as established by ANEEL Resolutions 369/2002 and 36/2003. ANEEL Resolution 001/2004 established that the RTE charge would remain in the CEMAR tariff for a period of 46 months beginning December 2001 and ending October 2005. In accordance with these legal requirements, CEMAR ceased collecting the RTE charge in October 2005.

The items in the General Electricity Sector Agreement are remunerated at the *SELIC rate for Special Settlement and Custody System (BACEN)*, plus interest of 1% per annum on 90% of the balance. On December 20, 2005, ANEEL issued an Official Circular 2,212 establishing the following procedures for calculating the remuneration:

- For the item Losses of Margin, the remuneration shall be: (i) the SELIC rate (BNDES) plus interest of 1% per annum on the amount financed, which corresponds to 90% of the amounts ratified by ANEEL, and (ii) the SELIC rate (BACEN) on the 10% not financed;

- For the item Free Energy, in cases where the Generator has obtained a loan from the BNDES, the remuneration is calculated at the SELIC (BACEN) rate plus interest of 1% per annum; and for generators who have not obtained a loan, the remuneration shall only be calculated according at the SELIC (BACEN) rate; and

- For the item "Portion A", the remuneration should be appropriated using the SELIC (BACEN) rate.

In September 2005, CEMAR had already recovered the entire RTE, the uncollected amount yet to be paid the generators remaining as a liability.

Based on ANEEL/SFF Official Circulars 2,212/2005 and 074/2006, this amount was updated at the SELIC rate and recorded as suppliers - Reimbursement to the Generators.

In September 2006, CEMAR sent a letter to the generators stating the amounts that each was yet to receive (a total of R$5,297), considering 100% of the amount already collected, net of taxes and charges, based on Resolutions 36/2003, 089/2003 and 045/2004 issued by ANEEL. On March 31, 2007, the amount remaining to be reimbursed to the generators was R$221 (R$221 on December 31, 2006).

The main items of the General Electricity Sector Agreement are summarized as follows:

	Consolidated	
	03/31/2007	**12/31/2006**
Assets - Tariff Recomposition (RTE)		
Loss of margin plus taxes	37,659	37,659
Free energy plus taxes	34,841	34,841
	72,500	72,500
Monetary restatement	20,328	20,328
Amortization of margin loss and free energy	(92,828)	(92,828)
Assets balance	**-**	**-**
Liabilities - Tariff Recomposition (RTE)		
Reimbursement to the generators-current and long-term	(33,570)	(33,570)
Amortization of the reimbursement (payment to the generators)	48,047	48,047
Monetary restatement	(14,698)	(14,698)
Liabilities balance	**(221)**	**(221)**
Total net effect of the General Electricity Sector Agreement	**(221)**	**(221)**

(7) Low income consumers

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. As a result of these procedures, as of March 31, 2007, R$10,846 (R$11,273 on December 31, 2006) was receivable from ELETROBRÁS.

(8) Taxes recoverable

The current and non-current balances due to prepaid or withheld taxes are stated as follows:

	Parent Company				Consolidated			
	03/31/2007		12/31/2006		03/31/2007		12/31/2006	
	Current	Non current	Current	Non current	Current	Non current	Current	Non current
Withholding tax on interest-earning deposits	3,283	-	2,361	-	4,776	-	4,262	-
Prepaid income tax (a)	67	-	66	-	3,468	-	66	-
Prepaid social contribution (a)	316	-	32	-	3,514	-	32	-
ICMS recoverable and CIAP (b)	-	-	-	-	18,268	31,392	16,980	31,387
COFINS (Social Contribution on Revenues) (c)	-	-	-	-	-	5,697	503	2,337
PIS (Social Integration Program) (c)	-	-	-	-	-	1,237	109	507
Recoverable income tax and social contribution	130	-	130	-	130	-	130	-
Other	-	-	-	-	2,178	-	1,516	-
Total	**3,796**	**-**	**2,589**	**-**	**32,334**	**38,334**	**23,598**	**34,231**

(a) Prepaid Income tax (IR) and Social Contribution on Net Profit (CSLL) refer to the amounts paid on a monthly basis under article 2 of Law 9430, December, 27, 1996.

(b) Pursuant to Complementary Law 102, June 11, 2000, the Company has recorded ICMS recoverable on the purchase of fixed assets.

(c) PIS and COFINS offsettable 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 offsettable included in non-current assets refers to the exclusion of ICMS from the aforementioned calculation bases, in accordance with injunction 2006.37.00.005574-3.

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(9) Deferred income tax and social contributions

Since May 2004, CEMAR has been undergoing a restructuring process, which began with the reorganization of the capital structure in 2004, followed by the reorganization of its operating activities. Given the above, CEMAR's management, based on CVM Instruction 371/2000, considered that deferred tax assets arising from tax losses, negative bases and temporary differences were to be recognized in 2005, considering that the forecasts for CEMAR's taxable profit, prepared by management, indicated that this asset will 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 Directive 371, dated June 27, 2002. These credits are recorded in the Subsidiary, as current and non current 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 realization of the principal.

a) Breakdown of the income tax and social contribution credits

	Consolidated	
	03/31/2007	**12/31/2006**
Income tax		
Tax losses	187,324	190,142
Temporary differences	1,344	6,532
	188,668	**196,674**
Social contribution		
Negative base	29,187	30,974
Temporary differences	3,058	2,351
	32,245	**33,325**
Total	**220,913**	**229,999**
Current	17,667	23,644
Non current	203,246	206,355
	220,913	**229,999**

b) Recovery expectation

Based on technical feasibility studies which indicate full recovery of the deferred tax amounts, CEMAR's management estimates that the expectation to realize the tax credits can be denoted as follows:

Recovery expectation	2007	2008	2009	2010	2011 a 2013	Total
Deferred taxes	17,667	24,173	29,249	31,892	117,932	220,913

The aforesaid technical studies are management's best estimates for future operations and for the market in which CEMAR operates. These studies were prepared in 2005, and revised at the end of 2006, and approved by CEMAR Board of Directors on December 18, 2006.

Of the R$259,281 recorded as an asset in December 2005, R$38,368 had been realized by March 31, 2007.

c) Reconciliation of tax expense and social contribution taxes:

The reconciliation of expense calculated by applying the tax rates to the result of the Parent Company and the Income Tax and Social Contribution expense debited in net income is stated as follows:

	03/31/07		03/31/06	
	Income tax	**Social contribution**	**Income tax**	**Social contribution**
Profit before income and social contribution taxes	58,805	58,805	47,769	47,769
Tax rates	25%	9%	25%	9%
Income and social contribution taxes calculated at the statutory rates	**14,701**	**5,292**	**11,942**	**4,299**
Additions:				
Nondeductible expenses	63,165	22,739	32,605	11,740
Accelerated depreciation	370	-	-	-
Exclusions:				
Reversal of provisions, RTD and regulatory assets	(61,318)	(22,074)	(35,168)	(12,660)
Accelerated depreciation	(7,532)	-	-	-
Other items:				
Tax loss and negative base carryforward	(2,816)	(1,787)	(2,814)	(1,014)
Income and social contribution taxes on income statement	**6,570**	**4,170**	**6,565**	**2,365**
Incentive PAT	-	-	(158)	-
Reversion of income tax and social contribution provision in 2005	-	-	-	-
Expense	**6,570**	**4,170**	**6,407**	**2,365**
Tax rates (Excluding the deferred assets)	**11.17%**	**7.09%**	**13.41%**	**4.95%**
Deferred tax asset	8,006	1,079	2,816	1,013
Total expenses	**14,576**	**5,249**	**9,223**	**3,378**
Effective tax rates (including deferred tax asset)	**24.79%**	**8.93%**	**19.31%**	**7.07%**

d) Tax Incentive

Income tax expenses in the year ended December 31, 2006 do not consider the tax incentive obtained by CEMAR from the North-East Development Agency - SUDENE, which reduces income tax and is recorded in the Subsidiary's Shareholders' Equity as a Capital Reserve .

The tax incentive was obtained by CEMAR under Incentive Reports 289/2005 and 0323/2005, issued by SUDENE on November 25 and December 21, 2005, respectively, which award CEMAR:

- Report 0289 - a 25% reduction of the income tax due on operations in the state of Maranhão until January 2008, and 12.5% from January 1st, 2009 until December 31, 2013.

- Report 0323 - a 75% reduction of income tax due on operations in the state of Maranhão until the end of the 2015 calendar year, payable on the amount in excess of the installed capacity in Maranhão state.

These incentives impose a number of obligations and restrictions that shall be observed by the Subsidiary:

i. The benefit amount can not be distributed to the shareholders;

ii. The amount must be recorded as a capital reserve, and capitalized until December 31 of the following year; and

iii. The amount should be invested in activities directly related to production in the region subject to the tax incentive.

(10) Prepaid expenses

	Parent Company		Consolidated	
	03/31/2007	12/31/2006	03/31/2007	12/31/2006
Compensation of Portion A cost variation (a)	-	-	24,864	35,944
Deferred Tariff Recomposition (RTD) (b)	-	-	79,160	72,690
Regulatory Asset - PIS / COFINS (c)	-	-	2,763	2,733
Debentures	-	-	40	44
Insurance	22	53	320	53
Other	-	-	1,253	1,443
Total	**22**	**53**	**108,400**	**112,907**
Current	22	53	24,137	33,751
Noncurrent	-	-	84,263	79,156

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a) Compensation Account for Variation in the Values of Portion A Items (CVA)

Pursuant to Interministry Administrative Rule 25/02, issued by the Ministry of Mines and Energy, the Compensation for Variation in the Values of "Portion A" Items (CVA) represents the addition of non-manageable costs incurred by CEMAR, which will only be considered in the next tariff adjustment. In accordance with the procedures adopted by ANEEL, the tariff adjustment includes percentages to amortize the CVA.

Of the amount of R$24,864 (R$35,944 on December 31, 2006), R$23,006 (R$34,827 on December 31, 2006) corresponds to amounts granted in the August 2006 tariff adjustment, which have been amortized since then. The accumulated amortization until March 31, 2007 was R$7,577 (R$5,748, until March 31, 2006).

ANEEL Resolution 369 dated August 22, 2006 approved CEMAR's annual tariff adjustment. Under this Resolution, the Subsidiary's tariffs were adjusted by about 14.58%, of which 10.07% corresponds to the annual tariff adjustment and 4.51% corresponds to additional financial items. The percentage of 4.51% will be applied to CVA amortization.

A significant portion of the financial items included in the tariff adjustment corresponds to CEMARs' request for recognition of the additional revenue required to cover the costs incurred since December 2004 in the "*Programa Luz para Todos*", which were not included in the previous tariff. Upon prior analysis, ANEEL granted an additional provisional item of R$34,008 to CEMAR's tariff adjustment, which corresponds to a 4.25% tariff increase, or 94% of the financial items approved by ANEEL. At March 31, 2007, CEMAR had recovered R$17,898, there remaining a balance of R$16,110.

Another relevant portion corresponds to the R$5,558 to be reimbursed to CEMAR by ELETRONORTE, referring to revision of the calculation of PIS and COFIN charged from CEMAR in the 2005 tariff review. At March 31, 2007, CEMAR had received R$3,242, there remaining a balance of R$2,316.

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b) Deferred Tariff Recomposition - 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.

CEMAR's Tariff Review process began in 2004 and was concluded on August 22, 2005, whereupon ANEEL disclosed the new tariffs for the Subsidiary. CEMAR's electricity supply tariffs underwent an average restatement of 15.95%. However, under Ratification Resolution 196 dated August 22, 2005 ANEEL only authorized an immediate pass-through of 10.96%, with 7.16% referring to the tariff repositioning and 3.80% referring to financial components not covered by the periodical tariff review. The difference between the 15.95% and 10.96% was deferred into three installments in years 2006, 2007 and 2008.

CEMAR records on a monthly basis the portion of the Deferred Tariff Repositioning (RTD) resulting from the difference between the average index approved (15.95%) and the index authorized for immediate pass-through to the tariffs. Under Resolution 196, ANEEL will include a specific amount (R$42,451) in Portion B of the tariff restatements for the next three years (August 2006, 2007 and 2008) to compensate the difference.

In August 2006, ANEEL ratified the tariff adjustment, and passed the first portion of the RTD (R$42,451) through to the tariffs.

As of March 31, 2007, CEMAR reported Regulatory Assets of R$79,160 (R$72,690 on December 31, 2006). The amount was recorded as noncurrent assets due to the expected realization period.

c) Regulatory Assets - PIS/COFINS:

In 2004 CEMAR recorded a regulatory asset deriving from the increase to the PIS and COFINS tax rates ("Regulatory Asset - PIS and COFINS") in accordance with the new legislation (Law 10637 dated December 30, 2002, Law 10833 dated December 29, 2003 and Law 10865 dated April 30, 2004). Recognition of this asset was approved under Official Circular 302, dated February 25, 2005, which recognized CEMAR's right to request the offsetting of this additional cost in the latest tariff review, which took place in August 2005. Resolution 196, dated August 22, 2005, included the amount required to recover this asset in the tariff. The remaining long-term balance of R$2,763 represents the losses incurred between August 1st and August 28, 2005. This matter is being discussed at ANEEEL, as there is a controversy over which credits are to be included in the calculation base.

(11) Other accounts receivable

	Parent Company		Consolidated	
	03/31/2007	12/31/2006	03/31/2007	12/31/2006
Services requested				
Ongoing deactivation	-	-	3,045	2,565
Ongoing sales	-	-	1,662	1,660
Ongoing services	-	-	606	435
Ongoing expenses reimbursable	-	-	45	-
	-	**-**	**5,358**	**4,660**
Other accounts receivable				
Advances to employees	-	-	956	385
Disposal of assets and rights	-	-	19	348
Other	11	-	1,499	1,157
	11	**-**	**2,474**	**1,890**
Total	**11**	**-**	**7,832**	**6,550**

(12) Investments in Subsidiary, intangible assets, and transactions with related parties

The main data about investments in CEMAR and transactions with related companies is as follows :

	Parent Company	
	03/31/2007	12/31/2006
Subsidiary data		
In thousands of shares		
Subsidiary share breakdown :		
Common shares	15,959, 142,617	15,951,712,445
Preferred shares - Class A	123,923,178	123,923,178
Preferred shares - Class B	162,572,922	162,572,922
Total shares **(a)**	16,238,208,545	16,238,208,545
In thousands of R$		
Shareholders` equity of the Subsidiary		
Capital **(a)**	157,727	157,622
Capital reserve	20,712	16,648
Profit reserve	280,509	280,509
Retained earnings	38,980	-
Total	497,928	454,779
	-	-
Net income	38,980	49,609
Parent Company Data		
Parent company's interest		
Total shares (in thousands)	10,617,318,360	10,617,318,360
Interest (%) **(a)**	65.35%	65.38%

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	Parent Company	
	03/31/2007	**12/31/2006**
Investment account changes:		
Initial balance	297,356	277,300
Acquisition through capital increase **(b)**	-	5,690
Equity in net income from Subsidiary	28,133	120,614
Gain on investment in Subsidiary	(69)	1,964
Dividends proposed by Subsidiary	-	(107,785)
Other	-	(399)
Final balance	**325,420**	**297,356**
Intangible data:		
Goodwill **(c)**	241,943	246,921
(-) Amortization	(1,281)	(4,978)
	240,662	241,943
Negative goodwill **(d)**	(3,109)	(3,109)
	237,553	**238,834**

	Consolidated	
	03/31/2007	**12/31/2006**
Related parties:		
Debt to Eletrobras **(e)**	319,150	309,502
Charges on Eletrobras debt - expense **(e)**	(4,427)	(5,934)
FASCEMAR **(f)**	28,494	28,468
Charges on FASCEMAR debt - expense **(f)**	(895)	(979)
Dividends payable to parent company	107,820	107,820
Accounts receivable	99	-

(a) In January 2007 a total of 7,340,172,212 common shares were issued by CEMAR as a result of the beneficiaries of the Company’s Stock Option Plan exercising their stock options, which resulted in a capital increase of R$105 and a reduction to the Company’s equity interest in CEMAR. The loss on the investment has been reported to non operating result, for the amount of R$69.

(b) On March 09, 2006, CEMAR’s management exercised part of their stock options under CEMAR’s Stock Option Plan (“CEMAR Plan”), resulting in subscription to 204,329,737 thousand shares in CEMAR, at the price of R$12.63 (twelve reais and sixty three centavos) per lot of 1,000 shares, calculated based on a market evaluation report prepared by independent specialists, and an increase of R$2,580 thousand in CEMAR’s capital, which was reported to have a market value of R$2,580. The equity value of these shares was R$5,690. On the same date, the same management staff, who were also beneficiaries of the Equatorial’s Stock Option Plan (“Equatorial Plan”), exercised part of their stock options under the Equatorial Plan. This transaction represented a subscription to 1,040,744 common shares and 2,081,484 preferred shares in Equatorial, which were paid up with the shares in CEMAR, obtained through the CEMAR Plan, for the amount of R$5,690. In addition, on May 30, 2006, the Board of Directors approved a capital increase in CEMAR, due to the beneficiaries’ exercise of their options under the Subsidiary’s Stock Option Plan. Subscriptions to 3,302,299 thousand common shares in CEMAR were made, at the price of R$12.86 per lot of one billion shares.

(c) The historical cost of goodwill originates from the acquisition of an 84.68% interest in CEMAR on June 30, 2000, and 4.91% on August 31, 2001, amounting to R$266,711 and R$25,099 respectively.

(d) The difference between the book value of the shares in CEMAR received by the Company and the value determined as described in item “b” was recorded as negative goodwill (R$3,109).

(e) CEMAR has outstanding balances with its minority shareholder Eletrobrás (as described in Note 15).

(f) CEMAR has an outstanding balance with the CEMAR Employee Security and Assistance Fund - FASCEMAR (as described in Note 15).

Other Subsidiary information

Stock option plan - CEMAR

On December 6, 2005, CEMAR’s Board of Directors approved the “CEMAR Stock Option Plan” (the “Plan”), which was ratified at the AGE - Extraordinary General Meeting held December 23, 2005. On December 30, 2005 the Board of Directors also resolved to create a Management Committee to manage the Plan.

The Company’s managers and employees may enroll in the Plan, as yet to be defined by the management committee. The overall volume offered is up to 3% (three percent) of the common shares currently issued by the Company, corresponding to 480,917,295,334 common shares, at the original subscription price of R$0.01 per lot of 1,000 (one thousand) shares, restated by the General Market Prices Index published by the Getúlio Vargas Institute (“IGP-M/FGV”), plus interest of 8% p.a. (eight percent per annum) from May 2004 until the options are exercised. On March 23, 2006, a total of 76,385,697,078 non-allocated share subscription options were cancelled.

As reported in item “a”, in January 2007, subscriptions to 7,340,172,212 common shares were made, allocated to the beneficiaries of the Plan.

Of the remaining shares under the plan, 215,062,206,820 shares were subscribed, with subscription options still existing for 189,469,391,436 shares until May 03, 2009. The amount still unsubscribed represents 1.16% shareholder dilution.

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(13) Property, plant and equipment

	Average annual depreciation	03/31/2007	12/31/2006
Production:			
In Service		1,513	1,513
Accumulated depreciation	4.92%	(909)	(898)
In progress		169	169
		773	**784**
Distribution			
In Service		1,356,587	1,315,283
Accumulated depreciation	4.23%	(526,930)	(488,886)
In progress		256,765	233,089
		1,086,422	**1,035,587**
Sales:			
In Service		9,267	9,267
Accumulated depreciation	4.18%	(3,699)	(3,483)
In progress		2,207	1,774
		7,775	**7,558**
Central administration:			
In Service		40,038	40,036
Accumulated depreciation	7.93%	(12,474)	(11,080)
In progress		12,041	8,111
		39,605	**37,067**
		1,134,575	**1,080,996**
Concession obligations:			
Consumer contributions		(7,342)	(7,514)
Donations, subsidies and others		(273,883)	(273,687)
Government participation		(74,833)	(74,833)
Accumulated depreciation		**2,609**	-
		(353,449)	**(356,034)**
		781,126	**724,962**

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 can not be removed, sold, assigned or given as mortgage guarantees without previous express authorization from ANEEL.

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. At March 31, 2007 and December 31, 2006, there were no assets allocated for sale.

a) Fixed assets in progress

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$217,323, R$45,626, R$1,475 and R$6,758, respectively (R$191,651, R$46,054, R$1,475 and R$3,963 on December 31, 2006, respectively).

Of the total materials in storage, the amount of R$31,635 (R$35,752 on December 31, 2006) represents material held in storage to meet the requirements of the “Programa Luz para Todos” and mainly refers to poles, transformers, cables, meters, power converters, among other items to be used for works in progress.

A provision was made for losses deriving from items which have not been used for over 180 days, in the amount of R$958 on March 31, 2007 (R$958 on December 31, 2006), recorded as a counter entry against non-operating expenses. The balance of fixed assets in progress for distribution is net of this provision.

b) Depreciation rates

The main annual depreciation rates, according to ANEEL Resolution 44, of March 17, 1999, as amended by ANEEL Resolution 473, of March 06, 2006, 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	5.9	Conductors	5.0	Conductors	2.5
Internal combustion engines	6.7	Buildings	4.0	Buildings	4.0
		Structures	5.0	Structures	2.5
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

ANEEL Normative Resolution 240, issued December 05, 2005 and effective as from January 1st, 2007, determined that the same annual deprecation rates should be used for distribution and transmission assets with similar characteristics and uses.

It is estimated that there will be a reduction in the annual depreciation expense for fixed assets in service of approximately 6.8%, and the consequent positive effects on results will be reflected in the fees as from the next pricing cycle.

c) Concession Obligations

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 by 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$272,173, 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.

d) Periodic review of tariffs

ANEEL Normative Resolution 234, of October 31, 2006, established new concepts and general guidelines to be observed by the public power service concessions when periodically reviewing tariffs, as provided by law.

As a result, the main changes introduced were:

- Shielding of the Regulatory Remuneration Base (BRR) approved in the previous cycle (BRR anterior);
- Deduction of write-offs between the base dates for the 3rd and 4th cycles;
- Correction of amounts remaining from previous BRR, using the IGP-M;
- Consideration of the effects of depreciation accumulated between the base dates for the 3rd and 4th cycles; and
- Additions to assets made between the base dates for the 3rd and 4th cycles.

	Consolidated	
Description	**03/31/2007**	**12/31/2006**
Energy supplies and connection charges:		
Eletronorte	3,703	2,424
Chesf	6,446	7,948
Copel	2,742	2,897
Furnas Elétricas	10,464	11,424
CESP	3,329	3,775
Cemig	1,173	1,355
Others	3,250	3,282
Short-term energy	107	624
Use of the transmission system	6,071	5,600
Reimbursement to the generators-Free energy	221	221
Material and service	66,075	118,029
	103,581	**157,579**

Also mention-worthy is the treatment established for the balance for Obligations tied to the Concession. These will be amortized at the same depreciation rates as those for other assets in service, using an average rate, as from January 2007, such that this depreciation charge will cancel out the effects of the deprecation of assets to which they are tied, incorporated to fixed assets in service and will not be considered in determining the tariff for the next tariff cycle, as was the case in the past.

The remuneration rate for remunerated assets, defined based on the weighted average cost of capital (WACC), was reviewed, and decreased from 11.26 % to 9.98%, in real terms, discounting inflation and taxes.

For the quarter ended March 31, 2007, the amount of R$2,609 was recognized to results for the year from amortization of special obligations.

(14) Suppliers

a) Power supply

In December 2005, the initial power supply contracts entered into by CEMAR with ELETRONORTE and CEPISA were terminated. These contracts represented an acquisition of 932,112 MWh. However, under Decree/Law 5.163 dated July 30, 2004, which now governs the electricity sector, CEMAR negotiated new Power Sale Agreements within a Regulated Environment, as detailed below:

POWER UNDER AGREEMENTS	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Chesf Auction	**148,920**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Product 2006/2012	**2,922,632**	**2,922,632**	**2,930,639**	**2,922,632**	**2,922,632**	**2,922,632**	**2,930,639**	**-**	**-**	**-**	**-**
Product 2006/2013	**1,110,517**	**1,110,517**	**1,113,560**	**1,110,517**	**1,110,517**	**1,110,517**	**1,113,560**	**1,110,517**	**-**	**-**	**-**
Product 2007/2014	**-**	**405,307**	**406,418**	**405,307**	**405,307**	**405,307**	**406,418**	**405,307**	**405,307**	**-**	**-**
Product 2008/2015	**-**	**-**	**213,451**	**212,868**	**212,868**	**212,868**	**213,451**	**212,868**	**212,868**	**212,868**	**-**
Proinfa	**12,413**	**35,302**	**104,530**	**104,244**	**104,244**	**104,244**	**104,530**	**104,244**	**104,244**	**104,244**	**104,244**
MCSD	**52,665**	**52,665**	**52,001**	**52,665**	**52,665**	**52,665**	**52,001**	**-**	**-**	**-**	**-**
MCSD 4%	**32,412**	**32,412**	**32,501**	**32,412**	**32,412**	**32,412**	**32,501**	**8,926**	**-**	**-**	**-**
MCSD Nov	**41**	**247**	**247**	**247**	**247**	**247**	**247**	**247**	**-**	**-**	**-**
New 2008/2022/2037	**-**	**-**	**25,649**	**25,579**	**25,579**	**25,579**	**25,649**	**25,579**	**25,579**	**25,579**	**25,579**
New 2009/2023/2038	**-**	**-**	**-**	**138,846**	**138,846**	**138,846**	**139,226**	**138,846**	**138,846**	**138,846**	**138,846**
New 2010/2024/2039	**-**	**-**	**-**	**-**	**369,847**	**369,847**	**370,861**	**369,847**	**369,847**	**369,847**	**369,847**
Auction A-3	**-**	**-**	**-**	**239,498**	**239,498**	**239,498**	**240,155**	**239,498**	**239,498**	**239,498**	**239,498**
Auction A-5	**-**	**-**	**-**	**-**	**-**	**162,591**	**163,037**	**162,591**	**162,591**	**162,591**	**162,591**
Auction A-1	**-**	**16,194**	**16,238**	**16,194**	**16,194**	**16,194**	**16,238**	**16,194**	**16,194**		
TOTAL - MWh	4,279,600	4,575,276	4,895,234	5,261,009	5,630,856	5,793,447	5,808,513	2,794,664	1,674,974	1,253,473	1,040,605

b) Power network usage charge

In 1999, the power distribution concessions signed Transmission System Usage Contracts (CUSTs) with 15 power transmission companies and the National System Operator (ONS), the operator created to conduct the planning and operations of the Brazilian power system. These contracts require them to pay for the use of the transmission assets, given the interconnection of the entire Brazilian electricity transmission system.

(15) Loans and financing

	Consolidated							
	03/31/2007				**12/31/2006**			
	Current				**Current**			
	Charges	**Principal**	**Non current**	**Total**	**Charges**	**Principal**	**Non current**	**Total**
Foreign currency								
National treasury (1)	460	772	12,795	14,027	225	1,010	13,152	14,387
	460	**772**	**12,795**	**14,027**	**225**	**1,010**	**13,152**	**14,387**
Local currency:								
Eletrobrás (2)	-	8,777	310,373	319,150		8,769	300,733	309,502
Eletronorte (3)	-	25,161	122,592	147,753		24,048	128,240	152,288
Financial Institutions (4)	1,294	107	99,319	100,720	1,019	107	71,200	72,326
	1,294	**34,045**	**532,284**	**567,623**	**1,019**	**32,924**	**500,173**	**534,116**
Debt to FASCEMAR (5)	-	3,766	24,728	28,494		3,646	24,822	28,468
Total loans and financing	**1,754**	**38,583**	**569,807**	**610,144**	**1,244**	**37,580**	**538,147**	**576,971**
Other debts								
Debentures (6)	-	10,616	276,832	287,448	-	6,417	11,098	17,515
	0	**10,616**	**276,832**	**287,448**	**-**	**6,417**	**11,098**	**17,515**
Total debt	**1,754**	**49,199**	**846,639**	**897,592**	**1,244**	**43,997**	**549,245**	**594,486**

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(1) The balance with the National Treasury refers to the medium and long-term financing contracts and the interest owed to commercial banks and other foreign creditors, not deposited at the Central Bank of Brazil, pursuant to Resolutions 1.541/88 and 1.564/89 issued by the National Monetary Council (CMN), and which were exchanged for Government bonds. This debt is guaranteed by CEMAR's revenue from electricity supply.

(2) Debt to Eletrobrás

- The contracts with ELETROBRAS mainly entail funds to construct transmission lines and substations for the Supervision, Automation and Control Programme - SAC and the Energy Conservation Programme. The financing is guaranteed by CEMAR's revenue and in some cases by promissory notes. All contracts were renegotiated on April 27, 2004 under a Renegotiation Agreement. The main terms of the agreement are described in item (c) of this note.

- On January 09, 2007, the first portion of the funds provided under the financing contract signed between CEMAR and Eletrobrás in December 2006 (for a total amount of R$58,000) were released. The first portion was equivalent to 10% of the contract, that is R$5,800. This contract is secured by funds from the Global Reversion Reserve (RGR). The cost of this loan is 7% per annum, and the term is 7 years, with a grace period of 2 years, and amortization over 5 years. These funds are guaranteed by income, and are allocated to the direct costs of investments to improve power supply services and expand the system. There is no clause preventing early liquidation of the installments to become due.

(3) Debt to ELETRONORTE

<u>Power supply:</u>

During the second quarter of 2004, the accumulated differences between the invoices from June to December 2001, related to the adjustments in connection with the rationing of power acquired for the period January to March 2002, and the differences between the invoices from April to July 2002, plus the respective charges, with the balance corrected until April 14, 2004 to the amount of R$120,256, were renegotiated through the Power Purchase and Sale Agreement 152/04-A executed on April 27, 2004, which established:

- Payment on May 7, 2004 of R$21,227, plus monetary correction according to the IGP-M index and nominal interest of 12% per annum pro-rata day, and

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- The remaining amount of R$99,029 is being monetarily corrected by the IGP-M price index, plus nominal interest of 12% per annum, and paid in 60 monthly successive installments, calculated under the French Amortization System. The due date is on 27th of each month, with the first installment due on May 27, 2004.

<u>Transfer of assets:</u>

This balance is derived from the transfer of the assets of the 230 kV system facilities ("Agreement for the Transfer of Assets, Rights and Facilities Through Partial Payment and Renegotiation of the Settlement of Remaining Debts"). The difference between the amount of assets transferred and CEMAR's outstanding balance to ELETRONORTE resulted in an obligation for which CEMAR offered as guarantee an amount of up to 25% of its revenue. On April 27, 2004, "Debt Renegotiation Agreement 0152/04-B" was signed, which established the following:

- Outstanding balance of R$61,441 to be corrected up to December 31, 2003 by the IGP-M price index;

- Maturity in 12 years;

- Grace period of 3 years for amortization of the principal, in accordance with the clauses described in the respective contractual instrument "Adjustment and Obligations Instrument"; and

- Nominal interest of 12% *per annum* plus monetary correction according to the IGP-M index.

(4) Transactions with financial institutions in local currency refer to working capital loans guaranteed by promissory notes and in some cases by receivables. The main loans from financial institutions are:

- Concórdia / CCV fund: The Subsidiary's creditor banks, along with the aforesaid debenture holders, adhered to the "Agreement" executed on March 26, 2004 and the subsequent "Amendment", dated April 12, 2004, whereby the private creditors undertook to subscribe to a new debenture issue using their credits.

- Banco do Nordeste: In 2006, CEMAR obtained four portions of the loan from Banco do Nordeste do Brasil, amounting to R$64,118, to finance investments to reduce technical and commercial losses, improve the quality of power supply, expand the distribution system and upgrade the information technology system. In February 2007, CEMAR obtained the fifth portion of loan, amounting to R$27,988. The funds were from Fundo Constitucional do Nordeste (FNE). The FNE interest rate was revised at the end of 2006, and decreased from 11.9% per annum (up to December 2006), to 9.78% per annum, as from January 2007.

- "Financiadora de Estudos e Projetos - FINEP": In September 2006, CEMAR received the first portion of the loan obtained from FINEP, having a principal amounting to R$1,040. The interests corresponds to TJLP + 2% a year. This loan is intended to finance investments in improvements to distribution network performance, and energy efficiency programs.

- On April 20, 2006, CEMAR obtained a loan of R$434 from Banco do Brasil, secured by funds from Agência Especial de Financiamento Industrial (FINAME) or Banco Nacional de Desenvolvimento Econômico e Social (BNDES). The cost of this loan is TJLP + 9.5% per annum. The total term of the loan is 5 years, with a grace period of 6 months, and amortization over 4.5 years. These funds are guaranteed by a collateral and surety from Equatorial, and are allocated to finance the renewal of the vehicle fleet consisting of two trucks with cranes, a trailer truck and a forklift.

(5) On March 20, 2001, the "debt acknowledgement contract" was signed between CEMAR and FASCEMAR, regarding the debt that CEMAR had with FASCEMAR deriving from the overdue payments and delayed payment of contributions as the Fund sponsor. This consolidated debt stood, as of March 31, 2007, at R$28,494 (R$28,468 on December 31, 2006) and is guaranteed by CEMAR's receivables. The debt arising out of this contract is being repaid in 168 monthly, consecutive installments, as from April 2001, on which interest is charged at 102% of the Brazilian Interbank Rate, calculated and disclosed daily by CETIP.

(6) See Note 16.

a) Scheduling of the installments of loans, financing and long-term debentures:

As of March 31, 2007, long-term debentures, financing and loans stood at R$846,639 and the maturity thereof is scheduled as denoted below:

Maturity	03/31/07	%
2008	46,888	5.54%
2009	64,565	7.63%
2010	53,305	6.30%
2011	123,612	14.60%
2011 onwards	558,269	65.93%
Total	**846,639**	**100.00%**

b) Composition by index and currency:

Foreign currency

US dollar

Index	R$ 000	US$ 000	Quarterly variation	Interest rates
Libor six monthly	14,026	6,841	1.76%	Minimum rate: LIBOR as+ 0.81% p.a. Maximum rate: pre-fixed at 8% p.a.
03.31.2007	**14,026**	**6,841**		
12.31.2006	**14,387**	**6,723**		

Domestic currency

Index	R$ 000	Quarterly variation	Interest rates
IGP-M	380,664	52.31%	Minimum Spread: 4.0% p.a. Maximum Spread:. 13.4%p.a.
FINEL	58,729		Minimum Spread: 9.4% Maximum Spread: 14.0%p.a.
Pre-fixed - RGR	49,486		RGR: 6.0% p.a. + Administration fee: 2% p.a.
CDI	299,816		102% of CDI
Pre-fixed : FNE	93,392		14% p.a; (with bonus for completing contract of 15%, the effective rate is 11.9% p.a.)
TJLP	1,479		TJLP + 5% p.a. (with reduction factor of 3% p.a., the spread is 2% p.a.)
03.31.2007	**883,566**		
12.31.2006	**580,099**		

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c) Statement of Debt:

					Consolidated	
Description	**Date Signed**	**Purpose**	**Maturity date**	**Financial Charges**	**03/31/3007**	**12/31/2006**
Eletrobrás					**319,150**	**309,052**
RES 150/00-2035/00	4/27/2004	Debt Renegotiation	12/30/2015	IGP-M + 13.4% p.a.	87,021	85,495
RES 150/00-2033/00	4/27/2004	Debt Renegotiation	12/30/2015	RGR + 6.8% p.a.	2,589	2,581
RES 150/00-2034/00	4/27/2004	Debt Renegotiation	12/30/2015	FINEL + 9.4% p.a.	43,409	43,110
ECF - 1510/97	4/27/2004	Debt Renegotiation	12/30/2015	FINEL + 14.0% p.a.	518	514
ECF - 1639/97	4/27/2004	Debt Renegotiation	12/30/2015	FINEL + 11.5% p.a.	6,087	6,039
ECF - 1645/97	4/27/2004	Debt Renegotiation	12/30/2015	FINEL + 13.6% p.a.	1,048	1,039
ECF - 1960/99	4/27/2004	Debt Renegotiation	12/30/2023	IGP-M + 4.0% p.a.	123,914	121,673
ECF - 1907/99	4/27/2004	Debt Renegotiation	12/30/2015	FINEL + 11.0% p.a.	860	853
ECF - 1908/99	4/27/2004	Debt Renegotiation	12/30/2015	FINEL + 9.4% p.a.	6,807	6,761
ECF - 1473/97	4/27/2004	Debt Renegotiation	12/30/2015	RGR + 13.6% p.a.	206	204
ECF - 2522/05	11/22/3006	Debt Renegotiation	12/30/2013	RGR + 7.0% p.a.	5,865	-
ECFS - 027/04	6/2/2004	Cover direct costs of PLPT works	6/30/2016	RGR + 6.0% p.a.	15,229	15,636
ECF - 140/06	3/31/2006	Cover direct costs of PLPT works	3/31/2018	RGR + 6.0% p.a.	25,597	25,597
Eletronorte					**147,753**	**152,288**
Eletronorte -	4/27/2004	Debt Renegotiation	12/30/2015	IGP-M + 12.0%p.a.	90,960	90,257
Eletronorte - Supply	4/27/2004	Debt Renegotiation	4/30/2009	IGP-M + 12.0%p.a.	56,793	62,031
BNB	**23/11/2005**	**Modernization and Expansion**	**2/28/2017**	**11.9% p.a.**	**93,392**	**65,129**
National Treasury					**14,026**	**14,387**
STN 01	12/5/1997	Debt Renegotiation	11/4/2024	LIBOR SEM.+ 0.81% p.a.	3,274	3,403
STN 02	12/5/1997	Debt Renegotiation	11/4/2024	6% p.a.	4,973	4,874
STN 03	12/5/1997	Debt Renegotiation	10/4/2009	LIBOR SEM.+ 0.81% p.a.	381	373
STN 04	12/5/1997	Debt Renegotiation	10/4/2014	8% p.a.	3,462	3,378
STN 05	12/5/1997	Debt Renegotiation	10/4/2012	LIBOR SEM.+ 0.88% p.a.	2,845	2,786
STN 06	12/5/1997	Debt Renegotiation	10/4/2009	LIBOR SEM.+ 0.88% p.a.	375	367
Fascemar	**3/20/2001**	Debt Renegotiation	**3/2/2015**	**IGP-M + 12%p.a.**	**28,494**	**28,468**
Debentures 2°Issuance	**2/9/2004**	Debt Renegotiation	**1/6/2009**	**IGP-M + 12%p.a.**	**16,126**	**17,515**
Debentures 3°Issuance	**3/8/2007**	**Debt Settlement**	**3/1/2013**	**105.8% CDI**	**271,322**	
Concórdia CCV	**6/28/2004**	**Purchase/Sale of Debentures**	**12/30/2023**	**IGP-M + 12.0%p.a.**	**2,925**	**2,862**
CCV Fund	**6/28/2004**	**Purchase/Sale of Debentures**	**12/30/2023**	**IGP-M + 12.0%p.a.**	**2,925**	**2,862**
Finep	**6/13/2006**	**Modernization and Expansion**	**6/30/2013**	**TJPL + 2%p.a.**	**1,065**	**1,045**
Banco do Brasil					**414**	**428**
Banco do Brasil - Finame 01	20/04/2006	Vehicle Fleet	5/15/2013	TJLP + 9.5%p.a.	44	45
Banco do Brasil - Finame 02	20/04/2006	Vehicle Fleet	5/15/2013	TJLP + 9.5%p.a.	370	383
Total debt					**897,592**	**594,486**
Current					**50,953**	**45,241**
Non-current					**846,639**	**549,245**

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 10438, dated April 26, 2002, and established the responsibilities of public electricity distribution service concessionaires and authorized entities. Law 10762 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.

Until March 31, 2007, CEMAR invested R$396,527 (R$356,207 until December 31, 2006) in the Universalisation Program.

As a result of the impact of the “Programa Luz para Todos” on the Universalization Plan targets, and in order to shorten Universalisation deadline, ANEEL issued Resolution 175, dated November 28, 2005, requesting a fresh review of the targets for the period 2005 through 2006 and setting the deadline of December 30, 2005 for concessionaires to submit a new timetable.

In December 2005, CEMAR submitted to ANEEL the revised schedule for the Universalisation Plan, which was approved by ANEEL.

“Programa Luz para Todos”

Presidential Decree 4873 dated November 11, 2003, introduced the “Programa Luz para Todos” within the Universalisation Plan, which aims to provide electricity to the sections of the Brazilian rural population which do not yet have access to this public service by 2008.

The Programme 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 May 2004 a Commitment was executed by the Government (Ministry of Mines and Energy), the state of Maranhão and CEMAR, with ANEEL and ELETROBRAS as intervening parties, to establish the premises for introducing the “Programa Luz para Todos” in CEMAR’s area of concession, providing electricity to 249,000 new consumers in the rural zone between 2004 and 2008. This instrument specifies the annual service targets and financial participation percentages of each of the sources of funds.

ANEEL Ordinance 416, dated August 31, 2005, approved Version 2 of the Operating Manual which establishes technical and financial criteria, procedures and priorities.

CEMAR is a party to the Financing and Subsidy Contract - ECFS 027/2004, signed on June 2, 2004 with ELETROBRÁS, and the amendments thereto (ECFS 027-A/2004, ECFS 027-B/2004 and ECFS 027-C. This contract and the amendments thereto envisage the supply of electricity to 47,043 families. The contract totals R$231,620.

In March 2006 CEMAR signed a Financing and Subsidy Contract with ELETROBRÁS designated as "ECFS 140/2006 - 2nd Stage", related to the 2nd stage of the Program, which envisages the supply of electricity to 59,856 consumers. The contract totals R$275,434.

The ELETROBRAS funds will be applied as follows:

- An amount equivalent to up to 11.3% of the total cost of the works in progress, estimated at R$547,804, not including labor expenses, transportation and management, will be obtained through funds from the Global Reversal Reserve - RGR, which corresponds to an extension of credit in the amount of R$61,902; and

- An amount equivalent to up to 73.7% 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$485,902, as an economic subsidy, in accordance with Law 10.762, dated November 11, 2003.

As of March 31, 2007 CEMAR had received R$122,347 under the ECF-027/2004 agreement, with R$16,316 coming from RGR funds and R$106,031 from CDE funds; and R$192,804 under the ECFS-140/2006 agreement, with R$25,707 from RGR funds and R$167,097 from CDE funds.

(16) Debentures (in reais)

First and second debentures issues

The debentures originally issued by the Subsidiary in June 2001, amounting to R$150,000,000, were used to improve the capital structure of CEMAR and to finance working capital and investments to expand the services provided by CEMAR.

a) Details of the first debenture issue:

Nominal Unit Value:	R$10,000.00
Amount:	15,000 debentures.
Type:	With a floating guarantee.
Convertibility and Form:	Not convertible, nominative and registered.
Term and Maturity Date:	60 months, maturing on June 1, 2006.
Interest	100% of the average daily interbank deposits rate - “DI Rate”, expressed as a percentage per annum, based on 252 working days, plus an effective surcharge of 1% (one percent) per annum, based on 252 days.

b) Renegotiation:

On March 25, 2004, the 13th General Debenture Holders Meeting - AGD of CEMAR was held, at which the debenture holders in attendance, jointly representing 99.6867% of the 15,000 (fifteen thousand) debentures outstanding, resolved the following:

i) Of the debenture holders in attendance, those jointly holding 97.7068% of the debentures in circulation approved the terms of the “Debenture Subscription Agreement and Other Agreements” (“Agreement”) submitted, which was filed at the head office of the Fiduciary Agent, and re-ratified the proposal to restructure CEMAR’s debts approved in the 8th General Debenture Shareholders Meeting; and

ii) The other debenture holders, Fundos Concórdia Multi Investimento Financeiro (Fund - CCV) and Concórdia S.A. Corretora de Valores Mobiliários, Câmbio e Commodities, which jointly hold 2.6666% of the debentures in circulation, agreed to adjust their credits on conditions similar to those offered to ELETROBRÁS and ELETRONORTE.

The Extraordinary General Meeting - AGE held in April 30, 2004 accordingly approved the public issue of 73,642 debentures by CEMAR, with a nominal value of R$1,000 each, convertible into shares with a floating guarantee. These debentures were issued on September 16, 2004 in accordance with the “Deed of the Second Public Issue of Convertible Debentures of CEMAR with a Floating Guarantee”, with the following details:

c) Details of the second debenture issue:

Issue number:	2nd issue
Series:	Single
Issue date:	09/16/2004
Amount:	73,642 debentures
Nominal Value:	R$1,000.00
Net Issue Amount:	R$73,642,000.00
Nominal Amount of the Premium:	R$2,223.07
Type:	With a floating guarantee
Issue type:	Simple
Issue nature:	Public
Convertibility and form:	convertible, nominative, book-entered
Term and maturity date:	60 months, with the first installment due 30 days after the issue date.
Monetary restatement	in accordance with the variation of the SELIC Rate over the period from February 29, 2004 to effective payment, which occurred in September 16, 2004. As from the issuance, the restatement occurs considering the IGP-M through the bonus.
Interest:	12% per annum, as from date of payment

The debt relating the second debentures issuance, consolidated and corrected by the “SELIC Rate” from February 29, 2004 to the subscription date of the 2nd debenture issue, was R$1,084.78 for the nominal unit price, and R$2,411.55 for the respective value of the issue premium, amounting to R$3,496.34 per debenture, which was used to acquire the new debentures, and the credits originally held by the subscribers were cancelled.

The total amount of R$177,591,596.20, referring to the debenture issue premium, was accounted for as capital reserve in the shareholders’ equity in 2004.

d) Convertible debenture covenants

The debentures issued by CEMAR in 2004 have the following covenants:

Covenant 1: Quotient resulting from the division of the Net Interest-Bearing Liabilities by Annual EBITDA from the last 12 months, equal to or less than greater than 4.5 (four point five)

Covenant 2: Quotient resulting from the division of 12 months EBITDA by the Net Financial Expenses equal to or greater than 1.5 (one point five).

Subsidiary information:

	In thousands of R$			
	1st quarter 2007	4th quarter 2006	3rd quarter 2006	2nd quarter 2006
Debt	897,592	594,486	565,815	535,098
(-) Eletrobrás debt	(123,914)	(121,673)	(118,803)	(117,325)
= Interest-bearing liabilities	773,678	472,813	447,012	417,773
(-) Cash and banks and marketable securities	(434,830)	(199,443)	(167,371)	(99,532)
(-) Low income consumers receivable	(10,846)	(11,273)	(15,190)	(9,572)
= Net interest-bearing liabilities	**328,002**	**262,097**	**264,451**	**308,669**
Service Income	66,138	80,906	95,463	52,779
Depreciation	12,818	15,426	14,708	13,664
EBITDA	78,956	96,332	110,171	66,443
Non recurring expenses:	10,946	(6,585)	10,803	13,449
Contingencies	2,319	(9,007)	1,766	2,274
Restructuring expenses	974	810	1,845	3,023
Allowance for doubtful accounts	7,653	1,612	7,192	8,152
Quarterly adjusted EBITDA	89,902	89,747	120,974	79,892
Annual adjusted EBITDA (LTM)	380,515	364,002	349,903	283,400
Quarterly financial expense, net	11,934	10,295	9,386	9,038
Annual financial expense, net	40,653	36,792	33,810	31,823
1st Covenant: <= 4,5	0.9	0.7	0.8	1.1
2nd Covenant: >= 1,5	9.4	9.9	10.3	8.9

Nonperformance of these covenants will result in early maturity of the debentures. Until March 31, 2007 CEMAR had complied with the limits stipulated in these covenants.

Third Debenture Issue

On March 28, 2007, the public distribution of the 3rd issue of non-convertible debentures was concluded. The R$267,300,000.00 of funds obtained, which represented R$271,322,312.76 at March 31, 2007 on account of interest, were allocated mainly to pre-payment of the more onerous debts owed by the Company, and the remaining funds were used to implement the Company’s investment program.

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a) Characteristics of the Third Debenture issue:

Issue number:	3rd issue
Series :	Single
Issue date:	03/01/2007
Due date	03/01/2013
Number:	26,730 debentures
Nominal value:	R$10,000.00
Issue Amount:	R$267,300,000.00
Class:	Subordinated
Type and form :	Registered and nominative
Guarantee	Surety provided by Equatorial Energia - Parent company of the issuing entity
Convertibility:	Non-convertible
Due date	03/01/2013
Interest	105.8% of the CDI
Payment	Six monthly, as from the issue date, on the first day of March and September of each year, with the first payment on September 01, 2007, and the last payment on March 01, 2013
Amortization programmed	The principal will be amortized at the end of the following years: 4th, 5th and 6th; on the following dates: 03/01/2011 - 20% of the nominal value 03/01/2012 - 20% of the nominal value 03/01/2013 - 60% of the nominal value

b) Debenture covenants

The debentures issued by CEMAR in 2007 have the following covenants:

Covenant 1: Quotient resulting from the division of the Net Interest-Bearing Liabilities by 12 months EBITDA equal to or less than 2.5 (two point five)

Covenant 2: Quotient resulting from the division of EBITDA for the previous 12 months by the Net Financial Expenses equal to or greater than 1.5 (one point five).

	R$ 000			
	1T07	**4T06**	**3T06**	**2T06**
Debt	897,592	594,486	565,815	535,098
(-) Cash and banks and marketable securities	(434,830)	(199,443)	(167,371)	(99,532)
(-) Low income consumers receivable	(10,846)	(11,273)	(15,190)	(9,572)
(-) Regulatory assets, net	(96,558)	(103,663)	(109,320)	(75,621)
= Net interest-bearing liabilities	**355,358**	**280,107**	**273,934**	**350,373**
EBITDA	78,956	96,332	110,171	66,443
Annual adjusted EBITDA (LTM)	351,902	340,603	312,509	249,914
1º Covenant: <=2,5	**1.0**	**0.8**	**0.9**	**1.4**
Quarterly financial expense, net	11,934	10,295	9,386	9,038
Annual financial expense, net	40,653	36,792	33,810	31,823
2º Covenant: >=1,5	**8.7**	**9.3**	**9.2**	**7.9**

Nonperformance of these covenants will result in early maturity of the debentures. Until March 31, 2007 the CEMAR had complied with the limits stipulated in these covenants.

(17) Regulatory fees

	03/31/2007	**12/31/2006**
Quota in Global Reversion Reserve - RGR	801	801
Quota in Fuel Consumption Account - CCC	2,010	4,622
Energy Development Account - CDE	456	404
Fiscalization Fee - ANEEL	169	169
	3,436	5,996

(18) taxes Payable

	Parent Company				**Consolidated**			
	03/31/07		**12/31/06**		**03/31/07**		**12/31/06**	
	Current	**Non current**	**Current**	**Long term**	**Current**	**Non current**	**Current**	**Non current**
ISS (Income tax and social contribution)	-				593	642	690	606
Social charges and others	53	-	24	-	10,999	-	7,555	-
ICMS (Value added tax)	-	-	-	-	13,309	2,553	16,559	2,583
Provision for income tax and social contribution	1,307	-	456	-	6,212	-	2,695	-
PIS and COFINS	-	-	-	-	11,966	-	12,017	-
REFIS/PAES **(a)**	-	-	-	-	1,851	14,259	1,851	14,692
TOTAL	**1,360**	**-**	**480**	**-**	**44,930**	**17,454**	**41,367**	**17,881**

(a) Tax recovery programme - REFIS / special installments - PAES:

	Consolidated	
	03/31/2007	12/31/2006
Balance at beginning of period	**16,543**	**4,143**
Provision supplement - INSS	-	7,122
Offset with appeal deposit - INSS	-	(1,411)
Corrections (srovision supplement - INSS)	-	6,627
Provision supplement - SRF	-	492
Payments	(494)	(498)
Corrections	61	68
Balance at End ofpPeriod	**16,110**	**16,543**
Current liabilities	**1,851**	**1,851**
Non current liabilities	**14,259**	**14,692**

On November 29, 2000, CEMAR entered into the Tax Recovery Programme - REFIS. This programme regulates government credits, taxes and contributions administrated by the Federal Tax Office - SRF and the National Social Security Institute - INSS, relating to tax events occurring up to February 28, 2000. The programme established that tax credits deriving from tax losses and the negative social contribution base were to be used to settle amounts corresponding to the fines and interest included in the programme, and that the balance was to be corrected based on the variation posted by the Long-term Interest Rate - TJLP. Payment of the tax debt ascertained, in the case of CEMAR, was being made in 60 monthly installments from March 2000, in accordance with REFIS rules. In the event the debt to REFIS is executed, the credits deriving from electricity sales were put up as a guarantee.

On May 30, 2003, Law 10684/03 (Special Installments -PAES) of the Federal Government authorized payment in installments (over a period of up to 180 months) of debts owed to the Federal Revenue Office, National Treasury Prosecutor’s Department and the National Social Security Institute (INSS), maturing until February 28, 2003 (whether or not enrolled the active debt), including debts at the stage of tax enforcement or which had been subject to previous payment in installments, subject to monetary correction according to the TJLP. On July 31, 2003 CEMAR joined this programme opting for payment in 120 months, including the tax debts where judicial and administrative proceedings were discontinued.

Upon entering the programme, CEMAR assumed certain legal obligations, as follows:

- authorization of unrestricted access, by the Federal Tax Office - SRF, to the information concerning its financial movement;

- specific tax monitoring, with periodical delivery of data on electronic media, including revenue information;

- full compliance with obligations to the Employee Severance Fund - FGTS and the Tax on Rural Territorial Property - ITR; and

- full payment of the consolidated debt installments pursuant to the rule, in addition to the taxes and social contributions overdue as of March 1st, 2003, for which any other means of payments in installations is excluded.

The exclusion of a company from PAES will result in the immediate enforcement of the entire debt acknowledged and as yet unpaid and automatic execution of the guarantee provided.

(19) Provisions for contingencies

a) General considerations and breakdown

	Consolidated					
	03/31/2007			03/31/2007		
Nature of dispute	**Value**	**Judicial deposits**	**Net provision**	**Value**	**Judicial deposits**	**Net provision**
Civil and tax	40,158	3,735	36,423	42,872	3,447	39,425
Labor	10,257	9,996	261	9,678	9,864	(186)
	50,415	**13,731**	**36,684**	**52,550**	**13,311**	**39,239**
Current	**11,899**	**8,282**	**3,617**	**11,990**	**8,036**	**3,954**
Non current	**38,516**	**5,449**	**33,067**	**40,560**	**5,275**	**35,285**
	50,415	**13,731**	**36,684**	**52,550**	**13,311**	**39,239**

Provisions for contingencies are intended to cover any losses evaluated as probable by CEMAR's legal department and by external advisers, for labor, tax and civil claims at an administrative and judicial level. The Company and its Subsidiary managements consider that the provision for contingencies is sufficient to cover probable losses from the proceedings in progress, as described below:

<u>Labor claims</u>

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 representative individual provision corresponds to an “Action for Rendering of Accounts in connection with the Public Lighting Fee - TIP”, brought by the Municipal Government of São Luís against CEMAR, claiming amounts derived from collection and questioning the pass-through and investments made in the city’s public lighting network. CEMAR simultaneously filed a similar lawsuit, the records of which are attached to the court office for a single decision. The official expert has already submitted the accounting report and the parties have issued statements on the documents they submitted, and are awaiting the commencement of the evidentiary stage. A number of appeals are in progress before the Court of Appeal, where an appeal ruled to have grounds gave CEMAR the right to have its accounting assessed by the courts. CEMAR management therefore made a provision of R$19,500.

In addition to the losses provisioned for above, there are other civil contingencies monitored by management, based on the assessment of Equatorial and CEMAR’s legal department and external advisers, for which the chance of loss is rated as possible or remote, amounting to R$26,146 and R$10,473, respectively (R$33,162 and R$9,748, respectively, on December 31, 2006) and 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 and it’s Subsidiary consider that exposure to environmental risks, based on the assessment of the figures available, in compliance with the applicable laws and regulations, does not present a material impact on its financial statements or the income from its operations.

(20) Research and development (P&D) and energy efficiency (Pee)

	Consolidated	
	31/03/2007	31/12/2006
Empresa de Pesquisa Energética (EPE)	3,160	2,775
Research & Development (P&D)	6,130	5,365
Energy Efficiency Program (PEE)	10,683	9,875
Total	**19,973**	**18,015**

These refer to the amounts due and not yet applied to the Research and Technological Development Program of the Electrical Sector (P&D), in accordance with ANEEL Normative Resolution 219, dated April 11, 2006 and to the Energy Efficiency Program - PEE, in accordance with ANEEL Normative Resolution 176, dated November 28, 2005, as amended by ANEEL Normative Resolution 215, dated March 28, 2006.

(21) Shareholders' equity

a) Capital

On January 18, 2007, in an auction held by BOVESPA - São Paulo Stock Exchange, Brasil Energia, a Subsidiary of Equatorial, sold 6,286,433 UNITs in the Company, representing 6.12% of the voting capital and 9.59% of the total capital of Equatorial. After this sale, Brasil Energia retains 61,030,707 shares in Equatorial, representing 55.95% of the voting capital and 31.03% of the total capital in Equatorial. The objective of this operation was to reduce investment interest, and there was no change in the control or the administrative structure of Equatorial.

Consequently, the Company's capital at March 31, 2007, consisted of the following:

Shareholders	Total	%	Common	%	Preferred	%
Brazil Energis I LLC	61,030,710	31.03%	57,420,395	55.95%	3,610,315	3.84%
Others	135,644,467	68.97%	45,214,825	44.05%	90,429,642	96.16%
	196,675,177	**100.0%**	**102,635,220**	**100.0%**	**94,039,957**	**100.0%**

Preferred shares do not entitle the holder thereof to voting rights at the Company's General Meeting; however, holders have priority to the distribution of minimum and mandatory dividends of 25% of net income, adjusted according to the legislation in force and deducted from the amounts of profit allocation determined by the General Meeting. The Company enrolled in Level 2 of the São Paulo Stock Exchange - BOVESPA, and granted 100% tag-along rights to the minority shareholders in the event of a merger or change in ownership.

b) Unrealized revenue reserves

At December 31, 2005, as provided in law 6404/76, based on equity in the net income of the Subsidiary, Management proposed that the income for that year, after constituting the legal reserve and allocating dividends (amounting to R$163,053), be allocated to unrealized revenue reserves. As reported in item "a", the Ordinary and Extraordinary General Meeting held on March 10, 2006, approved the capitalization of this reserve.

At the end of 2006, part of the income for the year, after making the transfers to the legal reserve and dividends, amounting to R$5,363, was allocated to unrealized revenue reserves.

c) Corporate reorganization

As reported in Note 1, on March 06, 2006, ANEEL approved the corporate reorganization plan, which included the indirect sale of shares representing 50% of the voting capital and 46.25% of the total capital in Brasil Energia I to UBS Pactual Latin America Power Fund Ltd. This fund is managed by a wholly owned Subsidiary of UBS Pactual S.A., (“Fundo Pactual”). This reorganization was implemented during the Extraordinary General Meeting held on March 07, 2006, which approved the incorporation, by the Company, of the shares held by SVM Participações in the Company. The objective of this incorporation was to concentrate the interest in the Company’s capital in Brasil Energia I, its new controlling shareholder.

d) Public Share Offer

On March 30, 2006, the Company made a public offer of shares, through a primary public distribution of 12,800,000 new common shares and 25,600,000 registered preferred shares, with no par value, consisting of 12,800.00 UNITS, and simultaneously, a secondary distribution of 24,460,000 new common shares and 48,920,000 registered preferred shares, with no par value, (consisting of 24,460.00 UNITS) belonging to the controlling shareholders and management, both at the unit price of R$ 14.50, resulting in a total of R$540,270. Of this total R$185,600, which refers to the Primary offer, will be paid in to the Company’s capital. This amount was paid up on April 05, 2006. As a result of this operation, approximately 37% of the common shares and 80% of the preferred shares in the Company are outstanding. The remaining amount refers to the Secondary offer.

This offer was made under Level 2 of Corporate Governance Practices of the São Paulo Stock Exchange -Bovespa, in the form of UNITS, consisting of 1 (one) common share (ON) and 2 (two) prefered shares (PN).

e) Stock Option Program

On February 2, 2006 the Extraordinary General Meeting approved (and ratified on February 13, 2006) Equatorial’s Stock Option Plan, comprising two programs - the First and Second Stock Option Programs, which include common shares and preferred shares in Equitaroal. Programs are managed by a committee consisting of 3 members of ithe Board of Directors. The Committee has the power to establish the rules governing the options. A description of the programs is provided below.

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

The First Program provides options for subscription of 2,934,242 common shares and 5,868,481 preferred shares in Equatorial, which have already been fully allocated to the directors and officers of Equatorial and its Subsidiary. The share subscription price is R$1 (one real) per 100,000 shares, restated by the General Price Index posted by Fundação Getúlio Vargas ("IGP-M/FGV"), as from March 9, 2006. The exercise of each beneficiary's options under the First Program is contingent on payment of the shares subscribed or acquired under CEMAR's Stock Option Plan, on the following proportion: for each 1,000,000 of shares subscribed or acquired under CEMAR's Stock Option Plan, the beneficiary may exercise the option to acquire or subscribe 11,85 common shares and 23.69 preferred shares, under SOP 1. To date 1,613,835 common shares and 3,227,658 preferred shares in Equatorial have been subscribed under SOP 1.

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

SOP 2 provides options for subscription of 2,271,858 common shares and 4,543,712 preferred shares in Equatorial. The subscription price for common and preferred shares to be subscribed under the SOP 2 will be equal to the average price of the common and preferred shares in the Company traded at the São Paulo Stock Exchange - BOVESPA over a period of 30 days prior to the exercise of the options, and the beneficiaries will be obliged to use only shares subscribed or acquired under CEMAR's Stock Option Plan as payment. To date, the Committee has allocated options to subscription of 2,271,858 common shares and 4,543,712 preferred shares to the Company's directors and officers. Options corresponding to 211,397 common shares and 422,793 preferred shares have not been allocated. Of the allocated options, 1,040,744 common shares and 2,141,484 preferred shares were subscribed with 204,329,735,847 common shares in CEMAR. This capital subscription raised the Company's interest in CEMAR from 64.96% at the end of December 31, 2005 to 65.35% at the end of March 31, 2007.

Information on the stock option plans is summarized below:

	First Program		Second Program	
	ON	PN	ON	PN
Number of Purchase options	2,934,242	5,868,481	2,271,858	4,543,721
Option exercised (*)	(1,613,835)	(3,227,658)	(1,040,744)	(2,141,484)
Options not exercised until March 31, 2007	**1,320,407**	**2,640,823**	**1,231,114**	**2,402,237**

(*) Options exercised on March 9, 2006, see item "a"

If all outstanding options under the Equatorial First Program were to be exercised, an additional dilution of 2.0% to existing shareholders would occur. If all outstanding options under the Equatorial Second Program were to be exercised, an additional dilution of up to 1.5% to existing shareholders would occur and Equatorial would increase its total interest in CEMAR by up to 1.2%.

(22) Management’s remuneration

For the period ended March 31, 2007, Equatorial’s management received remuneration in the amount of R$112, recorded as staff and management expenses.

(23) Power supply

A breakdown of power supply by consumer class on March 31, 2007 is provided below:

	Consolidated					
	03/31/2007			03/31/2006		
	No. of Consumers (*)	MWh (*)	R$ mil	No. of Consumers (*)	MWh (*)	R$ mil
Residential	1,184,658	310,250	113,973	1,101,070	282,450	93,114
Industrial	9,472	95,104	29,905	9,380	85,931	24,353
Commercial	99,545	144,146	61,925	95,296	137,979	52,269
Rural	61,782	26,054	6,524	58,816	22,273	5,076
Government	15,464	48,481	20,656	14,520	45,992	17,240
Public Lighting	458	51,622	11,634	416	47,495	9,648
Public Service	1,615	49,443	14,412	1,376	47,363	12,377
Company Consumption	-	-	-	-	-	-
Supply - MAE and CEPISA	-	-	510	-	-	205
Low Income Consumers	-	-	16,677	-	-	13,592
RTE	-	-	-	-	-	-
Enc, Emergency Capacity	-	-	-	-	-	76
Other	-	-	3,954	-	-	2,686
RTD	-	-	4,464	-	-	14,414
CVA - PLPT	-	-	(8,075)	-	-	-
Total	**1,373,183**	**726,113**	**276,559**	**1,281,118**	**670,540**	**245,050**

(*) Information not reviewed by auditors.

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1 - CVM CODE	2 - COMPANY NAME	3 - National Corporate Taxpayers' Registry (CNPJ)
02001-0	Equatorial Energia S.A	03.220.438/0001-73

(24) Operating results

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

Parent Company

	1st quarter 2007				1st quarter 2006
	Cost of eletrical energy service	Sale Expenses	Administrative expenses	Total	Total
Operating expense/cost:			208	208	-
Personnel	-	-	1,118	1,118	-
Materials	-	-			-
Out sourced services	-	-	553	553	9
Investigation fee for electric energy services	-	-	-	-	-
Energy purchased for resale	-	-	-	-	-
Charges on use of transmission system	-	-	-	-	-
Depreciation and amortization	-	-	-	-	-
Leasing and rents	-	-	-	-	-
Provisions	-	-	-	-	-
Others	-	-	77	77	-
Financial results	-	-	-	(7,277)	12,808
Equity in income of Subsidiary	-	-	-	(26,852)	(22,008)
Total	-	-	1,956	(32,173)	(9,191)

Consolidated

	1st quarter 2007				1st quarter 2006
	Cost of electricity service	Selling expenses	Administrative expenses	Total	Total
Operational costs/expenses					
Personnel	2,620	2,838	7,418	12,876	15,225
Materials	910	320	355	1,585	1,372
Outsourced services	4,511	6,949	4,904	16,364	13,381
Fiscalization fee for electric energy services	-	507	-	507	401
Electricity purchased for resale	63,287	-	-	63,287	53,791
Charges on use of transmission system	12,951	-	-	12,951	10,598
Depreciation and amortization	11,439	-	1,379	12,818	13,103
Leasing and rents	142	383	188	713	763
Provisions	-	7,653	2,319	9,972	1,882
Others	315	(1,215)	774	(126)	6,782
Financial results	-	-	-	769	18,830
Equity in income of Subsidiary	-	-	-	1,281	1,244
Total	**96,175**	**17,435**	**17,337**	**132,997**	**137,372**

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(25) PRIVATE PENSION FUND

a) Details of the retirement plan

CEMAR sponsors the CEMAR Employee Security and Assistance Fund - FASCEMAR, a private, non-profit entity founded to provide and manage benefits in supplementation of government pension plans, as a closed supplementary pension fund.

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 of both pension plans, contributes a monthly amount proportional to the total amount contributed by participants. In the three-month period ended March 31, 2007, CEMAR contributed R$374 (R$448 in the three-month period ended March 31, 2006).

b) CVM Resolution 371 - Pension Plan Accounting

In accordance with CVM Resolution 371 dated December 13, 2000, as from the year 2001, listed companies have been required to include in their financial statement the liabilities deriving from the benefits to which employees are entitled based on the rules established in NPC 26 issued by the Brazilian Institute of Independent Auditors (IBRACON).

CEMAR does not have a balance to cover pension fund obligations, since the actuarial calculations prepared at December 31, 2006, in accordance with CVM Decision 371, did not identify the existence of an actuarial liability.

(26) Insurance

The main insurance coverages obtained by the Company and its Subsidiary are described below:

Risks	Term	Amount insured	Premium
Risks named - substations and inventories	01/01/2008	104,620	309
General civil liability - Operations	01/01/2008	1,000	87
Vehicles - RCF	02/01/2008	*	18

* 10 vehicles insured at the market value

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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. Given their nature, the risk assumptions adopted do not comprise the scope of a quarterly information review, and were not therefore reviewed by our independent auditors.

(27) Financial Instruments - CVM Instruction 235

The book value of the financial instruments presented in the balance sheet, when compared to the amounts that could be obtained if they were traded in an active market or, when this data is not available, to the net present value (adjusted using the market interest rate), are substantially similar to their market value.

The valuation of the main financial instruments is as follows:

<u>ASSETS:</u> Cash and banks and accounts receivable	The values of these instruments are close to market value due to their short-term maturity.
<u>LIABILITIES:</u> Loans and Financing	These credit operations are corrected in Brazil and overseas by the original currencies up to the balance sheet date; the charges are provisioned for based on fixed or floating rates in force as of March 31, 2007, both for the domestic and the international market.

(28) Risk Factors - CVM Instruction 235

By way of Directive 235 dated March 23, 1995, the Brazilian Securities Commission (CVM) established the means for disclosing in notes the risk factors of the Company and its Subsidiary and the market value of the financial instruments, whether recognized or not in the financial statements.

As a holding company, the Company's main risks are related to the performance of its Subsidiary as detailed below.

- Credit Risk: The high amounts and age of Government receivables constitute a risk to the liquidity and the capital structure of CEMAR. Management monitors outstanding situations and records provisions for the necessary cases in accordance with ANEEL's guidance;

- Market Risk: Pursuant to the regulations established by Decree Law 5163 dated June 30, 2004, CEMAR will acquire the energy required to serve its market at 100% of the contractual coverage, through the existing contracts (initial contract and 2002 auction) and the regulated environmental auction. Therefore, the configuration of the power market, especially relating to any rise in demand during the period 2005 to 2006, represents a risk for CEMAR. The current context of the amounts receivable deriving from CCEE transactions should also be observed;

- Interest Rate Risk: This risk originates from the possibility of the Company suffering losses due to variations of the interest rates, which increase financial expenses on loans and financing obtained in the market. The Subsidiary has not executed derivative contracts to perform a swap against this risk. However, the Subsidiary does continuously monitor the market interest rates in order to assess any requirement to use derivatives to protect itself against the risk of variation to these rates. The Subsidiary considers that the high cost associated with fixed interest rates and the prospects of lower domestic interest rates due to the macroeconomic scenario in Brazil justifies its option for loan operations contracted at floating interest rates;

- Risk of early maturity: CEMAR has loan agreements, financing and debentures with restrictive clauses which in general require the maintenance of economic and financial indexes at certain levels. Noncompliance with these restrictions could result in early maturity of the debt;

- Risk of power shortages: The energy acquired and sold by CEMAR is generated mainly by hydroelectric power plants. A prolonged scarcity of rain could reduce the volume of water in the power plant reservoirs thereby resulting in losses due to the increased cost of acquiring energy or falling revenue due to the adoption of a new rationing programme. Due to the current level of the reservoirs, the National Electricity System Operator - ONS, dhas not forecast a new rationing programme for the upcoming years.

(29) Subsequent event

(a) As reported in note 16, the funds obtained by CEMAR from the 3rd debenture issue, in the amount of R$267,300,000.00 were allocated, in priority, to pre-payment of the Subsidiary's more onerous debts and the balance was used to implement the Company's investment program. In April 2007, pre-payment of the following contracts were made:

Contracts	**Value (R$ 000)**
ELETROBRÁS (2035/00)	87,073
ELETRONORTE (Protocol)	91,065
ELETRONORTE (Supply)	56,919
2nd Debenture Issue	16,953
Concórdia CCV	2,946
CCV Fund	2,946
TOTAL	**257,902**

(b) On April 27, 2007, CEMAR received the 4th portion of loan funds, amounting to R$52,161, provided under contract ECFS-140/2006 with Centrais Elétricas Brasileiras - ELETROBRÁS, for the 2nd stage of the “Light for All Program” (“Programa Luz Para Todos”), of which R$6,955 is from RGR funds and R$45,206 from CDE funds.

(c) Based on law 11196/2005, article 31, CEMAR registered with SUDENE a request to receive the benefit of accelerated depreciation for tax purposes. This benefit can be granted to companies that fall within the economic sectors considered to be priorities for regional development and which are located in the areas where SUDENE operates. On April 27, 2007, SUDENE granted the request through decision 548/2007, authorizing the use of this benefit. CEMAR is therefore authorized to exclude from taxable profit the full depreciation (equivalent to the value of the asset) of the investments made in the municipalities of Timon, Santa Inês and Bacabal, in the state of Maranhão, within the year of purchase. The quarterly information at March 31, 2007, includes this tax benefit for the period from January to March 2007, in the net amount of R$7,612