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

Financial statements
December 31, 2008 and 2007

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Contents

Management report

The Management of Equatorial Energia S.A., in compliance with the legal provisions and in accordance with the prevailing corporate law, presents below the Management Report, the financial statements and the consolidated financial statements, with the respective notes to the financial statements and the independent auditors' report, for the years ended December 31, 2007 and 2008. CEMAR's non-financial information, which is related to the program "Programa Luz para Todos" (light for everyone) as well as the information referring to Management's expectations with respect to the Company's future performance, have not been reviewed by independent auditors.

01. Company profile

Vision

To build a portfolio of electric power concessionaires operating throughout Brazil and Latin America, which are differentiated by high profitability, operating excellence and top quality service.

Mission

To be the largest and most profitable electric power company in Brazil.

Values

- Focus on people
- Emphasis on meritocracy
- Tenaciousness for profit
- Commitment to our clients
- Ethics and integrity
- Simplicity and focus
- Transparency and communication
- Excellence, quality and safety
- The community and the environment

Overview

Operating in the electric power sector, Equatorial Energia is a holding company present in the states of Maranhão and Rio de Janeiro.

In Maranhão, Equatorial Energia controls CEMAR (Companhia Energética do Maranhão), the only electric power distribution concessionaire in the state, which has an operating area of 333 thousand km^2 - around 3.91% of the total area of Brazil - and covers 6.2 million inhabitants — or 3.3% of the population of Brazil.

In Rio de Janeiro, as from February 12, 2008, Equatorial Energia began to operate through Light in the areas of selling, distribution and generation of electric power. Light distributes electric power to 31 cities in the state of Rio de Janeiro, with a population of 10 million inhabitants, covering an area of 10,970 km², which corresponds to 25% of the total area of the state. With approximately 3.8 million clients, the Company's sales of electric power represent 72% of the electric power consumed in the state of Rio de Janeiro.

Background

Equatorial Energia S.A., formerly Brisk Participações S.A., was established on June 16, 1999 by PPL Global with the purpose of participating in the auction for privatization of Companhia Energética do Maranhão (CEMAR), created in 1958 for the purposes of distributing electric power in all the state of Maranhão.

CEMAR was included in the Brazilian Government's National Program for Privatization (PND) and was privatized on June 15, 2007, having been acquired by PPL Global LLC, through its indirect subsidiary, Equatorial.

Beginning in 2001, the Company began to present economic and financial problems, putting at risk the adequate providing of the public service of distribution of electric power in Maranhão. On August 21, 2002, National Electrical Energy Agency — ANEEL — ordered administrative intervention in CEMAR for 180 days, extended until May 3, 2004, and coordinated the process for disposal of the shareholding control of the company as part of its restructuring process.

Between October 2002 and April 2004, GP Investimentos negotiated the restructuring plan for the Company with CEMAR's main creditors, including Eletrobrás and Eletronorte, which include capitalization and renegotiation of its debts. This restructuring plan was approved by ANEEL on February 2, 2004 and was implemented on April 30, 2004, when GP Investimentos acquired the control of Equatorial.

As part of the financial restructuring process, CEMAR's capital was increased by approximately R$ 155.0 million, R$ 55 million of which was paid in by Eletrobrás, which assured it 34.4% of the total capital of CEMAR, and R$ 100 million by GP Investimentos, through Equatorial, which gave it 65.0% of the total capital of the company.

On March 6, 2006, ANEEL approved the corporate restructuring of Equatorial, which included the indirect disposal of the shares representing 50% of the voting power and 46.25% of the capital of the Company, which began to be held indirectly by UBS Pactual Latin America Power Fund Ltd. (PCP), a fund managed by the wholly owned subsidiary UBS Pactual S.A.

Also within the corporate context, on March 30, 2006, CEMAR made a public offer of shares representing an evolution in its corporate structure. As a result of this offering, R$ 540,270 was raised, of which R$ 185,600 refers to the primary offer, with the issuing of new shares. The remainder corresponded to the secondary offer, referring to the sale of shares of the controlling shareholders and officers. The public offer of shares was conducted at Level 2 of Corporate Governance Practices of the São Paulo Stock Exchange (BOVESPA), in the form of units, comprising one common share and two preferred shares.

On November 5, 2007, Equatorial presented a restructuring plan to the market which included three stages. The first stage was related to the transaction between GP Investimentos and PCP Latin America Power Fund, which established the transfer of the total number of shares held by GP Investimentos in Equatorial Energia Holdings, LLC - a company which indirectly controlled Equatorial - to PCP Latin America Power Fund.

The transfer was approved by ANEEL on December 18, 2007 and was concluded on December 21, 2007. This concentration eliminated the geographical restrictions on the strategy for Equatorial's growth, which previously was limited to the north, northeast and center-west regions of Brazil, and now covers all of Brazil and Latin America.

The second stage addressed the merger of PCP Energia Participações by Equatorial Energia, approved in the Special Shareholders' General Meeting, held on February 12, 2008. With the merger, Equatorial started to hold a 13.03% of indirect interest in Light, through Rio Minas Energia Participações (RME) and, through a shareholders' agreement also shared the control of Light. With the concentration of control and the merger of PCP Energia, the PCP group will seek to consolidate its investments in the electric power sector in Equatorial.

The last stage, concluded in April 2008, refers to the migration of the shares of Equatorial Energia from Level 2 of Corporate Governance of BOVESPA to the New Market, aiming at adherence to the best governance practices and showing its commitment to transparency in relation to its investors and shareholders. With the conversion of the Company's preferred shares into common shares and subsequent grouping, where three common shares were converted into one, Equatorial concluded its migration process to the New Market, and is now traded solely under the code EQTL3.

In October 2008, Equatorial concluded the process for acquisition of the 25% interest of Geradora do Norte S.A. (Geranorte), a company responsible for construction of two thermoelectric power stations in the State of Maranhão, with joint capacity of 330MW. The Company is still in the pre-operating stage and should enter into operation at the beginning of 2010.

02. Highlights of 2008

- The **volume of electric power distributed** jointly by CEMAR and Light was 9,271 GW. In CEMAR, the annual volume grew 4.0%, while in Light the annual volume remained stable.

- The **client base** of the subsidiary CEMAR totaled 1,535 thousand consumers, a growth of 6.8% in relation to 2007. In Light, the client base grew 1.2%, reaching 3,928 thousand consumers.

- The **electric power losses** of CEMAR in 4Q08 represented 28.2% of the requested power, with a decrease of 0.1 p.p. in a relation to the 28.3% verified in 3Q08. In Light, the losses in the last 12 months reached 20.23%, a decrease of 0.45 p.p. in relation to that observed in December 2007.

- In CEMAR, the **Duration of interruptions per consumer - DEC** - and **Frequency of interruptions per consumer - FEC** - indexes show an improvement of 4.9% and 15.1%, respectively, in relation to the previous year. In Light, these indexes, of 11.06 hours and 6.74 times, are amongst the best in Brazil.

- CEMAR connected 41,455 clients through **the Programa Luz Para Todos**, with direct investments of R$ 187.0 million in 2008. Accordingly, it closed the year with 189,781 clients attended by this program.

- The **net revenue** for the year was R$2,346.0 million, 9.6% higher than the net operating income for the previous year, which reflects growth of 12.6% in CEMAR and 7.9% in Light.

- The **EBITDA** was R$784.4 million, a growth of 15.8% when compared to 2007. The **EBITDA margin** was 33.4%, an increase of 1.7 percentage point over the margin for 2007.

- The **investments** totaled R$ 602.0 million, a 24.4% increase in relation to the previous year, with R$278.3 million invested in CEMAR (excluding direct investments related to the Programa Luz para Todos), R$187.0 million referring to the Programa Luz para Todos in CEMAR and R$136.7 million in Light.

- The **debt profile** was held at comfortable levels, totaling R$777.6 million in net debt, 1.0 time the annual EBITDA.

03. President's message

The year of 2008 was marked by important changes for Equatorial Energia. In February we took over PCP Energia (previously holder of 25% of Rio Minas Energia S.A. - RME), and started to hold an interest in the control of Light - a holding company that operates with the distribution, generation and trading of electric power in Rio de Janeiro.

In October, we increased our operations in the generation segment, where we acquired a 25% interest in the Geranorte Project for the development of two thermoelectric power stations in the state of Maranhão with total installed capacity of 330 MW. The amount paid in was R$45 million, and the power stations enter into operation in 2010.

Finally, in April 2008, we migrated to the New Market, the highest level of Corporate Governance of BOVESPA, strengthening our commitment to maintain a more and more transparent relationship with the market and to interact ethically with our shareholders.

Once again we presented robust financial results. In 2008, our EBITDA was R$784.4 million and net income was R$300.1 million. Maintaining our commitment to generating value and financial discipline, we are proposing a dividend payment of R$190.2 million, which, added to the distribution of interest on shareholders' equity announced last December, represents 65.4% net profit.

Our debt profile, without doubt, is one of the best indicators of the group's financial health. At the end of 2008, we had a net debt of R$777.6 million, representing 1.0 times our EBITDA. We believe that this capital structure gives us the flexibility to seek new business opportunities in the future.

These results are the consequence of a strong investment program implemented by subsidiaries and by the constant quest for operating and financial improvements. In 2008 CEMAR invested the record amount of R$465.3 million, R$278.3 million of which with our own funds and R$187.0 million with funds of the Programa Luz para Todos. Light invested the amount of R$546.7 million.

Through the Programa Luz para Todos in CEMAR, which at the end of 2008 had already reached 189.8 thousand new consumers, we continue to be dedicated to taking electric power to the rural populations of Maranhão and to contribute towards the socio-economic development of approximately 949 thousand people.

These investments have brought significant improvements to the technical quality of our service. In CEMAR, we have reduced expressively the number of interruptions and their duration, with the DEC and FEC indicators presenting decreases of 15.1% and 4.9%, respectively, in relation to the previous year. These results are even more surprising when the atypically high level of rain that fell in the state of Maranhão in 2Q08 is taken into consideration.

In the case of Light, we reduced by 0.45 p.p. our non technical losses in 2008 and we continued to be among the best companies in Brazil with a DEC level of 11.06 hours and an FEC level of 6.74 times.

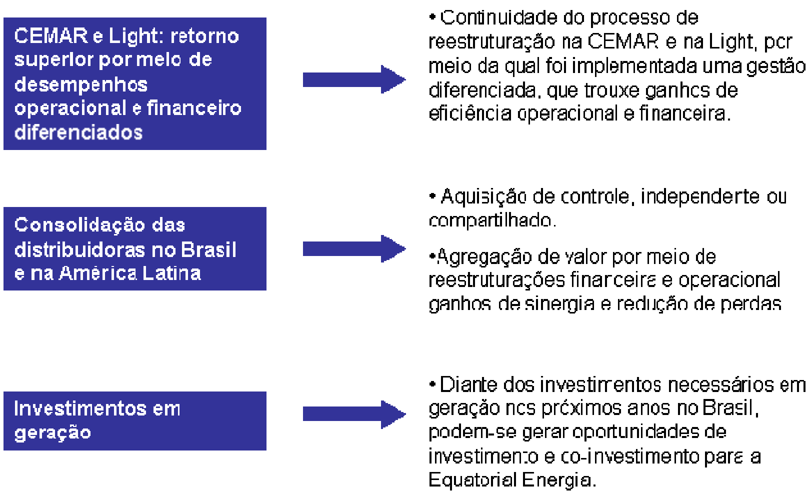
Despite the delicate macroeconomic scenario in 2009 due to the worldwide crisis, we are confident that Equatorial Energia is in a comfortable financial situation in order to take advantage of the opportunities and to implement our expansion program, even in a more adverse scenario.

We are, therefore, prepared for new challenges. And much of this readiness is due to the work focused on quality and on results of the more than 1,200 employees of CEMAR and of the more than 3,700 employees of Light. It is to them that we express our thanks for their support and trust, which are also extended to all our shareholders, suppliers and partners. Now is the time for us, jointly, to expand our horizons.

Carlos Augusto Leone Piani
Chief executive officer

04. Corporate strategy and strong points

Corporate strategy



Strong points

Operating efficiency and financial austerity

The implementation of new processes and technologies has been making it possible to obtain continuous gains in operating efficiency in all the Company's operation.

Implemented processes and obtained results with gains in productivity. Comparison between 2007 and 2008:

- Improvement in the quality indices with decreases of 4.9% and 15.1%, respectively in CEMAR's DEC and FEC;
- Decrease of 0.45 percentage point in losses of electric power in Light;
- Implementation of Matrix Management of Expenses, which permits crossed control of expenses in the operating and administrative processes. This Matrix Management has also been extended to all the EBITDA, and is no longer limited only to expenses;
- Calculation of EBITDA per geographic region, thus permitting identification of the best practices;
- Implementation of the Zero Base Budget, a budget methodology that, in order to avoid the perpetuation of inefficiency, budgets the expenses based on the basic processes of an operation and not on past data;
- Decrease of 0.2 percentage point in the Personnel, Material, Third-party services and other expenses/Net operating return ratio (PMSO/ROL).

Capacity to invest in new opportunities

The main strategy of Equatorial Energia is to expand its electric power distribution operation through the acquisition of the independent or shared control of other distributors. The Company believes that the electric power distribution sector presents attractive opportunities as a result of the following prospects:

- Obtaining productive gains through operational restructuring of the electric power distributors that are eventually acquired;
- Adaptation of the capital structures of the electric power distributors eventually acquired through financial restructuring;

- Decrease in commercial losses of electric power;

- Sharing of support and central administration activities with CEMAR, thus permitting gains with operating synergies;

- Competitive environment, favorable for potential acquisitions of electric power distributors.

In order to meet the consequent demand from the growth in Brazil, annual investments of around R$ 13 billion will be necessary during the next decade, according to a study made by the consulting firm, Tendências. In light of this scenario, Equatorial Energia will be able to make selective investments in electric power generating assets that are being developed or are already operating, and which offer attractive prices and profitability.

Equatorial is structured to expand its investments in electric power companies in Brazil and in Latin America, always keeping its focus on opportunities that offer attractive returns.

Competitive advantages

- Great potential for growth in its areas of operation
- Differentiated return on assets due to its high levels of operating efficiency;
- Financial solidity;
- A management culture and model directed towards obtaining financial and operating results;
- Pro-active management in the mitigation of risks and in the identification of regulatory opportunities;
- Remuneration practices that align the interests of the officers and employees with the shareholders, thus guaranteeing the quest for exceptional results.

Economic environment and prospects in the states of Maranhão and Rio de Janeiro

Maranhão

In 2008, electric power consumption in the northeast of Brazil grew 3.5%, a higher percentage than the average growth in Brazil, which was 2.9%. The state of Maranhão, for its part, presented a 4.2% increase in demand for electric power, which is higher than the average for the northeast.

Maranhão	
Capital	São Luís
Área (km²)	333.365.60
% da área do Brasil	3,90%
Número de municípios	217
População (Censo 2000)	5.651.475
% da população nacional	3,33%
PIB (IBGE - Contas Regionais do Brasil - 2004)	R$ 16.547 milhões
% do PIB brasileiro (Contas Regionais do Brasil)	0,90%

Located in a privileged geographical position, with easy access to the North American and European markets, and also to the Asian markets through the Panama Canal, Maranhão has two important economic vectors: agribusiness and mining and metallurgical activities.

The agribusiness is located in the southern region of the state and is characterized by the planting of soybeans and by cattle raising — activities which are benefited by the export facilities and the climatic conditions. Whereas the mining and metallurgical activities are present in the western and northern parts and revolve around the production of aluminum and iron ore.

A great highlight in the year for the state, however, is the building of the dam for the Estreito Hydro Electric Power Station (UHE Estreito), which will be built on the Tocantins River, between the states of Maranhão and Tocantins. The work, which is forecast to be finished for 2010, will bring a number of investments to the region and will provide a favorable environment for the development of the state.

Rio de Janeiro

Located in the south eastern region of Brazil, Rio de Janeiro is going through a phase of expansion due mainly to the large petrochemical projects.

Rio de Janeiro	
Capital	Rio de Janeiro
Área (km²)	43.909.70
% da área do Brasil	0,51%
Número de municípios	92
População (Censo 2000)	14.391.282
% da população nacional	8,47%
PIB (IBGE - Contas Regionais do Brasil - 2004)	R$ 222.564 milhões
% do PIB brasileiro (Contas Regionais do Brasil)	12,60%

Its extensive highway network, together with its six ports spread throughout the state, are significant drivers of its economy, the second largest in Brazil, based mainly on providing services, with an emphasis on tourism, and on its industry, particularly petrochemicals and steelworks.

06. Management of its business

6.1 Management systems and tools

Continually seeking to improve its results, Equatorial focuses on management processes and tools that, through standardization of procedures and operations, prioritization of critical processes and rigid control of costs, leads the Company to achieve its goals.

The objectives of each worker and of each team — from all departments and hierarchical levels — are defined annually through the evolution of the guidelines established by the Board of Directors. These goals establish the main bases for the Variable Remuneration Program, which is applied to the entire workforce. Furthermore, in its quest to reach these goals, Equatorial promotes a number of Motivational Campaigns, with awards for the best individual results.

In order to make the concretization of these goals viable, since 2006 the Company has used the Integrated System of Management (SIG), which fosters synergy between all the management tools that are implemented.

6.2 Billing and collection

With investments in continuous improvement and with strong management over the billing process, our subsidiary CEMAR obtained significant results in 2008 with respect to the collection processes and a decrease in default, as well as being solidly structured, aiming at the challenges outlined for 2009.

Various actions were carried out during the year to reduce receivables in collection:

- Restructuring of collection processes;
- Developing of campaigns against default by clients;
- Improvement in defining targets for collection actions;
- Reformulation of the ways of negotiating with defaulting clients;
- Process for replacing electromechanical meters by electronic meters.

6.3 Recovery of electric power

In 2008, the volume of electric power required by the CEMAR system and the electric power sold totaled 4,712 GWh and 3,352 GWh, growth of 4.2% and 4.0%, respectively, in relation to 2007. Through the difference, the recorded losses of electric power by the Company in the year were 1,359 GW, or 28.85%, an amount that corresponds to an increase of 0.17 percentage points in relation to 2007, when the percentage was 28.68%.

During the year, CEMAR began installing electronic meters, replacing the old electromechanical meters which were technologically out of date and, in some cases, measuring the consumption of electric power inaccurately. As the level of consumption measured by some units was changed due to the new meters, it was necessary to obtain approval of the meters by the National Institute for Industrial Metering, Normalization and Quality — INMETRO, which reported that they were perfectly accurate. This process made it impossible for us to carry out the inspections usually made by the Company during some months of the year.

Aiming at reducing these losses, since 2005 the Company has been making constant investments in technology and management to encounter always of minimizing the impacts.

6.4 Quality

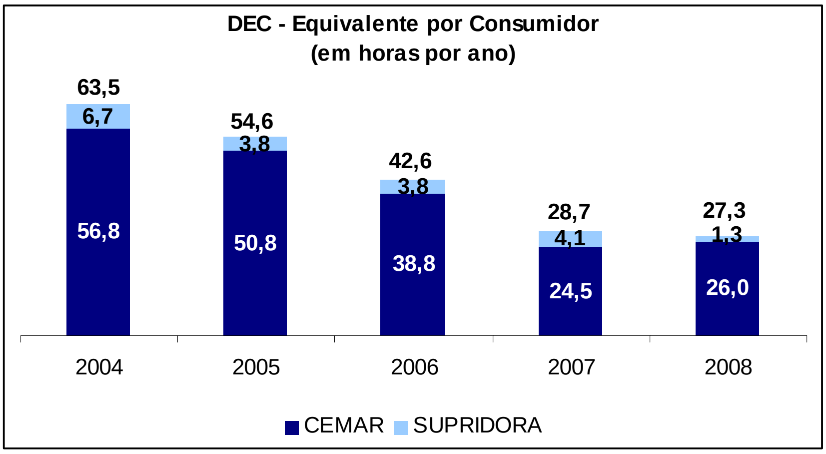
Equivalent Duration per Consumer (DEC) and Equivalent Frequency per Consumer (FEC) - CEMAR

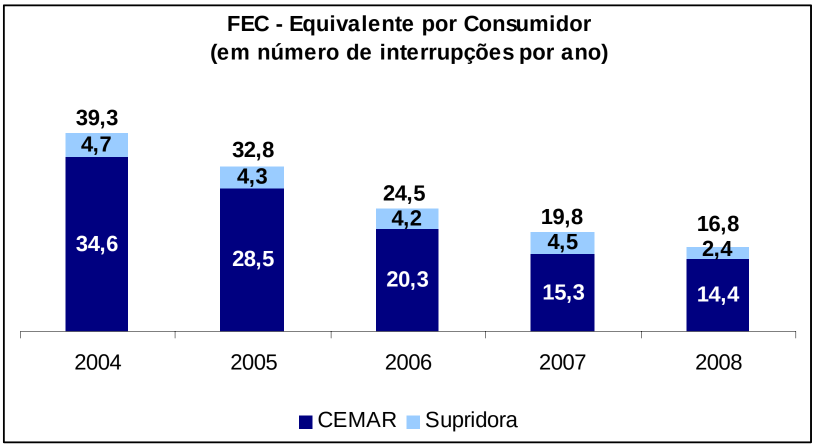
In 2008, CEMAR presented significant improvements in the technical quality of its service and managed to expressively reduce the number of interruptions and their duration.

The Company's DEC (Equivalent Duration per Consumer) decreased 4.9% in relation to 2007, while the FEC (Equivalent Frequency per Consumer) decreased 15.1%.

CEMAR presented DEC of 27.3 hours in 2008, 1.4 hours lower than the index verified in 2007. With respect to 2004, when this index was 63.46 hours, this represents a 57% decrease.

With respect to the FEC, there was a decrease of 3.0 times, reaching 16.8 times in 2008. If compared to 2004, when a FEC of 39.31 interruptions per year was verified, there was a 57.2% decrease.

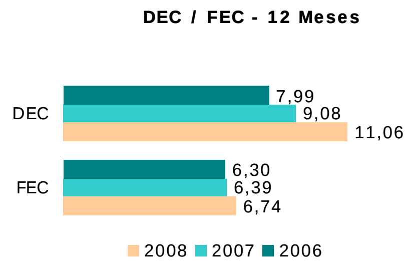




DEC and FEC - Light

In 2008 the Company intensified its investment programmed for an improvement in the quality and an increase in capacity of the distribution network, with a total of R$ 85 million invested, in comparison with R$ 54 million invested in 2007.

Due to the high level of investments in the network and a consequent increase in the number of programmed disconnections, the quality indices for supply by Light in 2008 deteriorated in comparison with the previous year. In addition, the meteorological conditions observed in 2008 also had an impact on this deterioration in the indicators for continuity.



Commitment to excellence

CEMAR

CEMAR has a continual commitment to excellence. In 2007, it obtained its first ISO 9001/2000 certification for the processes of Gathering and Calculating the Quality Indicators for DEC, FEC, DIC, FIC and DMIC.

In addition, the geo-referencing projects of the Electricity Network of the State of Maranhão, the Program for Training and Development of Employees and the Telecommunications Directive Plan reinforce this commitment to excellence.

Light

The annual Research and Development (R&D) programs encourage creative and innovative thinking in the company. As the regulations have established the application of 0.5% of the net operating revenue in R&D projects since 1999, the programs have an obligatory character.

Light invested R$ 78 million in its R&D program in the period between 2000 and 2008, of which R$ 28 million was invested in the three year period from 2006 to 2008. In this last year, Light SESA alone invested more than R$ 9 million in 61 projects, while Light Energia invested R$ 440 thousand in five projects. The alignment of the technical themes to the technological routes delineated by the senior management of the company is resulting in greater commitment to the results achieved, generating products with greater applicability and greater gains for the company.

6.5 Client attendance

In order to talk about the CEMAR attendance process, we are going to go back a little in time in order to understand where we have been and where we arrived.

Until 2004, physical attendance was the unique relationship channel that the client had at his disposal to ask for services, to make complaints and to keep in contact with the company.

The structure offered comprised 163 client service centers, most of which had neither computers nor attendants. Individual electricians attended the clients when they were not in the field. The buildings did not have a standard visual appearance, the furniture was old and worn and there was no system for controlling the queues.

In the period from 2005 to 2006, actions were taken aiming at improving the level of attendance. We searched for alternative channels for the largest service demanded by our clients, a second copy of their bills. Therefore, the Company entered into important partnerships with lottery shops and approved agents that began to issue second copies of the power bills.

As an investment priority in this period was in the electricity system, in 2006 we adopted a model for low-cost attendance whose main premise was to take CEMAR to the largest possible number of suburbs, through attendance kiosks. This model was strongly criticized by our clients, mainly due to the discomfort during the period when waiting to be attended and also while being attended. In 2008 the company decided to discontinue this model and little by little we are returning to the traditional attendance centers in all the state.

In 2007, aiming at attending clients in the smaller towns in the state, the Company implemented an innovative project. Mobile attendance using Mitsubishi L200 pickups, adapted for this purpose, and with a differential that was very relevant for improving the company's image, which was to show films at night for the population. Five mobile agencies were implemented in this period.

Work for improvement does not stop and having the client as a fundamental piece is sufficient motivation for us to advance in the search for client satisfaction. Therefore, CEMAR changed completely, changing for the better and resuming the model of traditional agencies, with a new outward appearance, with all the best in terms of technology.

Our structure has grown and currently we have 24 attendance agencies, with the same standardized visual appearance, air conditioning, attendance manager and management system, direct line to the call center and other improvements. Another 17 agencies are being built and, by the end of 2009, we are going to have 41 new attendance agencies, and in the smaller towns, we are going to have 27 kiosks and 9 mobile agencies with Cine Cemar.

In addition to providing comfort and differentiated attendance to the client that comes to our agencies, we also offer the possibility of getting in contact via telephone. In 2004, CEMAR implemented the first Call Center, which had a number of restrictions but was the beginning of a great project.

The call center operated in São Luis and attended only Greater São Luis, covering the cities of São Luis, Paço do Lumiar and São José de Ribamar. The structure consisted of 12 attendance desks and 70 attendants, and was capable of attending 55,000 calls per month. The rate of calls attended within 30 seconds was 55%; the abandonment rate was 17%; and the greatest complaint was lack of power.

Similarly to the physical attendance, in 2005 the Call Centre also grew and managed to cover the 217 cities of the state of Maranhão, therefore contracting Atento Brasil in Salvador, the best call center company in Brazil.

The structure consisted of 50 attendance desks and 135 attendants, and was capable of attending 300,000 calls per month. The rate of calls attended within 30 seconds was 85%; the abandonment rate was 3%; and the typically complaints were commercial and lack of power.

At the beginning of 2008, CEMAR decided to make a big change in the attendance via call center, which was to remove the automatic answering service from the Call Center. This measure was necessary because our clients were unable to adapt to this technological resource. The holding rate was over 35%, which proved that the clients were unable to resolve the problem and made various attempts before speaking with one of our attendants.

Even with the improvement in the attendance level, CEMAR's intention was to attend the client within the State of Maranhão. In order to do that, at the end of 2008, it entered into a partnership with Provider to implement the Call Center in Imperatriz. Nowadays, our clients are attended by 68 desks and 175 attendants. It has the capacity to attend more than 350,000 calls per month. Almost 90% of the calls are attended within 30 seconds; the abandonment rate is 3% and the typically complaints are commercial and lack of power.

In order to attend its large medium and high tension clients, and also public authorities, the company has identified opportunities for improvement and, in the long term, has programmed a series of actions during the last five years.

In 2004, the corporate segment was attended via attendance agencies, through the attendants for low tension supply. In some cases, the engineers from the technical department were invited to interact with the clients. The contracts files were scattered throughout the state. They were out of date and the past relationship with these clients was never recorded in any system.

In 2005, the company implemented the Corporate Attendance Department, which consisted of a qualified team of engineers. In the addition to hiring personnel, the contracts files were all updated and centralized in São Luis. A CRM system was also implemented, which contains all the relationships with Corporate Clients.

In 2006, complementing the Corporate Attendance Department, the company implemented a Contact Center, with free access via telephone, fax and e-mail, thus increasing the accessibility of this channel and enabling proactive actions to be executed, such as calls to inform the clients regarding the progress of their requests.

Today the Corporate Attendance Department has representatives in all the regional headquarters; all the procedures have been reviewed; and all the contracts are in accordance with the sectorial legislation, providing greater client satisfaction and ensuring the Company of collection within 90 days at levels higher than 99% of the billing.

07. Risk management

Equatorial performs constant management of the inherent risks to its business, in order to anticipate and predict possible impacts of external factors on its performance, both at the operating and financial level.

Market

The Market Committee is responsible for monitoring the variations in the economic scenario in order to guarantee its ability to meet the demand, which is strongly influenced by the evolution of the GDP (Gross Domestic Product). Additionally, the Company participates actively in the Maranhão Work Group (GTMA), comprising Eletronorte, ANEEL (Brazilian Electricity Regulatory Agency) and ONS (National Operator of the Electricity System), the aim of which is to plan beforehand the needs for investments in infrastructure in the state.

Operations

The risks related to operations are managed based on the following basic concepts:

- Investments in technology in order to integrate management and permit rapid answers to operating situations, such as the geo-referencing of the distribution network, digitalization of substations and introduction of remotely controlled keys;

- Preventive maintenance of the equipment and networks, which consists of teams that previously only worked when there was an emergency;

- Intensive training for employees and service providers in accordance with work safety standards;

- Constant management of the client base through initiatives and investments to improve the quality of the commercial processes, to prevent theft and fraud in consumption and to adopt more advanced metering technologies.

Regulation

Due to the fact that it is part of a regulated sector and, therefore, vulnerable to changes in the concession model in force, Equatorial participates actively in the public hearings and meetings of ANEEL and ABRADEE — Brazilian Association of Electric Power Distributors — and it has a Regulatory Committee to discuss the most important items with respect to this environment. Additionally, the Company seeks to disseminate aspects of the regulations among its employees to show how their work also directly affects the Company's performance in this respect.

Financial

Credit: Cash and cash equivalents are only invested in top line institutions with an investment grade credit ranking, in order to minimize credit risks.

Liquidity: Constant monitoring of the liquidity indexes, in order to assure comfort levels that provide a solid credit profile.

Exchange: The Company's investments that are not exposed to foreign currency are made, preferably, in papers in reais, with interest rates indexed to the — Interbank Deposit Certificate — CDI. Also, there are no swap contracts; therefore indebtedness in foreign currency in CEMAR is reduced.

Interest: The average term of indebtedness is approximately 7.5 years. The Company seeks to identify all opportunities for lines of credit with attractive interest rates.

Climate/Disasters

The Company holds insurance policies that assure coverage for losses arising from fire, lightning, explosions, short circuits and electric power cuts in the substations, buildings and facilities, as well as material losses suffered as a consequence of traffic accidents.

Environmental

All the projects for expansion of the electric power system are carried out observing prevailing environmental laws and regulations. Similarly, the licenses and environmental impact studies are regularly requested and executed in accordance with the legal requirements.

08. Programa Luz para Todos

Launched in 2004 by the Federal Government, the objective of the "National Program for Universalization of Access and Use of Electric Power - Programa Luz para Todos" is to take electric power to the rural population, in order to stimulate the socio-economic development of these regions which, generally, present low levels in the Index of Human Development (IDH).

CEMAR performs the role of executing agent of the Program in the state of Maranhão, which has the second highest demand for electric power connections in Brazil in absolute terms. Accordingly, to reach its goals, the Company has built solid commercial partnerships with hiring of contracted labor, which involves 130 engineering companies and over 1,500 people, direct and indirectly.

At the end of the year, CEMAR reached the mark of 189,781 clients connected to its electric power distribution network through the Programa Luz para Todos, generating a direct benefit to approximately 949,000 inhabitants in the state of Maranhão, which represents something close to 15% of the total population of the state. The Programa Luz para Todos exists in 207 (95%) of the 217 towns of the state of Maranhão, thus contributing to the development of isolated areas of the urban districts and for the generation of income in these places. During 2008, the direct investment in the Programa Luz para Todos, which included expenditure with material and third-party services, was R$187,0 million.

09. Regulatory issues

Equatorial Energia constantly seeks to maintain a productive interchange of experiences with the regulatory agencies and associations of the electric power sector. This focus aims at spreading best operating practices, creating synergy between the various organizations, as well as expanding its ability to plead claims with the regulatory agencies.

Tariff readjustment - CEMAR

In accordance with Homologation Resolution 696 of August 26, 2008, the tariff readjustment for CEMAR in 2008 was 10.25% for the period between August 2008 and July 2009, of which 10.06% refers to the annual tariff readjustment and 0.19% to pertinent financial components. The average impact perceived by the consumer was 10.98%.

Tariff review - Light

The main results of the tariff review process are: tariff repositioning, which establishes tariffs compatible with the coverage of the efficient operating costs and remuneration on the prudent investments, and Factor X, which establishes productivity goals for the subsequent tariff.

For calculating the tariff repositioning, ANEEL calculates: (i) the efficient operating costs, using the Reference Company method, (ii) the prudent investments, using the Regulatory Remuneration Basis, (iii) the level of regulatory losses to be passed on to the consumers and (iv) the non-manageable costs, which are Portion A.

In a public meeting that took place on November 4, 2008, ANEEL approved, provisionally, the structural tariff repositioning of Light S.E.S.A. of 1.96% for the period from November 7, 2008, encompassing all the consumer classes (residential, industrial, commercial, rural and others).

ANEEL established new regulatory levels for losses and default. In the item, losses, the index increased from the previous level of 15.97% to 19.15%. In the item, default, the level to be considered in this review is 0.90% of the gross income from distribution, whereas the previous index was 0.50% of net income (without ICMS) from distribution. Factor Xe of 0.0% was also established, to be used as from the tariff readjustment of 2009, already in accordance with the new methodology proposed at Public Hearing 052.

Considering the financial tariff components that are not part of the tariff base, but which are amounts referring to the 12 month period subsequent to the review, the tariff repositioning index was 4.26%.

It is important to point out that the end consumers of Light, on average, had an adjustment in their power bills of 4.70% as from November 7. This occurred due to the financial surcharges included in the tariff with respect to the period between November 7, 2007 and November 6, 2008, allied to the recovery of tariff differences of past periods, which had a negative effect of 0.41% on the tariff in that period.

10. People management

I.CEMAR

CEMAR closed 2008 with 1,291 employees. This workforce is made up predominantly of new professionals, contracted from within and outside Maranhão, in accordance with the intense process for change and the organizational renovation started in June 2004.

The Company still counts on the experience and knowledge of older employees, who have gone through a rigorous process of adaptation to the new management model and to the new culture.

In addition to its employees, CEMAR employees 4,300 outsourced professionals. In order to improve the management of these contracts and spread the organization's culture to all the contracted companies, in 2007 the Company created the Management of Development of Partners scheme in order to guarantee the quality standards for our services.

Meritocracy

The sector which addresses questions related to People Management in CEMAR, called Gente, has adopted a policy for meritocracy through the Variable Remuneration Program, based on reaching goals for all levels of the Company. Additionally, as a way of stimulating achievement of the more important goals, motivational campaigns were launched with the awarding of prizes for those who stood out among the employees and outsourced professionals.

Training

In 2008, CEMAR invested 40,853 hours of training within the process of continual training of its workforce, which represents an index of 32 hours per employee in the year.

Among the activities that were promoted, the Management Posture Lecture stands out. It was presented with the participation of 82 managers and its objective was to show management roles within an entrepreneurial environment, using strategic people management and the competitive factor for using the potential of the work team and the importance of extending corporate communication.

In 2008, there was also a Performance Analysis, which the objective was to spread the competences linked to the organization's values and to reinforce the culture of feedback. In addition, it provided the employee with an awareness and understanding of the results expected from his job and the possibility of defining with his manager an improvement or development plan.

For 2008, this assessment was planned in three stages and was directed towards all the employees, as described below:

- First cycle: the directors, managers, coordinators and supervisors participated;
- Second cycle: the analysts, lawyers, engineers and purchasers participated;
- Third cycle: intended to assess assistants, technicians, office staff, electricians and operators.

The culture of valuing knowledge and improvement is reinforced monthly in the Results Meetings, in which the strong points are stressed and recognized and the ways for correcting weaknesses are encouraged. Each six months, best practices are presented as a way of valorizing the employees' initiative and creativity.

With respect to the development of managers, amongst other actions, the Program for Management Training and the in-company MBA - Management of Electric Power Businesses, which was carried out in partnership with Fundação Getúlio Vargas, benefiting 32 employees, stands out.

Accident prevention

Safety in the workplace is a constant concern for CEMAR. The Company recognizes the importance of safety for its employees, partners and population where it operates as a value that attention should be paid to, continually investing in good practices as a focus for prevention. Among the initiatives in this respect we highlight the following:

- Lectures on security - norms, procedures and risks;
- Basic and complementary training for Regulatory Rule NR-10, which is the rule that addresses Safety in Electricity Facilities and Services, offered to all the employees;
- Realization of the Internal Week for Prevention of Labor Accidents (SIPAT);
- Realization of the Second Roundtable for Electricians of CEMAR;
- Realization of a safety blitz;
- Realization of a safety working bee;
- Realization of safety inspections;
- Implementation of the Regional Corporate Safety Committee.

Complementing these actions, the Company held training courses for safety and work procedures, firefighting with the formation of brigades in all the offices, first aid, rescue at heights and defensive driving.

CEMAR's concern with safety measures is justified by the improvements reflected in the internal social indicators. The accident frequency rate with its own employees decreased in 30.28%, in comparison with 2007. The gravity rate also showed an improvement, decreasing 21.22% among its own employees and 7.6% with respect to partners when compared to 2007.

According to data from the report on accident statistics in the Brazilian electricity sector, prepared by Fundação Coge with data for 2007, CEMAR is among the safest concessionaires in the north, northeast, central-west and south regions of Brazil, considering accidents with employees of Power Companies that have between 500 and 2,000 employees.

According to the ABRADEE 2008 report, with respect to the indexes for 2007, the Company presented the best Frequency Rate of the Labor Force for the electricity sector of the distribution companies that have more than 400,000 clients and more than 2000 employees.

Also in 2008 CEMAR was chosen as the Second Best Company with the Best Accident Prevention Practices with respect to the population in III FOPASE (São Paulo Forum on Safety), held by ABCE (Brazilian Association of Electric Power Concessionaires).

In the Second National Round Table of Electricians of the Brazilian Electricity Sector in Olinda, in the state of Pernambuco, CEMAR was the 13th out of the 38 companies from all Brazilian electricity sectors.

Attracting and retaining talents

In 2008, CEMAR continued with its trainee program, contracting three professionals. The Company visited the best Brazilian universities in order to attract talents, anticipating its needs for sourcing good professionals capable of assuming important positions more rapidly.

Another innovative initiative is the introduction of the Summer Job Program. It addresses an unprecedented action in Maranhão through which CEMAR temporarily hires two young people, one studying for his doctorate and the other for his master degree, to develop projects for improvements in the Company.

II. Light

Light believes that the building of value for the Company only happens if its personnel grow personally and professionally during the process. Accordingly, the Light Company Recipe consists of people with values - since they are the foundation of all our management model - living the company's mission intensely - which mirrors in its propositions the way that we wish to be identified and seen by our stakeholders - acting according to a planned action based on knowledge of the business - and committed to common objects established in the agreements known as management commitments - which stipulate goals and are the basis for profit-sharing in the Company's results.

Based on policies that define and support best corporate practices, in the sense of providing equal treatment for all employees and stimulating, as one of its main values, happiness at work, Light is developing a set of actions focused on the growth of its workers in their professional environment.

At the end of 2008, Light's staff consisted of 3,732 employees, with an average time of service in the company of 14.9 years and an average age of 40.4. High school is the minimum level of education for 86.6% of the company's staff. The company considers the education of its employees as fundamental for its success.

Light is the founding sponsor of Fundação de Seguridade Social (Braslight), a closed supplementary pension fund whose purpose is to guarantee a retirement income for the employees of the Company who belong to the Foundation and a pension for their dependants.

Work safety

The best practices for assuring efficient management of Occupational Health and Work Safety are made explicit in the set of tools that comprise the Management System for Safe Work and reflect Light's permanent concern with the physical well-being of its employees.

In September 2008 the Management System for Safe Work, developed especially for the concessionaires of the electricity segment, and which attends the requirements of the main existing norms, was implemented. Based on five broad themes - Leadership, Risk Management, Education, Control and Monitoring - the system aims at controlling and reducing the risk levels associated with the company's activities.

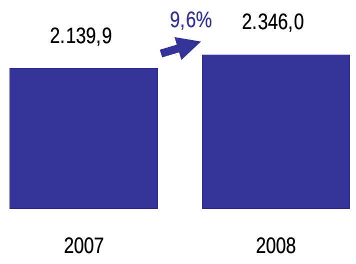
11. Economic and financial performance

Demonstração do Resultado (em R$ milhões)	2007	2008
RECEITA OPERACIONAL	3.283,6	3.461,8
Fornecimento de Energia Elétrica	3.000,0	3.167,0
Suprimento de Energia Elétrica	103,3	113,1
Outras Receitas	180,3	181,6
DEDUÇÕES DA RECEITA OPERACIONAL	(1.143,7)	(1.115,8)
RECEITA OPERACIONAL LÍQUIDA	2.139,9	2.346,0
CUSTO DO SERVIÇO DE ENERGIA ELÉTRICA	(1.075,6)	(1.175,0)
Energia Elétrica Comprada para Revenda	(1.022,4)	(1.110,8)
Encargo Uso do Sistema de Transmissão e Distribuição	(53,2)	(64,2)
CUSTO/DESPESA OPERACIONAL	(387,2)	(386,6)
Pessoal	(99,4)	(99,6)
Material	(10,0)	(12,9)
Serviço de Terceiros	(140,0)	(156,1)
Provisões	(104,4)	(82,0)
Outros	(33,3)	(36,0)
EBITDA	677,1	784,4
Depreciação e Amortização	(149,2)	(162,1)
RESULTADO DO SERVIÇO	527,9	622,3
RESULTADO DE PARTICIPAÇÕES SOCIETÁRIAS	(1,6)	18,4
Equivalencia Patrimonial	-	18,4
Amortização de Ágio	(1,6)	0,0
RESULTADO FINANCEIRO	(111,1)	(6,4)
Receitas Financeiras	146,9	168,2
Despesas Financeiras	(258,0)	(174,6)
RESULTADO OPERACIONAL	415,1	634,3
Outras Receitas Operacionais	11,0	12,2
Outras Despesas Operacionais	(26,6)	(12,1)
RESULTADO ANTES DO IMPOSTO DE RENDA	399,5	634,4
IR E CSLL	(52,6)	(17,1)
Imposto de Renda	(31,3)	(86,9)
Impostos Diferidos	166,4	(69,9)
Incentivo ADENE	45,1	46,6
PARTICIPAÇÃO NO RESULTADO	(8,8)	(20,2)
PARTICIPAÇÃO DE ACIONISTAS NÃO CONTROLAD.	(194,8)	(198,6)
REVERSÃO DE JUROS SOBRE CAPITAL PRÓPRIO	14,7	11,9
RESULTADO DO EXERCÍCIO	338,2	300,1

Net income

Net income in 2008 was R$ 2,346.0 million, 9.6% higher than the R$ 2,139.9 million obtained in the previous year. The growth occurred mainly due to:
a) the positive impact of the tariff readjustments that occurred in August 2007 and August 2008 in CEMAR, as well as the tariff readjustments for Light in November 2007 and its revision in November 2008;
b) growth in the volume of power sold in CEMAR which grew 4.0% between 2007 and 2008;
c) the increase of 109,000 consumers attended, representing a growth of 4.5% over the base in 2007

NET OPERATING INCOME
(in R$ MM)



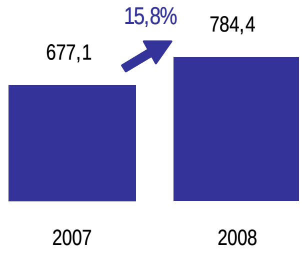
Operating costs and expenses

The consolidated operating costs and expenses (excluding depreciation and amortization expenses) were R$1,561.6 million in 2008, which is 6.8% higher than in 2007. The major part of this growth is in non-manageable costs and expenses (purchase and transport of power, and sectorial charges), which totaled R$1,175.0 million and growth of 9.2%, while manageable costs and expenses presented a decrease of 0.2%, the effect of the reversion of the provision for Braslight (impact of R$33.4 million). Excluding this non-recurring effect, the annual growth of this account would be 8.5%.

EBITDA

For EBITDA, we have 15.8% growth from 2007 to 2008, increasing from R$677.1 million to R$784.4 million, with the EBITDA margin showing an increase of 1.7 p.p. and reaching 33.4%. Once again, if we exclude the non-recurring effects of the reversion of the provision for Braslight of R$ 33.4 million and recognition of financial additions from prior years of R$26.9 million (see the section Economic and Financial Performance - Distribution), the annual EBITDA would have presented growth of 6.9%. The distribution segment contributed 93.1%, while generating and trading contributed with 6.6% and 0.3%, respectively. Light participated with 47.0% of EBITDA and CEMAR with 53.0%. Quarterly, the EBITDA decreased 0.7%, adjusted for non-recurring effects.

EBITDA
(in R$ MM)



Financial results

In 2008, the consolidated financial results presented an expense of R$6.4 million, compared to an expense of R$111.1 million in the previous year. It is worth pointing out that in 2Q08, Light obtained a favorable decision from the Federal Supreme Court (STF) with respect to its challenge regarding the expansion of the calculation basis for PIS/COFINS taxes. As a result of this decision, Light reversed a provision in the amount of R$432.4 million. In Equatorial, this reversion had a positive impact of R$108.1 million. Therefore, if this effect is not considered, the consolidated financial result would be negative by R$114.5 million, an increase of 3% from one year to the other.

We highlight below the main changes per company:

- CEMAR: The financial result was negative by R$35.7 million, an improvement of 8.5% in relation to that recorded in 2007. In financial income, there was a positive impact resulting from the following items: i) greater income originating from financial investments, with an increase of R$4.4 million when comparing 2008 with 2007, which is explained both by greater profitability of the investments and by the higher average level of cash and cash equivalents during the year; ii) fines and interest on accounts in arrears. With respect to financial expenses, we point out the following changes: i) greater expenses with interest and charges on loans, financing and debentures, as a result of greater average gross indebtedness during 2008, when compared to 2007 (an increase of R$ 28.0 million); ii) negative exchange variation on the portion of the depth denominated in foreign currency (1.3% of the gross debt in 4Q08). In 2008, the real devalued 31.9% against the US dollar; iii) extinguishment of CPMF (Provisional Contribution on Financial Activities) which in 2007 had cost the Company R$7.9 million.

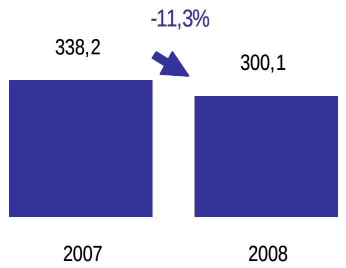
- Light: If we do not consider the effect of the reversion of the provision for PIS/COFINS, the financial results of Light would have contributed a negative amount of R$84.5 million. Financial expenses increased 7.9%, originating mainly from: (i) the exchange variation on the balance of indebtedness in foreign currency of R$28.9 million, caused by the devaluation of the real against the dollar, partially offset by the positive swap result of R$24.4 million; and (ii) the increase in the actuarial liability of Braslight of R$29.6 million, an effect mainly of the change in its actual annual table from the readjustment of Braslight’s contract with the Company by the IGP-DI (General Price Index - Internal Availability) + 6%.

- Equatorial (holding company): Positive result of R$5.6 million, with a deterioration of R$1.3 million in relation to that recorded in the previous year, due to the share swap operation, with a recorded loss of R$3.6 million.

Net income

In the year, the Company presented net income of R$300.1 Million, 11.3% less than that recorded in 2007. However, excluding non-recurrent effects in Light from: (i) recognition of tax credits, in the amount of R$110.9 million, where R$42.7 million of this total was recognized in 2Q07, while R$68.2 million was recognized in 4Q07; and (ii) financial additions from prior years, with a net effect of R$9.2 million (recognized in 4Q08) and reversions of provisions for PIS/COFINS (recognized in 2Q08) and an actuarial loss in Braslight (recognized in 4Q08), with impacts of R$37.2 million and R$17.4 million, respectively, the net income in the 2008 would have been R$ 236.2 million vs. R$ 227.2 million, a growth of 4.0%.

NET INCOME
(in R$ MM)



Indebtedness

At the end of the year, the consolidated gross indebtedness, including charges, was R$1,587.9 million, which represents a 3.2% increase in relation to the amount recorded in 3Q08.

In December 2008, Equatorial had only 3.5% of its gross debt (considering 100% CEMAR + 25% Light), equivalent to R$55.8 million, denominated in foreign currency, for the most part US dollars. On the same date, CEMAR had R$11.4 million in debt denominated in US dollars, while Light had R$44.4 million (considering the percentage of 25% that is consolidated in Equatorial).

As a result of the low level of exposure to exchange variation, CEMAR does not have any type of hedge against devaluation of the real against other currencies.

Light's exposure to debt in foreign currency in December 2008 represents 7.9% of its total indebtedness and the Company carries out hedge operations for the cash flow falling due in the next 24 months, through NDFs (non-deliverable forwards) with first-line financial institutions. Considering the swaps in force, the debt in foreign currency represents 5.4% of the total.

SITUATION OF THE GROSS DEBT(100% CEMAR and 25% LIGHT)

Indexador	R$ Mil (*)	Custo Médio (a.a.)	Prazo Final Médio (mês/ano)	Prazo Médio (em anos)	Part. (%)
Libor	31.823	3,5%	jul-19	11,0	2,0%
Pré Fixado (US$)	41.860	6,6%	jan-21	13,0	2,6%
U$ Treasury	-18.507	0,6%	abr-24	16,0	-1,2%
UmBNDES (***)	599	14,8%	mar-10	2,0	0,0%
Moeda Estrangeira	55.776	7,0%		10,7	3,5%
IGP-M	146.996	13,8%	dez-23	15,0	9,3%
TJLP	210.351	10,4%	dez-13	5,0	13,2%
Pré Fixado (R$)	147.506	8,4%	mar-17	9,0	9,3%
RGR	133.437	6,4%	fev-17	9,0	8,4%
FINEL(**)	55.831	11,7%	dez-15	7,0	3,5%
CDI	834.046	13,8%	jul-14	6,0	52,5%
SELIC	3.973	12,5%	fev-09	1,0	0,3%
Moeda Nacional	1.532.139	12,1%		7,3	96,5%
TOTAL	1.587.915	11,9%		7,4	100,0%

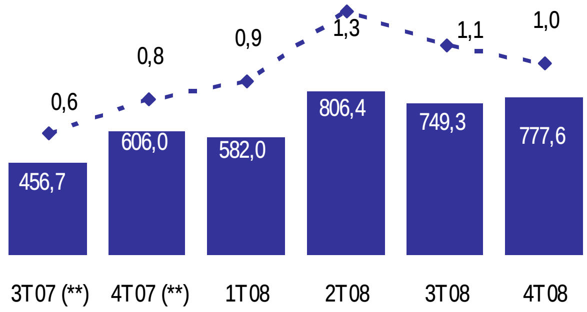
(*) Considerando 100% da CEMAR e 25% da Light. Na Light, foi descosiderado o endividamento com a Braslight

(**) Índice que representa 20% do IGP-M

(***) Unidade monetária BNDES, índice que reflete a média ponderada da variações cambias da moedas existentes na cesta de moedas do BNDES

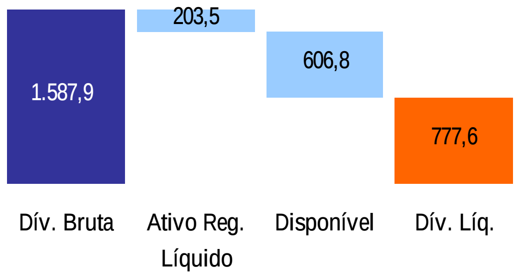
Vencimento	R$ MM (*)	% do Total
Curto Prazo	138,4	8,7%
Longo Prazo	1.449,5	91,3%
2009	163,9	10,3%
2010	196,1	12,4%
2011	241,4	15,2%
2012	356,2	22,4%
Após 2012	491,8	31,0%
TOTAL	1.587,9	100,0%

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

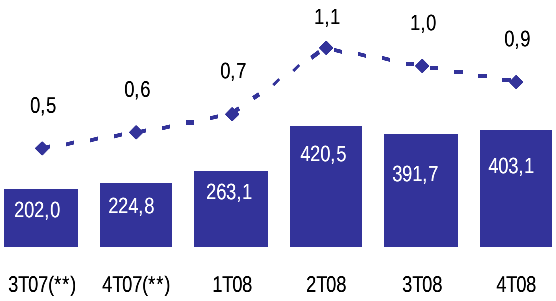


(*) Excluding the debt with Braslight
(**) Pro-forma

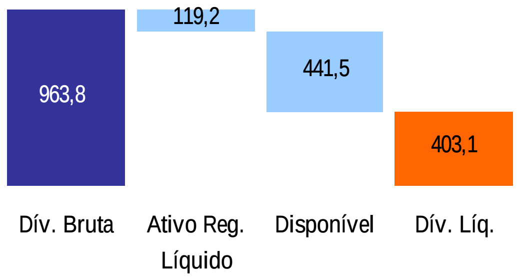
Reconciliation of the Net Debt (R$MM)
Consolidated (100% CEMAR + 25% Light)



Net debt (R$MM) (*) and Net debt/EBITDA (last 12 months)
Consolidated (65.14% CEMAR + 13.03% Light)



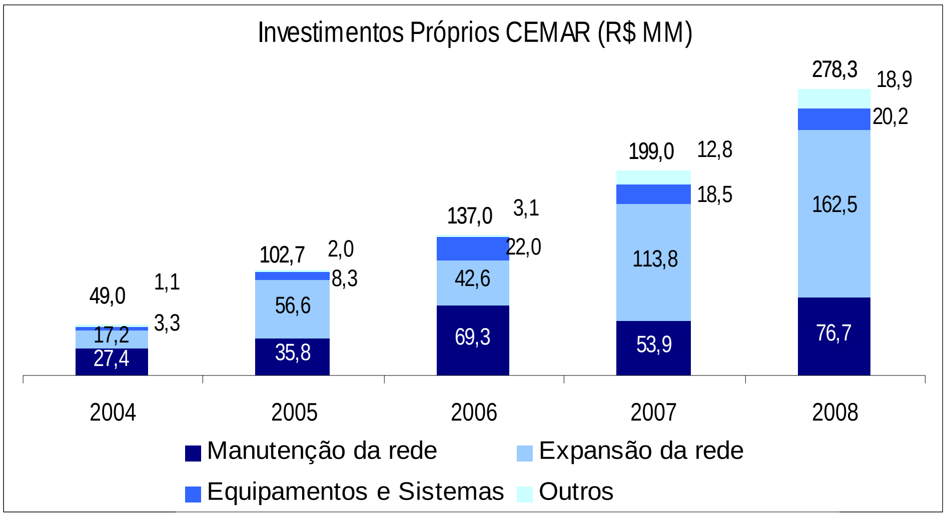
Reconciliation of the Net Debt (R$MM)
Consolidated (65.14% CEMAR + 13.03% Light)



Investments

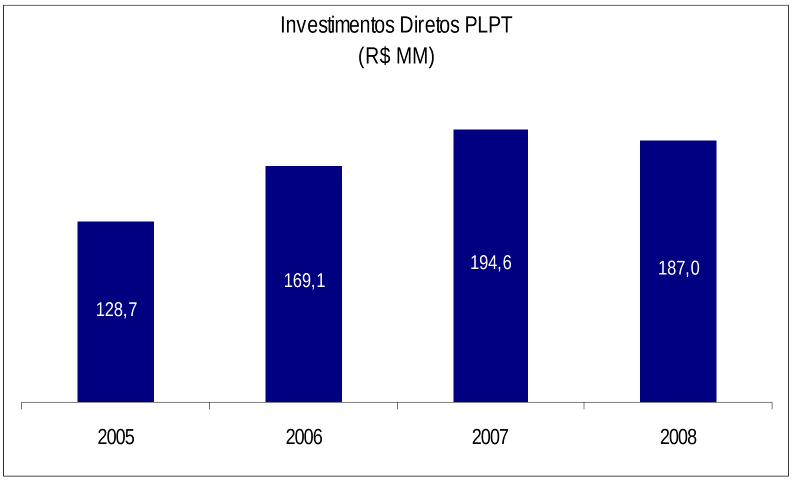
CEMAR

CEMAR' investments, excluding the direct investments related to the Programa Luz para Todos, totaled R$105.6 million in 4Q08, representing an increase of 42.6% in relation to 4Q07. In 2008, the total investments, using these same criteria, were R$278.3 million, 39.9% higher than those made in 2007.



Investments in the Programa Luz para Todos

At the end of 4Q08, CEMAR reached the mark of 189,781 clients connected to its electric power distribution network through the Programa Luz para Todos, generating a direct benefit for approximately 949,000 inhabitants in the state of Maranhão, which represents something close to 15% of the total population of the state. The Programa Luz para Todos exists in 207 (95%) of the 217 towns of the state of Maranhão, thus contributing to the development of isolated areas of the urban districts and for the generation of income in these places. During 2008, the direct investment in the Programa Luz para Todos, which included expenditure with material and third-party services, was R$187.0 million, 3.9% lower than the previous year.



Light

In 2008, Light invested a total of R$136.7 million, an amount 51.1% higher than in 2007. In the distribution segment, the main investment projects were directed towards developing the networks, involving new connections, increase in capacity and corrective maintenance in the amount of R$41.3 million; improvements in quality (optimization of structure and preventive maintenance), in the amount of R$16.2 million and actions for combating losses with an investment of R$39.0 million.

In generation, there were investments of R$6.2 million in maintenance and R$5.8 million with respect to the three new projects.

Projects in generation

Light S.A., through its subsidiaries Lightger Ltda., Itaocara Energia Ltda. and Light Energia S.A., formalized three Agreements for Establishing Consortiums with Cemig, the object of which is the construction and exploitation of the hydroelectric power stations PCH Paracambi, UHE Itaocara and PCH Lajes, respectively.

Below there is a brief description of these projects and their current status:

- PCH Paracambi: A small hydroelectric power station with 25MW installed capacity and a physical guarantee of an average 20.4 MW, located in Ribeirão das Lajes, downstream from the Lajes complex, in the city of Paracambi in the state of Rio de Janeiro. At the end of December 2008, the installation permit was obtained for the construction of the power station, which is issued by FEEMA (State Foundation of Engineering of the Environment). This permit releases the start of the implementation of the power station PCH. The beginning of the work takes place in the next few months, with a construction time frame of 24 months. The Company has already traded part of its electric power take through its trader Light Esco.

- PCH Lajes: A small hydroelectric power station with 17 MW installed capacity, located in the Lajes complex, forecast to enter into operation in 2011. The Board of Directors has approved the start of the contracting process for the executive project, which will begin with the contracting of the civil works for its waterways (Tunnel 2), as well as the supplying of hydro-mechanical and related equipment. All the required environmental permits have already been obtained and the basic engineering product for the power station is in the process of approval by ANEEL.

- UHE Itaocara: A hydroelectric power station with 195 MW installed capacity and a physical guarantee of an average 110 MW, which is located on the Paraíba do Sul River, in the city of Itaocara in Rio de Janeiro. It is estimated to enter into operation in 2013, with a construction time frame of 36 months. Light has been working on the environmental licensing process for the power station with IBAMA — Brazilian Institute of the Environment and Natural Resources — and has already received the term of reference for preparation of the environmental impact studies (EIA/RIMA). The basic engineering project, which seeks to adapt the project to the environmental demands of the region affected by the venture, is also being prepared.

In addition to these projects, aiming at expanding this joint operation, Light and Cemig intend to participate, through a new consortium to be established specifically for this purpose, in auctions for hydroelectric power stations until obtaining a total of at least an additional 300 MW installed capacity. The companies are also going to analyze joint participation in third-party ventures that are already in the development stage.

12. Corporate restructuring

On November 5, 2007, Equatorial presented a corporate restructuring plan that is concentrated around three main points:

Why invest in the electricity sector?

- PCP has a long background and vast experience in the sector
  - ✓ The electricity sector in Brazil is complex and highly regulated
  - ✓ Experience in the sector is a big differential
- The sector is still highly fragmented
  - ✓ The consolidation process is still in the early stages
  - ✓ PCP is in a position to assess and explore investment alternatives with strict financial discipline
- Demand for electric power is potentialized by the economic growth
- The implementation of strict cost controls and financial discipline generates attractive returns in the distributors
  - ✓ Companies compete against the " reference Company" established byANEEL
  - ✓ Competition in purchase and sale is limited
  - ✓ An appropriate capital structure generates higher returns

Concentration of the control of Equatorial and CEMAR

The first stage of the process was related to the transaction between GP Investimentos and PCP Latin America Power Fund, which established the transfer of the total number of shares held by GP Investimentos in Equatorial Energia Holdings, LLC - a company which indirectly controlled Equatorial - to PCP Latin America Power Fund.

The transfer was approved by ANEEL on December 18, 2007 and was concluded on December 21, 2007. This concentration eliminates the geographical restrictions on the strategy for Equatorial's growth, which previously was limited to the north, northeast and center-west regions of Brazil, and now covers all of Brazil and Latin America.

Merger of PCP Energia Participações S.A. by Equatorial Energia S.A.

On February 12, 2008, the General Shareholders' Meeting approved the merger of PCP Energia Participações S.A. by Equatorial. Through the merger, Equatorial now holds a 13.06% indirect interest in Light, through Rio Minas Energia Participações (RME) and through a shareholders' agreement shares the control of Light.

With the concentration of the control and the merger of PCP Energia, the PCP Group will seek to consolidate its investments in the electric power sector in Equatorial, making it a vehicle for expansion of its share in this market through a new investments and acquisitions. Additionally, the merger provides for the creation of value through the interchange of the management best practices of the investments, which will result in benefits for Equatorial and, consequently, for its shareholders.

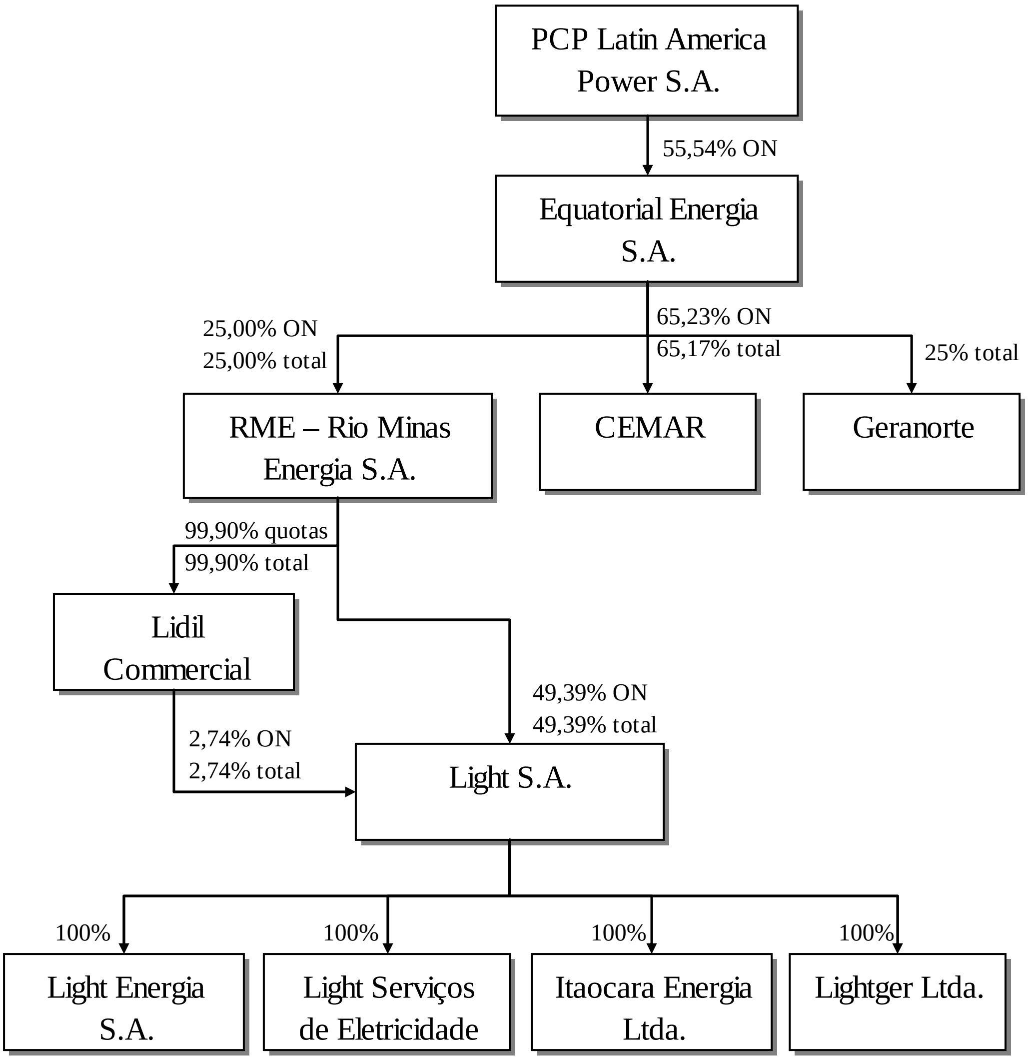
Adhesion of Equatorial to the New Market

On February 12, 2008, the Special Shareholders' Meeting approved the following matters: (a) the conversion of all the preferred shares into common shares, in the portion of one preferred share for one common share; (b) the grouping of shares is in the proportion of one common share for each three common shares; (c) adhesion to the rules of Bovespa's New Market, as well and is the listing of Equatorial's shares in this segment of the stock exchange; and (d) the rewriting of the Bylaws, assuring the highest standards of corporate governance in the Company.

In April 2008, the conversion of the shares was carried out and the grouping was approved in this Shareholders' Meeting, the Company adhered to the New Market and its shares ceased to be traded in the form of a unit and began to be traded solely under the code EQTL3.

On July 10, 2008 corporate restructuring was carried out and the following companies were wound up: (i) PCP Power LLC; (ii) PCP Latin America Power Fund Limited; (iii) Equatorial Energia Holdings LLC; and (iv) Brasil Energia I LLC. Accordingly, the control of Equatorial Energia is now exercised directly by PCP Latin America Power S.A., which previously was the Company's indirect parent company.

Current corporate structure



13. Corporate governance

Listed on the New Market, the highest level of corporate governance of the São Paulo Stock Exchange (BOVESPA), Equatorial is a Company committed to best corporate governance practices and to transparency with respect to its investors and shareholders.

Corporate governance differentials:

- 100% tag along for minority interests;
- Maintenance of two independent members on the Board of Directors (total of seven members);
- 44.46% of the total capital as a free float, well above the minimum 25% required by New Market standards;
- Obligation of a purchase offer at the economic value in the event of discontinuance of listing or of closing of capital;
- Disclosure of transactions with the Company’s papers involving controlling shareholders or officers;
- Adhesion to the Chamber of Arbitration for solving conflicts;
- Adoption of a Code of Ethics and Business Conduct;
- Maintenance of a policy for disclosure of material acts or facts and of trading of papers by related parties.
- Quarterly publication of the Statement of Cash Flows, together with the Quarterly Statements.
- Disclosure of the financial statements according to international standards (IFRS or US GAAP).
- Holding of public meetings with analysts and investors at least once a year.

Equatorial Energia is managed by a Board of Directors and an executive board, in accordance with the contract for adhesion to the New Market entered into with BOVESPA.

Board of Directors

Responsible for establishing general business, including Equatorial’s long-term strategy, the Board of Directors, Equatorial’s plenary decision-making body, is also responsible for supervising the management by the Company’s officers.

The Board’s decisions are taken in accordance with the majority vote of the members present in the meetings, which are held whenever necessary by summons of the chairman or by the majority of its members, and the summons may be waived if all the board members are present.

The bylaws of Equatorial Energia establish a minimum number of five board members and a maximum of nine. The board members are elected in the General Shareholders’ Meeting for a term of two years. Reelection is permitted and the board members may be removed from office by the shareholders’ decision in a General Meeting. Currently, the Board of Directors of Equatorial Energia is comprised of seven members, elected in the Special Shareholders’ Meeting held on April 17, 2008, with a mandate until the General Shareholders’ Meeting in 2010.

Nome	Cargo
Firmino Ferreira Sampaio Neto	Presidente do Conselho
Gilberto Sayão da Silva	Vice-presidente do Conselho
Alessandro Monteiro Morgado Horta	Conselheiro
Alexandre Gonçalves da Silva	Conselheiro Independente
Carlos Augusto Leone Piani	Conselheiro
Celso Fernandez Quintella	Conselheiro Independente
Paulo Jerônimo de Mello Bandeira Pedrosa	Conselheiro

The curricula vitae of the members of the Board of Directors can be accessed through the Investors Relations website of Equatorial Energia (http://www.equatorialenergia.com.br/).

Audit committee

Equatorial's audit committee is not permanent. Its main powers, duties and functions are to audit and supervise the actions of the officers, as well as to issue opinions on the financial statements. In accordance with the Corporation Law, the audit committee is an agency that is independent of the management and the external audit of the companies.

The audit committee is set up only in the years when it is requested by the shareholders, in accordance with what is stipulated in the Corporation Law. When it is set up, it will comprise from three to five members and their respective substitutes, elected by the General Shareholders' Meeting.

In this event, its members and the substitutes, shareholders or not, are elected by the General Shareholders'Meeting, which decides on their instatement and fixes their fees, respecting the legal limits. The period of functioning of the audit committee ends in the first General Shareholders' Meeting held after its instatement.

Nome	Cargo
João Marcelo Dantas Leite	Membro
Marcelo Souza Monteiro	Membro
Beatriz Oliveira Fortunato	Membro

The curricula vitae of the members of the audit committee can be accessed through the Investors Relations website of Equatorial Energia (http://www.equatorialenergia.com.br/).

Executive board - Equatorial Energia

The directors are the legal representatives of Equatorial Energia, and are responsible mainly for the day to day administration of the Company and for the implementation of the policies and the general guidelines established by the Board of Directors.

In accordance with the Corporation Law, each member of the executive board must be resident in Brazil and may be a shareholder or not. In addition, up to a maximum of one third of the positions of the Board of Directors may be filled by members of the executive board.

The bylaws of Equatorial Energia establish that the executive board comprises at least two directors, a chief executive officer and a chief financial officer, and the other members elected to compose the executive board will have no specific designation and all will have a mandate of three years and will be able to be re-elected.

The officers may be elected by the Board of Directors for a mandate of three years, and may be re-elected, and they may be removed from office at any time by the Board of Directors.

Nome	Cargo
Carlos Augusto Leone Piani	Diretor Presidente
Eduardo Haiama	Diretor Financeiro e de Relações com Investidores
Tinn Freire Amado	Diretor
Patricia Pugas de Azevedo Lima	Diretora
Ana Marta Horta Veloso	Diretora

The curricula vitae of the members of the executive board of Equatorial can be accessed through the Investors Relations website of Equatorial Energia (http://www.equatorialenergia.com.br/).

14. Report on social actions

I. CEMAR

Governed by CEMAR's ethics and respect for its public, the Company's social initiatives seek to contribute to reduce the social inequalities in the communities of Maranhão, giving priority to projects for the education of the young, underprivileged population, in partnership with private and public entities.

Among the social programs in which CEMAR is involved, the following stand out:

Ligado na Comunidade (Linked to the community)
In 2008, there were 89 volunteers. The objective of the program is to motivate and encourage employees to act as promoters of citizenship, through providing educational lectures and social and educational activities in the underprivileged communities and institutions of Maranhão. The actions are developed through partnerships, campaigns and social events with the participation of volunteers.

Eletricista da Comunidade (Electrician of the community)
In 2008, in addition to a course in commercial electricity in São Luís, a course for electricians in buildings was held in the city of Imperatriz. Resulting from a partnership between CEMAR and SENAI-MA, the objective of the program is to train electricians with experience but no formal qualifications, so that they can work in the market as electricians in buildings. In total, 44 electricians from underprivileged communities in Maranhão were benefited.

Bom Menino Music School
The Bom Menino Musical Band is supported by CEMAR and functions in the communities of the historical center of São Luís, awakening the musical interests of about 750 children and adolescents.

Qualificar para trabalhar (Train to work)
Through a partnership with the São Luís city council, the Company encourages local socioeconomic development and the creation of jobs and income through the donation of 11 computer telecenters to municipal schools. In 2008, more than 2,000 students from local communities were benefited by this initiative.

Leitor do futuro (Reader of the future)
This project, maintained by CEMAR, fosters educational actions and the distribution of newspapers in schools, with the aim of forming informed citizens, who are up-to-date with and aware of daily affairs in Brazil and in the world. More than 9,000 children have already benefited from this project.

Combating sexual violence against children and adolescents
CEMAR, in partnership with the State Council on the Rights of Children and Adolescents of the Department for Human Solidarity of the State of Maranhão, is developing the program through awareness actions and education on the theme, in addition to publishing photos of missing children and adolescents on power bills.

Cine CEMAR
A socio-cultural project that aims to take entertainment to the towns located far from large urban centers, creating an alternative space for showing films to communities with limited access to culture and arts. In 2008, the project was carried out in nine towns, benefiting 1,350 people.

II. Light
Light has interacted with the community since 2002 through the Efficient Community Project, which is built on the tripod of sustainability: generation of income, economy of electric power and social inclusion. There have already been six years of coordinated actions on three basic fronts — education, donation of efficient and effective equipment, and technical and commercial regularization. In this period 266,000 residences were attended, scattered over 229 locations.

Another form of participation is through Instituto Light, whose mission is to contribute to the improvement of economic and social conditions in Light's concession area. The Institute is also the company's interface with consumers and society, in the discussion of and search for solutions for urban problems that interfere with providing service.

Environmental initiatives

I. CEMAR

Equatorial Energia and CEMAR believe that electric power contributes to changing the lives of people and that it addresses an indispensable input for the economic development and growth of the state of Maranhão, the Company's concession area. To fulfill this in mission in a responsible manner, CEMAR carries out its activities in an environmentally responsible way, complying with all the environmental decisions established by ANEEL, and also operating in accordance with the environmental demands of federal, state and municipal laws and regulations.

The Company also continually invests in the improvement of quality indexes and expansion of the system from the point of view of sustainable development, with the use of new technologies that impact the environment as little as possible, preserving natural resources and minimizing the emission of atmospheric pollutants.

The environmental management model developed and implemented in 2008 by CEMAR is the Integrated Management System (SGI) for Safety and Health in the Workplace and the Environment which aims to standardize all the actions aligned with the requisites of Norm OHSAS 18001- Management System for Occupational Safety and Health and ABNT NBR ISO14001- Environmental Management System. In 2009, the Company plans to extend its environmental projects in order to seek participative management of these aspects, involving the interested parties.

IMPACTS, LIFE CYCLE AND ENVIRONMENTAL PRESERVATION
The evaluation and treatment of the social and environmental aspects and impacts are aligned with the Company's value "Community and environment", working, accordingly, in harmony with the communities of the state of Maranhão and with the environment.

The legal and regulatory requisites are the source for evaluation/revaluation of the environmental aspects and impacts of the products, processes and facilities which are being mapped according to their criticality, from the identification of possible inspections, notifications, sanctions, creation of liabilities and environmental risks.

It is used as a method for identifying and assessing the environmental impacts of the processes and activities, "in loco" prospecting, through environmental inspections and technical studies, with the identification of the chain of the final product, in order to minimize the impacts on the environment in accordance with the Environmental Manual that exists in the organization.

The main possible negative environmental impacts resulting from CEMAR's activities are:

- changes in the fauna and flora: felling and pruning of trees for opening service roads;
- contamination of the soil and water: class I waste - mineral insulating oil;
- disturbance to the community: external noise.

The company's goal with respect to negative environmental impacts resulting from its activities and processes is to apply mitigating and preventive actions for continuous improvement, aiming at complying with the pertinent laws and regulations and avoiding generating socio-environmental liabilities.

Special attention is given to ventures that take place in preservation and urbanized areas. Upon identifying significant socio-environmental impacts, an evaluation of the solution is made jointly with the competent environmental agencies, in order to reach solutions that minimize the impacts and establish the compensatory measures, if necessary.

The main activities/possible processes that generate socio-environmental impacts and the goals and actions reported in the Integrated Management System (SGI) are:

- Construction and expansion of substations: carrying out socio-environmental impact studies to define mitigating actions.
- Operation of the substations: monitoring of noise levels.
- Cleaning of service roads: minimization of the width of the service road and maintenance of grass.
- Pruning of trees: use existing standard procedures for less drastic pruning.
- Mineral oil for electric equipment: use existing standard procedure for handling and disposal.
- Solid waste: proceed with practices for reducing its generation, including re-use and recycling.
- Liquid waste: use existing standard procedure for the appropriate disposal of insulating mineral oil.
- Broken lines: act based on the procedure for attending emergency environmental and safety situations.

In the event of social and environmental occurrences, the Safety, Environment and Communications managements, supported by the Legal management, jointly with the competent environmental agencies, adopt corrective, compensatory measures and payment of eventual fines.

CEMAR and Environmental responsibility

CEMAR's environmental policy is built upon the following guidelines:

Sustainable development;
Make rational use of the natural resources needed for the Company's activities. Plan and develop its activities, assuring economic development in harmony with environmental preservation, seeking, therefore, sustainable technologies and solutions for continuous improvement of the Company's environmental performance.

Corporate responsibility:
Assume a posture of awareness and responsibility with respect to the environment, based on moral and ethical values, establishing criteria for action. Have an open door policy, maintaining a communication channel between the Company and interested parties, through disclosure of its actions.

Compliance with laws:
Carry out its operations complying with the prevailing legislation and applicable legal requirements, undertaking to carry out recovery and compensatory measures for eventual environmental impacts resulting from the Company's processes.

Prevention:
Develop its processes and operate focusing on the prevention of environmental damage and pollution, assuring environmental quality.

Awareness:
Foster among employees and partners the dissemination of critical awareness regarding the environmental question, with training and establishing of competencies to operate in legal environmental situations. Support and develop projects which meet the expectations of interested parties and contribute towards environmental awareness within the community.

The Company uses its environmental policy as a way of establishing commitments and responsibilities with respect to interested parties. The launching and disclosure of the environmental policy occurred in 2008, with the presentation and delivery of a registration form and a squeeze bottle to all its own employees in all of the Company's business units as a way of also promoting environmental awareness and education. Goals and actions are developed based on the guidelines of this policy. Among these actions we highlight the following:

- Prior environmental study of the draft sketches of the distribution lines and networks for electric power, so that the venture impacts the Area of Permanent Preservation (APP) are as little as possible.
- Shutting down of the thermoelectric power station UTE Batavo, eliminating the consumption of diesel oil for generating electric power and maintaining mobile generators only in São Luís.
- Implementation and functioning of the selective collection system in the Company's headquarters in Birro Alto do Calhau in São Luís and in the building where the CEMAR training center is located. Garbage collectors have been installed and next year this action will be extended to the regional head offices in the inland cities of the state of Maranhão.

The main themes on environmental questions addressed in the Company are those related to environmental questions in the worldwide sphere: preservation of ecosystems, atmospheric emissions, waste generation and consumption of non-renewable resources. Actions are focused on the value “community and environment”, developed by the Safety of the Work and Natural Environment and/or Communications Management with the support of the leadership groups, which depend on the collaboration of all those involved.

CEMAR and Social responsibility

CEMAR identifies the social aspects and impacts of its product, processes and facilities through a study of the activities that directly influence the population of Maranhão, especially those related to providing electric power in rural areas. The social impacts related to the Company’s activities are the electricity risks that may cause accidents within the community. Social and educational actions are carried out in the communities in all regions of the State, through lectures on Prevention of Electricity Risks, Rational Use of Electric Power and other specific themes related to health and safety, through the distribution of educational pamphlets and folders.

The National Program for Universalization of the Programa Luz para Todos, carried out by CEMAR, is the second largest in Brazil in terms of the number of houses attended. In addition to taking electric power to the communities, the Company carries out social actions in these communities to encourage efficient and rational use of electric power and to inform people of the risks that it presents.

From 2006 onwards, the educational campaigns were expanded, with themes related to accident risk prevention, based on data recorded by the Company’s Safety and Environment Management. Accordingly, the “Safe community - power pole collisions”, “Carnival in safety” and other campaigns were created.

As from 2006, due to the growing demand for works, these actions were expanded.

MANAGEMENT OF SOLID WASTE

The Company addresses potential negative environmental impacts through preventive and corrective actions. Prevention covers the entire operation, with respect to care with handling and discarding materials, acquisition of technologies and materials that do not threaten the environment, as well as control of the necessary procedures for the activities.

CLASS I WASTE - DANGEROUS WASTE

Insulating mineral oil

In CEMAR, the oil is reused through a centrifugal process that removes any humidity. In the support bases of the power transformers of the substations there is an oil retention receptacle for leakages.

The discarded oil is sent to companies that regenerate this material. The barrels in stock are stored in covered areas with impermeable floors so that, in the event of leakages, they do not contaminate the soil, and surface and subterranean waters.

The CEMAR substations are planned with a tank for retaining insulating oil for the power transformers.

Askarel oil

CEMAR does not use Askarel oil in its transformers. This oil was used only in condenser cells and was replaced as from 1982 after publication of Inter-ministerial Ordnance 19, of January 29, 1981, which prohibited its sale.

The last Askarel oil that was discarded was sent for incineration in a licensed company, specialized in this process, located in Maceió in the state of Alagoas, in 2001.

Radioactive lightning conductors

The last radioactive lightning conductors existing in the CEMAR facilities were replaced by Franklin lightning conductors. The discarded devices were appropriately packed in metallic containers and sent to the National Council for Nuclear Power (CNEN) for appropriate disposal.

INERT WASTE

Material of the electricity system

The metal scrap (lines, cables, equipment and iron fittings from the electric system) are sold to recycling companies, according to legal environmental requirements.

The automobile tires from the Company's fleet are left at the tire dealers when they are replaced. The partner company that supplies automobiles to CEMAR is also instructed to leave the tires that are replaced in the tire dealers' shops.

The incandescent light bulbs originating from the program for making electric power more efficient (PEE) are sent for recycling of their components. The Company is also seeking to contract a partner company for decontaminating and recycling fluorescent light bulbs.

The waste from the administrative department generated in São Luís is donated to the Scrap Collectors Association of Maranhão (ASCAMAR) for recycling and also as a way of performing a social action.

PRUNING AND FELLING

The growing of trees in cities improves the quality of life of the urban population and the felling of trees is readily perceived by the population. Among the main contributions of trees is the reduction in the levels of pollution, shelter and alimentation for birds and increasing the permeability of the soil. Accordingly, when there are projects for installing a new substation and transmission and distribution lines close to urban areas, CEMAR works jointly with the municipal public authorities to include compatibility of planning of the work with the planting of trees.

The draft sketches for new construction projects and expansion of substations and electric power networks and lines seek to avoid as much as possible the suppression of vegetation by reducing the width of the service lane, inclusively reducing the waste from wood, branches and leaves.

With respect to pruning, even when it is the responsibility of municipal agencies, in cases of need, due to safety criteria regarding the electrical system and the population, CEMAR performs the service free of charge.

The service lane for the lines existing in urban areas is maintained by CEMAR with periodic pruning, which consists of maintaining a maximum distance of 2 meters between the network and the trees. In the event of more drastic pruning, the service depends on authorization from the Brazilian Environment and Natural Resources Institute (IBAMA). The pruning done in Environmental Preservation Areas and Conservation Units is accompanied by the agencies responsible, following instructions with respect to the procedure.

In the service lanes for the transmission and distribution lines, the vegetation is kept in the initial stages and the grass covering is maintained in order to avoid soil erosion. This measure also contributes towards the safety of the structures of the lines, assuring continuity of the supply of electric power.

EMISSION OF POLLUTANTS

Based on sustainability and the preservation of natural resources for present and future generations, CEMAR included in its strategic planning for 2007 the closing down of UTE Batavo, a diesel-powered thermoelectric generating unit, programmed for 2008.

Another measure contributing to the decrease in the emission of hothouse gases refers to the management of the fleet so that the biofuel vehicles use alcohol instead of gasoline. This is because the carbon dioxide (CO_2), emitted by the burning of fuel, is responsible for 76% of the total worldwide emissions related to global warming.

The action for a decrease in the service lane maintenance areas in the rural zone is also attributed to CEMAR, with a consequent decrease in pruning, as well as awareness programs for elimination of the practice of burning the pruned branches in the open air.

PROTECTED NETWORK

Used mainly in the network for the universalization of Programa Luz para Todos, the protected network is an alternative that contributes significantly to the conservation of the environment by decreasing the need for pruning at the same time as it increases the reliability of the electricity system.

CEMAR is making an investment by gradually and continually using this type of cable for the low tension network. Accordingly, the new low tension networks are being planned with a multiplex cable and the older networks are being replaced.

PROJECT FOR MAKING ELECTRIC POWER MORE EFFICIENT

The project for making electric power more efficient aims at reducing the consumption of electric power by low income clients and public buildings through the following actions:

- Replacement of incandescent bulbs by efficient compact bulbs for residential consumers;
- Replacement of electric airconditioning equipment by other power efficient equipment in the facilities of the Federal University of Maranhão (UFMA) in SãoLuis;
- Replacement of rubber seals of refrigerators in residences;
- Protection of the environment, disposing of refrigerators and CFC in accordance with the rules and regulations of the National Council on the Environment (CONAMA).

The consumer also receives orientations and a pamphlet on the rational use of electric power and on the risks of electric power.

The residences included are selected through a diagnosis in the consumer units made by agents trained in basic concepts of the efficient use of electric power.

CEMAR estimates an economy in electric power of around 5,928.89 MWh per year, which would be sufficient to supply 5,000 consumer units with average consumption of 100 kWh per month during one year.

NOISE

Focused on the well-being of the population, systematic measurements of the level of sonorous pressure in the operation of the substations are carried out so that the noise of the power transformers does not surpass the limit established in the Federal and State legislation, thus preserving the quality of life of the communities in their neighborhood.

CEMAR purchases power transformers that already incorporate noise suppressors.

SEAL OF QUALITY

When purchasing materials used in its operations, CEMAR has a policy of choosing products with seals and certifications whose quality is controlled by recognized institutions.

All the items purchased and donated by the Program for making electric power more efficient have a seal of quality.

II. Light

With a history marked by important socio-environmental actions and responsible action before the community and the regions in which it is present, Light is consolidating in its environmental policy a global strategy of clear, concrete operation, before the growing challenges that the question of environmental preservation imposes on electric power companies.

This policy, which arose with the implementation of the Environmental Management System (SGA), has been guiding its environmental practices and assuring continued improvement in its environmental performance. Light's Environmental Management System received its first certification for conformity with NBR ISO 14001 in 2002; today, 182 of the company's units are now certified - substations, transmission lines, hydroelectric power stations and even commercial agencies and self service outlets. The certification of the complex of power generating stations includes, as well as the Environmental Management System, OHSAS 18001 (safety and health) norms and ISO-9001 (continual improvement in the quality of the processes).

Independent auditors' report

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

1. We have examined the accompanying balance sheet of Equatorial Energia S.A. and the consolidated balance sheet of the Company and its subsidiaries as of December 31, 2008, and the related statements of income, changes in shareholders' equity, cash flow and added value in operations for the years then ended, which are the responsibility of its management. Our responsibility is to express an opinion on these financial statements. The financial statements of the subsidiary Geranorte - Geradora de Energia do Norte S.A. at December 31, 2008, were examined by other independent auditors, on which a unqualified audit opinion was issued dated February 04, 2009. In the financial statements of Equatorial Energia S.A., the interest in this company is valued using the equity method, and represents investment of R$ 33,505 thousand; on which the interest did not have any effects on net income of the year, since this company is at the pre-operational stage. The financial statements of this investment, with total proportional assets amounting to R$ 33,592 thousand at December 31, 2008, have been included in the consolidated financial statements. Our opinion, with respect to the values of the investment and result from this subsidiary, and the proportional assets and liabilities included in the consolidated financial statements, is based on the opinion of these auditors.

2. Our examination was conducted in accordance with auditing standards generally accepted in Brazil and included: (a) planning of the audit work, considering the materiality of the balances, the volume of transactions and the accounting systems and internal accounting controls of the Company and its subsidiaries; (b) verification, on a test basis, of the evidence and records which support the amounts and accounting information disclosed; and (c) evaluation of the most significant accounting policies and estimates adopted by Company management and its subsidiaries, as well as the presentation of the financial statements taken as a whole.

3. In our opinion, based on our exams and on the other independent auditor’s report, the aforementioned financial statements present fairly, in all material respects, the financial position of Equatorial Energia S.A. and the consolidated financial position of the Company and its subsidiaries as of December 31, 2008, and the result of its operations, changes in its shareholders’ equity, cash flow and added value in operations for the year then ended, in conformity with accounting practices adopted in Brazil

4. The opinion for the joint venture RME - Rio Minas Energia S.A., includes an emphasis paragraph, given that the financial statements of Fundação de Seguridade Social Braslight, a pension fund sponsored by the indirect subsidiary Light S.A., for the year ended December 31, 2008, were audited by other independent auditors, who issued their opinion, dated January 29, 2009, which included an emphasis paragraph on the existence of the balance for R$ 130,941 thousand which referred to tax credits originating from the Entity’s tax immunity process, which has been judged, and which, according to projections prepared by its management, can be compensated in approximately nine years, against taxes to be paid in subsequent years. The future realization of the asset is dependent on the continuity of the compensation process with the Federal Inland Revenue Services, which was suspended in September 2005. If this suspension is maintained, this could result in the Company having to make a provision against the asset. This asset which guarantees the Entity’s actuarial reserves was deducted for purposes of calculating the actuarial deficit for the sponsor subsidiaries, as required by CVM Pronouncement 371/00. Consequently, if a provision is made for this amount, the liability in the joint venture, RME - Rio Minas Energia S.A. and in the indirect subsidiary Light S.A. could be adjusted, and consequently, the Company’s investment could be proportionally adjusted, for the amount of R$ 17,062 thousand.

5. The audit opinion for the joint venture RME - Rio Minas Energia S.A., includes an emphasis paragraph, as a result of the second periodic tariff review for the indirect subsidiary Light Serviços de Eletricidade S.A. (“Light SESA”), provided in the concession contract, whereby the National Electrical Energy Agency (ANEEL) authorized, on a provisionary basis, the tariff adjustment for the subsidiary to be 1.96%, to be applied as from November 07, 2008. After considering the additional financial charges of 2.3%, the impact on the tariff amounted to 4.27%. Possible effects arising from the final review, if implemented, will be reflected in the equity and financial position of the indirect subsidiary, Light SESA, in subsequent periods, and in the Company’s indirect investment, on a proportional basis.

6. Previously, we audited the financial statements of the Company and the consolidated financial statements of the Company and its subsidiary, for the year ended December 31, 2007, which included the balance sheet, the statements of income, changes in shareholders' equity and changes in financial position for the year then ended, as well as the supplementary information, which included the statements of cash flow and added value, on which we issued a unqualified opinion, dated February 29, 2008, including an emphasis paragraph, on the recognition, by the subsidiary Companhia Energética do Maranhão - CEMAR, of the balance not amortized for all of the financial components granted in the annual tariff adjustment made in August 2006, in the amount of R$2,964 thousand, which were not incorporated within in tariffs. The resolution of this uncertainty occurred through ANEEL Homologation Resolution 696, of August 26, 2008. As reported in Note 3, the accounting practices adopted in Brazil were altered as from January 01, 2008. The financial statements for the year ended December 31, 2007, presented together with the financial statements for 2008, were prepared in accordance with accounting practices adopted in Brazil in force until December 31, 2007 and, as permitted by Technical Pronouncement CPC 13 - Initial Adoption of law 11,638/07 and Provisionary Measure 449/08, they do not include the adjustments for purposes of making comparisons between the years.

7. Accounting practices adopted in Brazil vary in certain significant respects from International Reporting Standards – IFRS as issued by IASB. The joint venture RME - Rio Minas Energia S.A. which includes the indirect subsidiary Light S.A. and the subsidiary Companhia Energética do Maranhão – CEMAR, did not adopted the IFRIC 12 (Service Concession Arrangements) considering the exemption provided by BM&F BOVESPA for whose effects were not determined by the Companies' management, and also did not recognize the fair value of fixed assets at initial adoption as required by IFRS or the revision of the historical cost in compliance with IFRS, and except for those items, the information relating to the nature and effect of such differences were presented in Note 34 to the consolidated financial statements.

February 17, 2009, except for Note 34 to the financial statement which in dated April 30, 2009.

KPMG Auditores Independentes
CRC 2SP014428/O-6-S-MA

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

Equatorial Energia S.A.

(Publicly-held Company)

Balance sheets

December 31, 2008 and 2007

(In thousand of Reais)

		Parent Company		Consolidated	
Assets	**Note**	**2008**	**2007** (reclassified)	**2008**	**2007** (reclassified)
Current assets					
Cash and cash equivalent	5	6	139	28.908	69.652
Marketable securities	5	187.252	195.999	585.747	402.525
Consumers and resellers	6	-	-	896.818	265.685
Low income consumers	7	-	-	30.747	19.457
Services requested	11	-	-	22.260	4.063
Allowance for doubtful accounts	6	-	-	(258.192)	(23.878)
Recoverable taxes	8	10.105	7.280	192.771	61.165
Deferred income tax and social contribution	9	-	-	67.623	10.260
Prepaid expenses		23	40	984	469
Inventories		-	-	12.863	4.332
Regulatory assets	10	-	-	137.447	10.476
Dividends receivable		156.546	111.772	-	-
Other accounts receivable	11	3.495	-	21.920	1.191
		357.427	315.230	1.739.896	825.397
Non-current assets					
Long-term assets					
Consumers and resellers	6	-	-	102.378	22.333
Recoverable taxes	8	-	-	103.470	62.727
Deferred income tax and social contribution	9	-	-	478.677	216.546
Prepaid expenses		-	-	1.091	-
Regulatory assets	10	-	-	104.617	89.042
Judicial deposits		-	-	31.046	-
Others accounts receivable	11	-	-	7.917	-
		-	-	829.196	390.648
Property, plant and equipment	13	293	-	2.117.868	830.125
		293	-	2.117.868	830.125
Investiments	12	701.012	327.298	3.625	221
Intangible	14	247.212	237.222	364.905	278.684
Deferred assets	15	617	-	3.831	-
Total		1.306.561	879.750	5.059.321	2.325.075

See the accompanying notes to the financial statements.

Equatorial Energia S.A.

(Publicly-held Company)

Balance sheets

December 31, 2008 and 2007

(In thousand of Reais)

		Parent Company		Consolidated	
Liabilities and Shareholder's equity	**Note**	**2008**	**2007** (reclassified)	**2008**	**2007** (reclassified)
Current liabilities					
Suppliers	16	190	-	305.330	172.153
Payroll		37	45	1.501	577
Payroll charges		82	16	19.626	9.360
Loans and financing	17	-	-	110.276	31.036
Debentures	18	-	-	27.836	9.637
Regulatory taxes	19	-	-	37.109	3.476
Taxes payable	20	1.620	1.889	97.401	82.740
Dividends and interest on shareholders' equity	22	200.441	148.719	309.387	209.541
Provision for contingences	21	-	-	9.966	11.958
Public lighting tariff		-	-	23.679	10.781
Regulatory liabilities	10	-	-	55.086	12.376
Researches and development and Energy Efficiency Program	23	-	-	68.244	18.282
Profit sharing		3.036	1.787	12.054	7.790
Other accounts payable	24	29	478	59.641	5.277
		205.435	152.934	1.137.136	584.984
Non-current liabilities					
Loans and financing	17	-	-	944.053	476.280
Debentures	18	-	-	503.687	267.300
Taxes payable	20	-	-	204.301	60.783
Provision for contingences	21	-	-	243.778	31.184
Researches and development and Energy Efficiency Program	23	-	-	11.860	-
Regulatory liabilities	10	-	-	430	-
Other accounts payable	24	-	-	288.076	-
Negative goodwill	12	-	-	83.911	-
		-	-	2.280.096	835.547
Minority interest		-	-	540.963	177.728
		-	-	540.963	177.728
Shareholder's equity					
Capital	25	987.649	713.217	987.649	713.217
Capital reserves	25	2.611	-	2.611	-
Profit reserves	25	110.866	13.599	110.866	13.599
		1.101.126	726.816	1.101.126	726.816
Total		1.306.561	879.750	5.059.321	2.325.075

See the accompanying notes to the financial statements.

Equatorial Energia S.A.

(Publicly-held Company)

Statements of income

Years ended December 31, 2008 and 2007

(In thousand of Reais)

	Note	Parent Company		Consolidated	
		2008	2007 (reclassified)	2008	2007 (reclassified)
Revenues	**26**	-	-	3.461.794	1.244.383
Energy electric sales		-	-	3.167.018	1.226.485
Energy electric supply		-	-	113.142	1.877
Emergency capacity charges		-	-	-	153
Other revenues		-	-	181.634	15.868
Deductions		-	-	(1.115.767)	(357.231)
ICMS (VAT) on sales of Energy		-	-	(701.318)	(190.073)
Social contribution on billings - COFINS and Social Integration Program - PIS		-	-	(244.145)	(117.565)
Consumer charges		-	-	(154.754)	(37.921)
Quota in Global Reversal Reserve - RGR		-	-	(14.326)	(10.892)
Services Tax - ISS		-	-	(584)	(626)
Emergency capacity charges		-	-	2	(154)
Others		-	-	(642)	-
Net revenues		-	-	2.346.027	887.152
Cost of sales and/or services rendered		-	-	(1.434.313)	(443.055)
Cost of electric energy	**27**	-	-	(1.175.019)	(343.695)
Electric energy purchased for resale		-	-	(1.110.793)	(290.522)
Charge for the transmission and distribution system use		-	-	(64.226)	(53.173)
Operating cost	**27**	-	-	(259.300)	(99.291)
Personal		-	-	(47.572)	(10.298)
Material		-	-	(9.244)	(4.003)
Third party service		-	-	(55.570)	(23.650)
Depreciation and amortization		-	-	(141.299)	(58.674)
Leasing and rent		-	-	(16)	(584)
Others		-	-	(5.600)	(2.082)
Cost from third party service	**27**	-	-	6	(69)
Personal		-	-	(5)	(6)
Material		-	-	23	(45)
Third party service		-	-	(12)	(18)
Others		-	-	-	-
Gross profit		-	-	911.714	444.097
Selling expenses		-		(67.105)	(51.908)
General and administrative expenses		(2.777)	(4.371)	(68.801)	(25.695)
Management remuneration		(2.735)	(1.570)	(26.003)	(3.629)
Allowance for doubtful accounts and credit losses		-	-	(82.971)	(22.351)
Provision (reversal) for contingencies		-	-	938	(6.965)
Depreciation and amortization		(123)		(20.566)	(8.336)
Others operating income (expenses)		837	(3.398)	(24.851)	(12.135)
Service operating result		(4.798)	(9.339)	622.356	313.078
Financial income (expenses)	**27**	5.617	6.876	(6.439)	(32.173)
Financial income		19.323	22.328	145.434	80.083
Fine charged on electric energy sale		-	-	21.853	4.815
Loans and financing charges		-	-	(54.589)	-
Monetary and foreign exchange variation		-	-	(11.236)	(2.881)
Interest on loans and financing		-	-	(112.097)	(74.893)
Interest on shareholders' equity		(11.865)	(14.670)	(11.865)	(14.670)
Others		(1.841)	(782)	16.061	(24.627)
Equity in income	**27**	299.551	143.425	18.441	(1.611)
Operating income		300.370	140.962	634.359	279.294
Income before income tax and social contribution		300.370	140.962	634.359	279.294
Provision of income tax and social contribution tax		-	-	(127.310)	(67.952)
Social contribution tax		-	-	(17.076)	(19.624)
Income tax		-	-	(86.934)	(1.996)
Tax subsidy from SUDENE		-	-	46.577	-
Deferred income before income tax and social contribution	**9**	-	-	(69.877)	(46.332)
Income before profit sharing		300.370	140.962	507.049	211.342
Profit sharing		(3.272)	(2.787)	(20.172)	(8.778)
Income before minority interest		297.098	138.175	486.877	202.564
Minority interest		-	-	(198.627)	(62.790)
Interesets on shareholders' equity reversal		11.865	14.670	11.865	14.670
Net income for the year		308.963	152.845	300.114	154.444
Income per share (lot of thousand)		2,92	0,76	2,84	0,77
Number of shares		105.638.030	200.556.740	105.638.030	200.556.740

See the accompanying notes to the financial statements.

Equatorial Energia S.A.

(Publicly-held Company)

Statements of changes in shareholders' equity

Years ended December 31, 2008 and 2007

(In thousand of Reais)

	Capital	Capital reserves	Profit reserves: Legal	Profit reserves: Investment and expansion	Profit reserves: Unrealized	Retained earnings	Total
Balances at December 31, 2006	713.217	-	5.957	-	5.363	-	724.537
Profit reserve absorption	-	-	-	-	(5.363)	5.363	-
Net income for the year	-	-	-	-	-	152.845	152.845
Distributions:							
Legal reserve			7.642			(7.642)	-
Dividends	-	-	-	-	-	(135.896)	(135.896)
Interest on shareholders' equity	-	-	-	-	-	(14.670)	(14.670)
Balances at December 31, 2007	713.217	-	13.599	-	-	-	726.816
Adjusts first adoption of Law 11.638/07 and Provisional Measure 449/08	-	-	-	-	-	(9.680)	(9.680)
Grantee stock options		2.611				-	2.611
Capital increase	274.432	-	-	-	-	-	274.432
Net income for the year	-	-	-	-	-	308.963	308.963
Distributions:							
Legal reserve	-	-	14.964	-	-	(14.964)	-
Retained earnings reserve				82.303		(82.303)	-
Dividends	-	-	-	-	-	(190.151)	(190.151)
Interest on shareholders' equity	-	-	-	-	-	(11.865)	(11.865)
Balances at December 31, 2008	987.649	2.611	28.563	82.303	-	-	1.101.126

See the accompanying notes to the financial statements.

Equatorial Energia S.A.

(Publicly-held Company)

Statements of cash flows

Years ended December 31, 2008 and 2007

(In thousand of Reais)

	Parent Company		Consolidated	
	2008	2007	2008	2007 (reclassified)
Cash flows from operating activities				
Net income	308.963	152.845	300.114	154.444
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	123	-	161.864	67.010
Monetary variation	-	-	80.477	6.954
CVA	-	-	20.687	16.628
Credits from income tax and social	-	-	69.877	46.332
Minority interest	-	-	198.627	62.790
Amortization of goodwill	4.620	1.611	(20)	1.611
Allowance for doubtful accounts	-	-	82.971	22.350
Provision (reversal) for contingencies	-	-	(938)	7.418
Others	-	-	(2.080)	(1.012)
	313.706	154.456	911.580	384.525
Changes in assets and liabilities				
Increase in accounts receivable	-	-	(557.756)	(109.751)
Increase (decrease) in inventories	-	-	(8.531)	3.904
Increase (decrease) in recoverable taxes	(2.825)	(4.690)	(172.349)	(66.062)
Increase (decrease) in other accounts receivable	(48.252)	(3.939)	(643.388)	(35.957)
Increase (decrease) in supplies	190	-	133.177	14.574
Increase (decrease) in taxes payable	(270)	1.409	158.179	85.630
Increase (decrease) in other accounts payable and provisions	(10.399)	330	1.075.399	14.888
	(61.555)	(6.890)	(15.269)	(92.774)
Net cash provided by operating activities	252.150	147.566	896.311	291.751
Cash flows from investment activities				
Purchases of property, plant and equipment	(416)	-	(1.449.607)	(219.386)
Intangibles	(14.610)	-	(86.201)	-
Investments	(373.714)	-	(3.404)	-
Others	(616)	(29.941)	(3.831)	4.398
Net cash used in investment activities	(389.356)	(29.941)	(1.543.043)	(214.988)
Cash flows from financing activities				
Capital integralization	274.432	-	274.432	-
Profit reserve - subsidy	2.611	-	2.611	2.279
Dividends paid	(148.717)	(107.820)	(208.955)	(164.848)
Loans Payment	-	-	721.122	172.207
Net cash provided by (used in) financing activities	128.326	(107.820)	789.210	9.638
Net cash in the period	(8.880)	9.805	142.478	86.401
Increase in cash and cash equivalents				
At beginning of year	196.138	186.333	472.177	385.776
At end of year	187.258	196.138	614.655	472.177
Increase (decrease) in cash and cash equivalents	(8.880)	9.805	142.478	86.401

See the accompanying notes to the financial statements.

Equatorial Energia S.A.

(Publicly-held Company)

Statements of added value

Years ended December 31, 2008 and 2007

(In thousand of Reais)

	Parent Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Revenues				
Energy electric sales and supply	-	-	3.461.794	1.244.383
Others operating income (expenses)	837	(3.398)	(24.851)	(12.135)
Allowance for doubtful accounts	-	-	(82.971)	(22.351)
Provision (reversal) for contingencies	-	-	938	(6.965)
	837	(3.398)	3.354.910	1.202.932
Inputs from third parties (including ICMS e IPI)				
Cost of sales and/or services rendered	-	-	(1.175.019)	(343.695)
Materials, energy, third part services and others	-	-	(70.402)	(29.798)
Selling expenses and others	-	-	(67.748)	(51.908)
	-	-	(1.313.169)	(425.401)
Gross added value	837	(3.398)	2.041.741	777.531
Depreciation and amortization	(123)	-	(161.864)	(67.010)
Net added value	714	(3.398)	1.879.877	710.521
Added value received by transfers				
Equity in income	299.551	143.425	18.441	(1.611)
Profit reserve reversal	-	5.363	-	5.363
Financial income	19.323	22.328	167.288	84.898
Others	(1.841)	(782)	24.908	(26.226)
	317.033	170.334	210.637	62.424
Added value to distribute	317.747	166.936	2.090.514	772.945
Added value distribution				
Employees				
Remuneration	8.784	8.728	147.675	50.858
Benefits	-	-	29.435	15.420
FGTS	-	-	8.409	2.471
Others	-	-	(22.967)	(20.343)
	8.784 -	8.728 -	162.553	48.406
Taxes				
Federal	-	-	540.533	234.484
State	-	-	701.318	190.073
Municipal	-	-	584	626
	-	-	1.242.434	425.183
Remuneration on third's equity				
Interest	-	-	177.921	77.774
Rents	-	-	16	584
	-	-	177.937	78.358
Remuneração de capitais próprios				
Interest on shareholders' equity	11.865	14.670	11.865	14.670
Dividends	190.151	135.896	190.151	135.896
Retained earnings	106.947	7.642	106.947	7.642
Minority interest	-	-	198.627	62.790
	308.963	158.208	507.590	220.998
Added value	317.747	166.936	2.090.514	772.945

See the accompanying notes to the financial statements.

Equatorial Energia S.A.

(Publicly-held Company)

Notes to the financial statements

Years ended December 31, 2008 and 2007

(In thousand of Reais, unless when specified)

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 November 5, 2007, GP Energia Brasil LP (“GP Energia”) and PCP Latin America Power Fund Ltd. (“PCP Fund”) entered into an agreement by means of which both parties adjusted the terms and conditions governing the transfer of GP Energia’s entire interest in Equatorial Energia Holdings LLC, which indirectly controls Equatorial and CEMAR, to PCP Fund for the US$ equivalent of R$203.8 million. The transfer was authorized by ANEEL on December 18, 2007 and concluded on December 21, 2007.

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

Equatorial holds investments, as presented below:

Companhia Energética do Maranhão (“CEMAR”), a private stock corporation, whose main activity is the distribution of electrical energy. CEMAR’s concession area is the State of Maranhão, attending, at December 31, 2008, more than 1.5 million clients and covering an area in excess of 333 thousand Km^2. The concession contract for the distribution of electricity, number 060, agreed between the Company, the National Electrical Energy Agency - ANEEL and CEMAR, is effective until August 10, 2030, and can be extended for a further 30 years. On December 31, 2008, the Company held an investment interest of 65.14% (64.81% at December 31, 2007) in CEMAR.

Rio Minas Energia Participações S.A. ("RME"): On February 12, 2008, the Extraordinary General Meeting of Equatorial approved the incorporation of PCP Energia Participações S.A., a company that holds an indirect interest of 13.03% in Light S.A., through RME - Rio Minas Energia Participações S.A., in which it holds a 25% investment interest and which, through the shareholders' agreement, shares the control of the aforementioned company. The incorporation resulted in the investments in the energy sector in Latin America being concentrated in Equatorial, making it the only vehicle to expand its investment in the electrical energy market, through new investments and acquisitions. On this way, the Company now holds 25% in RME (Rio Minas Energia Participações S.A.), which held, on December 31, 2008, 52.13% in Light S.A. Light's activities include the sale, distribution and generation of electricity in 31 municipalities in the State of Rio de Janeiro, covering an area of 10,970 Km^{2,} which corresponds to 25% of the State territory, including 10 million inhabitants. With approximately four million clients, the sales of energy by Light S.A. represent more than 70% of all of the energy consumed in the state of Rio de Janeiro.

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

The subsidiary CEMAR, and the joint ventures RME and GERANORTE, shall hereafter be referred to in the notes as the "Subsidiaries", when mentioned together.

2 Presentation of financial statements

The individual and consolidated financial statements are presented in thousands of Reais, except when stated otherwise, including the notes to the statements, and were prepared in accordance with accounting practices adopted in Brazil, which include Brazilian Corporate Legislation, the Pronouncements, Guidelines and Interpretations issued by the Accounting Pronouncements Committee - CPC, the norms issued by the Securities Commission - CVM and specific legislation issued by the National Agency for Electrical Energy - ANEEL.

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

Alterations to Corporate Legislation

For purposes of preparing the financial statements for 2008, the Company adopted, for the first time, the alterations to Corporate Legislation introduced by Law 11,638, approved on December 28, 2007, with the respective alterations introduced by Provisionary Measure 449, issued on December 03, 2008.

Law 11,638/07 and Provisionary Measure 449/08 altered Law 6,404/76, in aspects related to the preparation and disclosure of the financial statements.

The adjustments related to the initial adoption of Law 11,638/07 and Provisionary Measure 449/08 are detailed in note 3 to the financial statements.

Authorization to conclude these financial statements was given by the Management Board and by the Statutory Audit Committee on February 17, 2009.

3 Summary of significant accounting practices

3.1 Initial adoption of Law 11,638/07

The Company and its subsidiaries opted to prepare the transition balance sheet on January 01, 2008, which is the starting point for the accounting records, according to Corporate Legislation altered by Law 11,638/07 and by Provisionary Measure 449/08. The alterations introduced by this legislation are characterized as changes to accounting practices, however, according to the option offered by Technical Pronouncement CPC 13 - Initial Adoption of Law 11,638/07, approved by CVM Decision 565, of December 17, 2008, and Provisionary Measure 449/08, all of the adjustments that have an impact on the results, for both the subsidiary and joint ventures and also the parent company, were registered against accumulated profits and losses, on the date of the transition, under the terms of article 186 of Law 6,404/76, without any retrospective effects on the financial statements.

a. The main accounting practices altered by the initial adoption of Law 11,638/07 and Provisionary Measure 449/08:

- In accordance with Decision 553/2008, of November 12, 2008, which approved Technical Pronouncement CPC 04, intangibles will include the rights that refer to non physical assets allocated to maintain the Company or used for this purpose. On December 31, 2008, CEMAR reclassified the amount of R$47,453 (R$41,462 at December 31, 2007) to intangibles, which had previously been registered to fixed assets. In addition, this Technical Pronouncement determined that goodwill and negative goodwill which is based on facts, should be classified to intangibles, and that the investment accounts should only include the goodwill or negative goodwill that is not based on business purposes. Until December 31, 2007, the goodwill and negative goodwill, irrespective of whether it was based on facts, was registered to investments (see note 14).

- Provisionary Measure 449/08 determined there is no requirement for the segregation between operational and non operational results. Consequently, the Company has reported this income/expense to the operational group and not after the line “operational results”, under the heading “Other non recurring income/expenses” (see note 27).

(In thousand of Reais, unless when specified)

- In compliance with Decision 565/2008, of December 17, 2008, which approved Technical Pronouncement CPC 13, the employees and management's participation, even in the form of financial instruments, defined as being based on the proportional right to the entity's profit, were classified as profit share, after the line for income tax.

  As a result of the alterations stated above, the Company has made the following reclassifications to the statements for the year ending December 31, 2007, for comparison purposes: faltou inserir o quadro abaixo.

	Parent Company		**Consolidated**	
	Reported	**Reclassified**	**Reported**	**Reclassified**
Property, plant and equipment - net	-	-	871,587	830,125
Intagible assets	237,222	237,222	237,222	278,684
Other operating income (expense)	(8,728)	(9,339)	(123,987)	(131,019)
Other non operating income (expense)	(3,398)	-	(7,998)	-
Profit sharing	-	(2,787)	-	(8,778)

- In compliance with CVM Decision 556, of November 12, 2008, which approved Technical Pronouncement CPC 08, its subsidiary and joint ventures started to register the costs incurred from obtaining funds from third parties as reductions against the borrowing and financing accounts and amortize the amounts based on the same amortization curve for the respective loan. Until December 31, 2007, these costs had been registered as prepayments and amortized on a straight line basis, over the period of the loan (see note 17).

- In compliance with CVM Decision 566, of December 17, 2008, which approved Technical Pronouncement CPC 14, the derivatives of the subsidiary and joint ventures were considered to be "derivative financial instruments allocated for hedging" and the foreign currency debts were considered to be "objects of hedging", and are registered at their fair values (see note 40). Until December 31, 2007, the derivatives in the subsidiary and joint ventures had been registered in accordance with contractual terms. The net effect of the mark-to-market of the derivatives and the respective foreign currency debts ("*hedge accounting*") did not generate significant differences.

- In compliance with CVM Decision 564, of December 17, 2008, which approved Technical Pronouncement CPC 12, the balance for trade accounts receivable arising from the installment payments of long term debts was adjusted to its present value using interest rates that reflect the nature of these assets with respect to the time period, risk, currency, and pre-fixed or post-fixed recovery terms. The effects from the present value adjustment as a result of the initial adoption of Law 11,638/07 and Provisionary Measure 449/08 were registered against accumulated profits and losses on the date of the transition. After analyzing the relevance of the other items, both in current assets and current liabilities, the present value adjustment was judged immaterial by Management, and was not recognized in the financial statements (see note 6).

- In compliance with CVM Decision 527, of November 1, 2007, which approved Technical Pronouncement CPC 01, the Company is required to periodically analyze the recoverability of the amounts registered to fixed assets, intangibles and deferred charges. After the Company had performed these tests, it observed that there is no evidence of devaluation of its assets, and consequently, no provision was registered.

- In compliance with CVM Decision 562, of December 17, 2008, which approved Technical Pronouncement CPC 10, the effects of the payments based on shares are reflected in the Company’s income statement and balance sheet, to the heading options granted recognized.

- In compliance with CVM Decisions 547 and 557, which approved Technical Pronouncements CPC 03 and 09 respectively, the Company has replaced its Statement of Changes in Financial Position with the Statement of Cash Flow and has included a Statement of Added Value. The Company’s annual financial statements already included, as additional information, the aforementioned statements; therefore, their legal requirement did not have any impact on the level of disclosure or comparison of results.

(In thousand of Reais, unless when specified)

- In compliance with CVM Decision 555, of November 12, 2008, which approved Technical Pronouncement CPC 07, the amount corresponding to the donations and subsidies for investment, including tax exemptions or reductions, granted to encourage the implantation or expansion of economic enterprises, and also any donations, made by the public power, will be registered to an income account. The subsidiary CEMAR registered the amounts that refer to the subsidies from the SUDENE tax incentive, for 2008, to results, as a reduction against the income tax expense, and subsequently transferred the amounts to a tax incentive reserve, for the amount of R$46,577. Until 2007, these amounts had been recorded directly to a capital reserve account.

- In compliance with Law 11,638/07 and Provisionary Measure 449/08, the balance for deferred charges on the date of the transaction, was in part written off against retained earnings, in part reclassified to fixed assets in progress and in part maintained as deferred charges.

The effects on the results and shareholders' equity from the initial adoption of Law 11,638/07 and Provisionary Measure 449/08, net of tax effects, are presented below:

	Net profit	**Shareholders' equity**
Balance according to the financial statements at December 31, 2008:	308,963	1,099,548
Effects of Law 11,638:		
SUDENE tax incentive	(46,578)	-
Costs from obtaining funding	(2,062)	-
Options granted recognized	581	8,626
Financial instruments measured at fair values based on results (joint venture RME)	15	15
Deferred charges	(2,058)	8,716
Income tax and social contribution temporary differences	169	(4,992)
Present value adjustment	1,075	9,613
Balances prior to adopting Law 11,638/07 and Provisionary Measure 449/08	260,105	1,121,526

The tax effects from the adjustments, as a result of the initial adoption of Law 11,638/07 and Provisionary Measure 449/08, when applicable, were registered to shareholders' equity accounts, and the adjustments were recorded as the corresponding entries for the deferred tax asset or liability accounts.

3.2 *Significant accounting polices*

Summary of the accounting practices altered by the initial adoption of Law 11,638/07 and Provisionary Measure 449/08:

a. *Statements of income*

Operating income and expense are recognized on an accrual basis.

b. *Accounting estimates*

In compliance with CVM Decision 539, of March 14, 2008, the preparation of the financial statements in accordance with accounting practices adopted in Brazil requires that management from the Company and from its subsidiary and joint ventures use their judgment in determining and registering accounting estimates. Assets and liabilities subject to estimates and assumptions include the residual value of fixed assets, intangibles, the provision for impairment, the allowance for doubtful receivables, the provision for devaluation of inventories, deferred income tax asset, the provision for contingencies, the measurement of financial instruments and the assets and liabilities related to employee benefits. Settlement of the transactions that involve these estimates could result in amounts that differ from the estimates, given the inaccuracies inherent to the process for determining such. The Company and its subsidiary and joint ventures review these estimates and assumptions at least annually.

c. *Financial instruments*

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

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

- **Instruments held to maturity**

  If the Company intends and has the capacity to hold its financial instruments to maturity, they are classified as 'held to maturity'. Investments held to maturity are stated at cost amortized using the effective interest rate, less any impairment.

- **Instruments available for sale**

  The Company's investments in financial instruments are classified as available for sale when, after being initially recognized, they are then valued at their fair values and any variations, except impairment, and the foreign currency differences related to these instruments are recognized directly to shareholders' equity, net of tax effects. When the investment is no longer recognized, the gain or loss accumulated to shareholders' equity is transferred to results.

- **Financial instruments at fair values through results**

  An instrument is classified at its fair value through results, if it is held for trading, that is, registered as such when it is initially acquired. Financial instruments are stated at their fair values through results if the Company manages these investments and makes the purchasing and selling decisions based on their fair values in accordance with the investment and risk management strategies documented by the Company. After being initially recognized, the transaction costs attributable to these instruments are then recognized to results when incurred. Financial instruments at fair values through results are measured at their fair values, and any variations are recognized to results.

- **Borrowings and receivables**

  These are non derivative financial assets with fixed payments or payments that can be calculated, and are not quoted on an active market.

d. 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 year (see Note 17).

e. Current and non-current assets

- **Marketable securities**

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

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

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

- **Low income customers**

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

- **Investments**

  Represented by the interest in the subsidiary and joint ventures, valued using the equity method.

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

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

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

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

  Pursuant to Accounting Instruction 6.3.23 of the Accounting Manual for the Public Electric Energy Service, the amount corresponding to Concession Obligations is stated as a reduction of property, plant and equipment. These obligations include amounts received from consumers for the works required to meet power supply requests, and funds received from the Government, from the state of Maranhão and from other sources, as specific financing for electricity Generation, Transmission and Distribution projects, including funds from the Rural Power Supply Program - Programa Luz Para Todos (see Note 13c).

  In Light the balance for special obligations refers to consumers’ financial participation, the Government’s budget allocations, and federal, state and municipal funding to implement the enterprises necessary to meet the demand for electrical energy.

- **Intangible assets**

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

  Intangibles also include the goodwill or negative goodwill registered from the purchase of the subsidiary and joint ventures, CEMAR, RME and Geranorte, derived from the difference between the acquisition price and the book value of company acquired, in accordance with CVM Instruction 247, of March 27, 1996, less accumulated amortization.

- **Other current and non-current assets**

  Stated at net realizable values.

f. Current and non-current liabilities

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

- **Loans, financing, charges and debentures**

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

- **Provision for contingencies**

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

- **Other current and non-current liabilities**

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

g. *Provisions*

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

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

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

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

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

i. Retirement and pension plan

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

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

j. Remuneration plan based on shares

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

4 Consolidated financial statements

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

When applicable the following consolidation procedures were also adopted:

- Full recognition of the assets, liabilities, income and expenses for the period for CEMAR, in which it holds an investment interest of 65.14% and proportional recognition of the assets, liabilities, income and expenses for the period from the date of acquiring RME, of 25%, and GERANORTE, of 25%, corresponding to the percentages interest in those Companies, respectively;

(In thousand of Reais, unless when specified)

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

On February 12, 2008 Equatorial Energia S.A. incorporated the company PCP Energia Participações S.A. The balance sheet, considered for incorporation purposes, according to the appraisal report, at book value, prepared by independent experts, was dated December 31, 2007, with the equity pick-up calculated for the company RME to the base date October 31, 2007. This equity pick-up for the months of November and December, in the amount of R$18,463, was recorded directly to the results of the incorporating entity during the first semester of 2008, as established in the incorporation deed. Due to the consolidation methodology, this amount can not be eliminated.

Presented below is the statement of the variation in the results of the parent company and on consolidation, for 2008:

	Value
Net profit of the parent company at December 31, 2008	308,963
Provision for PIS (social integration program)/COFINS (tax for social security financing) fine (registered as debit directly to the indirect subsidiary's shareholders' equity Light SESA)	728
Fiscal effects of income and social contribution taxes - Reversal of R&D and PEE expenses (registered as credit directly to the indirect subsidiary's shareholders' equity Light SESA)	(6,591)
Payment based on shares - Light (registered as credit directly to the indirect subsidiary's shareholders' equity Light S.A.)	(2,927)
Payment based on shares - CEMAR (registered as credit directly to the indirect subsidiary's shareholders' equity CEMAR)	(27)
Others	(32)
Consolidated net profit at December 31, 2008	300,114

(In thousand of Reais, unless when specified)

5 Cash and cash equivalents

The marketable securities refer to the operations undertaken with national financial institutions, remunerated under normal market terms and rates, and are available to be used in the operations undertaken by the Company and its subsidiary and joint ventures, that is, they are financial assets that are available for sale. The investments include Committed Debentures (debentures with repurchase agreement) from the Unibanco issue, for the amount of R$73,183, and Banco Bradesco, for the amount of R$57,858, which is a fixed income security, remunerated at a percentage of the Interbank Deposit Certificate - CDI. This is similar to a Certificate of Deposit - CDB, and is tied to the debentures registered with CETIP included in the portfolios belonging to the issuing banks. During 2007, the most significant investment was the FIQ-Araçagy Fund (the Company's exclusive fund) for the amount of R$195,999, these amounts were reallocated to fixed income investments, in order to avoid risks arising from the 2008 financial crisis, which affected the investments in hedge funds.

a. Composition of cash and cash equivalents:

	Parent Company		Consolidated	
Cash and cash equivalents	**12/31/2008**	**12/31/2007**	**12/31/2008**	**12/31/2007**
Cash and banks	6	139	28,908	69,652
Marketable securities	187,252	195,999	585,747	402,525
Total	187,258	196,138	614,655	472,177

b. Composition of marketable securities:

			Parent Company		Consolidated	
Investment type	**Index**	**Maturity**	**12/31/2008**	**12/31/2007**	**12/31/2008**	**12/31/2007**
Overnight (Indirect Subsidiaries LIR e LOI)	-	Daily	-	-	248	-
CDB (Bank deposits certificate)	CDI	Daily	56,212	-	313,718	196,680
Investment funds	-	-	-	195,999	5,919	178,822
LFT (*)	-	-	-	-	6,415	27,023
Committed debentures	CDI	Daily	131,040	-	251,090	-
Others	CDI	Daily	-	-	8,357	-
Total			187,252	195,999	585,747	402,525

(*) LFT (Federal Treasury Notes) - Investments in Federal Treasury securities through the custodian bank.

(In thousand of Reais, unless when specified)

6 Consumers and resellers

	Consolidated	
	2008	**2007**
Current		
Billed power supply	666,514	188,311
Unbilled power supply	91,987	24,818
Installment payment of debts	81,059	34,474
	839,560	247,603
Sales within the CCEE ambit (note 26)	6,019	197
Supply and charges for the use of the electricity network	13,111	11
Credits recoverable on the tariff	16,994	-
PERCEE	115	114
Concessionaries	304	250
Services rendered	969	1,075
Checks in collection	1,338	1,021
Others	18,408	15,414
	57,258	18,082
	896,818	265,685
(-) Allowance for doubtful debts	(258,192)	(23,878)
	638,626	241,807

(In thousand of Reais, unless when specified)

	Consolidated	
	2008	**2007**
Non-current		
Sales within the CCEE ambit (note 26)	8,010	8,010
Installment payment of debts (1)	94,368	14,323
Checks in collection	3,638	3,638
	106,016	25,971
(-) Allowance for doubtful debts	(3,638)	(3,638)
	102,379	22,333

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

a. Allowance for doubtful debts

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

Consumers with relevant debts

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

For other cases

- Residential consumers - 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.

(In thousand of Reais, unless when specified)

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

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

Consolidated	**12/31/2008**			
	Undue	**90 days or less**	**Over 90 days**	**Total**
Residential	107,886	78,303	196,385	382,575
Industrial	20,203	14,206	54,042	88,451
Commercial	61,236	25,465	46,720	133,420
Rural	4,274	3,388	2,091	9,753
Public Power	14,001	10,624	24,986	49,611
Public lighting fee	8,200	2,564	9,221	19,986
Public service	75,860	8,323	6,903	91,086
Billed power supply and installment payment (current and non current)	291,660	142,873	340,348	774,882

Consolidated	**12/31/2007**			
	Undue	**90 days or less**	**Over 90 days**	**Total**
Residential	49,834	28,503	7,401	85,738
Industrial	12,860	8,647	3,912	25,419
Commercial	24,509	9,661	3,962	38,132
Rural	4,004	2,839	2,302	9,145
Public Power	5,958	6,685	1,741	14,384
Public lighting fee	4,319	1,083	321	5,723
Public service	5,959	2,226	1,585	9,770
Billed power supply and installment payment (current and non current)	107,443	59,644	21,224	188,311

(*) These tables don't contain the CEMAR's installments payment total amount of R$70,252 on December 31, 2008 (R$48,796 on December 31, 2007).

For the indirect jointly held subsidiary Light SESA, the period for billing RTE ended in February 2008. In June 2008 Light SESA wrote off the special rate re-composition and free energy items and their corresponding provisions, with no impact on the Company's income.

b. Electric Energy Trade Chamber - CCEE

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

The amounts referring to trading at the Electric Energy Trade Chamber - CCEE were recorded based on information disclosed by CCEE. On December 31, 2008 the operations undertaken within the CCEE ambit create the right to a credit for the amount of R$5,669 (On December 31, 2007 these operations didn't create the right for credits).

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

7 Low income customers

On July 1st, 2003, ANEEL issued Resolution 320, which provided additional procedures for approval of the economic subsidy for consumers in the Low Income residential subclass. As result of these procedures, as of December 31, 2008, R$30,747 (R$19,457 on December 31, 2007) was receivable from ELETROBRÁS by the subsidiary and joint ventures.

(In thousand of Reais, unless when specified)

8 Recoverable taxes

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

	Parent Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Current				
Recoverable income tax and social contribution (d)	-	-	26,955	-
IRRF (Withholding income tax)	1,285	2,822	7,954	5,311
ICMS (value-added tax on sales and services) (b)	-	-	65,674	25,563
PIS (Social Integration Program) and COFINS (Social Contribution on Revenues) (c)	-	-	25,987	-
Prepaid income tax and social contribution (a)	-	3,641	51,145	25,234
Recoverable income tax	8,690	817	9,421	1,907
Others	130	-	5,635	3,150
Total	10,105	7,280	192,771	61,165

	Parent Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Non-current				
ICMS (b)	-	-	62,198	42,472
COFINS (Social Contribution on Revenues) (c)	-	-	39,767	20,255
PIS (Social Integration Program)	-	-	1,505	-
Total	-	-	103,470	62,727

(a) Prepaid Income Tax (IR) and Social Contribution on Net Profit (CSLL) refer to the amounts paid on a monthly basis, based on estimates or suspension trial balances, under article 2 of Law 9,430, December 27, 1996.

(b) Subsidiaries CEMAR and Light pursuant to Complementary Law 102, July 11, 2000, the Subsidiaries have recorded ICMS recoverable on the purchase of fixed assets. In the indirect joint subsidiary Light SESA, the value of the credits arises from renegotiating the debt with CEDAE, that represent on December 31, 2008 R$18,003.

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

In RME this refers to off settable tax credits deriving from corrections of the calculation bases for PIS and COFINS tax for the period from February/04 to April/08, in which certain sector-specific charges were deducted from the calculation bases for these taxes. Related to the period from November, 2008 to April, 2009, the amount referred to credits estimated have been passed-through for the consumers. The amount of R$11,723 is recognized in other debts account.

(d) Refers to tax credits to compensate, arising from the reimbursements of marketable securities and from public bodies, and belonging to RME (through Light).

9 Deferred income tax and social contribution

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

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

On this way, the referred credits are recorded in the Subsidiary CEMAR, as 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 its realization.

(In thousand of Reais, unless when specified)

As from 2007, after complying, cumulatively, with all of the conditions under this CVM regulation, the indirect joint subsidiary Light SESA started to recognize new deferred assets on the temporary differences and also reversed part of the provision to recover the tax credits.

In the indirect joint subsidiary Light the deferred taxes were recorded assuming future realization, taking into consideration:

- Tax loss and the negative base of CSLL (social contribution on net income) base - will be compensated up to the limit of 30% per year, on the bases calculated in the coming tax years.

- Temporary differences - realization will occur at the time of making the payment or reversal of the provisions and/or the effective loss of the allowance for doubtful debts.

The assets for deferred IRPJ (corporate income tax) and CSLL (social contribution on net income) credit arise from tax losses and the negative CSLL base, and the income/expenses (temporary non deductible provisions) recognized to results, which will be added back and/or deducted from the taxable profit and the CSLL base, in future periods for purposes of calculating taxes. Presented below is the composition of the deferred assets as of December 31:

a. Breakdown of the income tax and social contribution credits

	Parent Company		**Consolidated**	
	12/31/2008	**12/31/2007**	**12/31/2008**	**12/31/2007**
Assets - Current and non-current				
Negative bases for income tax and social contribution	-	-	413,224	226,806
Allowance for doubtful debts	-	-	75,231	-
Provision for profit share	-	-	2,822	-
Provision for labor claims	-	-	14,002	-
Provision for tax contingencies	-	-	34,015	-
Provision for civil contingencies	-	-	23,733	-
Impacts of first time adoption Law 11,638	-	-	4,992	-
Other provisions	-	-	7,897	-
	-	-	575,916	226,806
(-) Provision for recovery	-	-	(29,616)	-
Total	-	-	546,300	226,806

(In thousand of Reais, unless when specified)

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:

CEMAR	Amount	
2009	6,900	(*)
2010	7,962	
2011	13,464	
2012	20,920	
2013	29,212	
2014 to 2017	141,030	
Total	219,488	

(*) International Accounting Standards IAS 1 determines that deferred tax carry forwards should be recognized in the long term. According to Brazilian legislation in force, in the absence of a specific standard, IFRS practices should be adopted. Therefore, the Company has reclassified these credits to non current assets.

The aforementioned technical studies correspond to Management's best estimates of the Company's future growth and the market in which it operates. These studies for the year 2007 were approved by the Board of Directors from CEMAR, on December 18, 2006. A new technical viability study for 2009 has been prepared by the Company, which will be submitted for approval by the Board of Directors on February 17, 2009.

(In thousand of Reais, unless when specified)

These tax loss carry forwards have been up dated by Light SESA (an indirect subsidiary of RME), to ensure they are based on facts, taking into consideration the realizations to December 2008, the technical viability studies, and approved by the Board of Directors, and considered by the Statutory Audit Council, based on forecasts prepared in December 2008, which indicate recovery within 11 years. The tax credit recorded considers that the amount will be recovered within 10 years, as defined in the CVM Instruction 371/2002 and assuming there is no limitation period according to IRPJ Regulation. This study was based on expected future taxable profits, with the realization of the installments for this deferred tax asset presented below by year.

RME consolidated	**Amount**
2009	67,623
2010	68,078
2011	63,518
2012	43,554
2013	44,672
2014 to 2016	25,420
2017 to 2019	43,563
	356,428
(-) Provision for recovery	(29,616)
Total	326,812

The aforesaid technical studies are management’s best estimates for future operations and for the market in which subsidiary and joint ventures operate and were approved by their respective Board of Directors.

(In thousand of Reais, unless when specified)

c. Reconciliation of income tax and social contribution expenses

The reconciliation of expense calculated by applying the tax rates to the result of the Parent Company and the Consolidated of Income Tax (IR) and Social Contribution (CS) expense debited in net income is stated, on years of 2008 and 2007 as follows:

	Parent Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Profit before income and social contribution taxes	297,415	138,175	634,357	279,294
Profit sharing	(3,272)	(2,787)	(20,172)	(8,778)
Profit before income and social contribution taxes	294,143	135,388	614,185	270,516
Taxes rates	34%	34%	34%	34%
Income and Social Contribution taxes calculated at statutory rates	(100,009)	(46,032)	(208,823)	(91,975)
Effects of income tax and social contribution on net income on the permanent additions and exclusions	-	-	11,183	3,335
Effect of income tax and social contribution on net income on the equity in income of external subsidiary	100,009	46,032	50,996	29,052
Offshore Company Income – 2008	-	-	(20,290)	-
Realization of deferred corporate income tax/social contribution on net income	-	-	15	-
Compensation of tax loss - 30% - not recognized to results	-	-	(7,441)	(8,363)
Tax incentives	-	-	47,051	-
Income and social contribution taxes	-	-	(127,308)	(67,951)
Current income and social contribution taxes	-	-	(57,432)	(21,620)
Deferred income and social contribution taxes	-	-	(69,876)	(46,332)
	-	-	(127,310)	(67,952)

* Book profit without the effects from the reclassifications according to Note 3.1. (c).

(1) Incentive for Accelerated Depreciation

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

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

(2) Incentive for Income Tax reduction

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

The CVM, through decision 555, approved Technical Pronouncement CPC 07, which refers to government grants and assistance, and determined the book recognition of grants given in the form of reduction or exemption of taxation on income In the subsidiary CEMAR, total income to December 31, 2008, was R$46,578. Law 11,638/07 eliminated Capital Reserves and Donations for Investments and created the Tax Incentive Reserve, whereby the general shareholders meeting can, following a proposal by management, allocate to the tax incentive reserve the part of net profit that arises from government subsidies or grants for investments, which can be excluded from the calculation base for compulsory dividends. CEMAR management allocated the part of profit that referred to the SUDENE tax incentive, for the amount of R$46,578, to form the tax incentive reserve.

10 Regulatory assets and liabilities

	Consolidated Assets			
	Current		Non-current	
	12/31/2008	**12/31/2007**	**12/31/2008**	**12/31/2007**
Details - Compensation Account for Variations (CVA)				
Energy Development Account - CDE	353	329	-	-
Fuel Consumption Account - CCC	39,866	2,106	7,968	-
Cost of acquisition electric energy	-	418	18,855	-
Charge from System Service - ESS	32,874	-	3,550	-
Transport of Energy by the Basic network	2,241	535	689	-
PROINFA	1,247	1,095	-	-
Deferred Tariff Re-composition - RTD	17,024	-	60,447	89,042
Portion 'A'	32,978	-	-	-
Excess contracting of energy	-	485	-	-
Price of Liquidation of Differences - PLD	-	-	8,431	-
PIS/COFINS	-	175	-	-
Financial adjustment TUSD	6,758	418	-	-
Financial adjustment CUSD	60	393	-	-
Frontier Adjustment Installment	1,192	19	-	-
Lights for All Program - PLPT	85	3,476	4,471	-
Transport of Energy by Itaipu	655	-	206	-
Financial exposition	-	358	-	-
Other regulatory assets	2,114	669	-	-
Total CVA	137,447	10,476	104,617	89,042

(In thousand of Reais, unless when specified)

	Consolidated Liabilities			
	Current		Non-current	
Details - Compensation Account for Variations - CAV	**12/31/2008**	**12/31/2007**	**12/31/2008**	**12/**
Fuel Consumption Account - CCC	1,492	5,181	-	-
Energy Development Account - CDE	7,716	-	416	-
Cost of acquisition electric energy	34,505	3,192	-	-
Charge from System Service - ESS	-	-	-	-
PROINFA	1,400	-	14	-
PIS/COFINS	-	794	-	-
Transfer found of over contraction of electric energy (art.38 do Dec.5,163/04)	3,934	-	-	-
Excess contracting of energy	930	-	-	-
Frontier Adjustment RB	1,523	132	-	-
Financial exposition	2,957	2,932	-	-
Others	629	145	-	-
Total - Compensation Account for Variations (CVA)	55,086	12,376	430	-

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

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

b. *Deferred Tariff Re-composition - RTD*

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

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 Resolution 196 dated August 22, 2005 ANEEL only authorized an immediate pass-through of 7.16%, plus the external financial components to the periodic tariff review (CVA and regulatory assets) of 3.80%, resulting in a total increase in the tariff of 10.96%. CEMAR is to receive the difference in the index in three installments, during 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 indexes approved of 15.95% and the index authorized for immediate pass-through to the tariffs (7.16%). Under Resolution 196, ANEEL will include a specific amount in Portion B of the tariff readjustments for the next three years (August 2006, 2007 and 2008) to compensate the difference. In August 2006 and 2007, ANEEL ratified the tariff readjustment, and passed the first portion of the RTD (R$42,451) through to the tariffs.

In August 2008, ANEEL decided to delay recovery, from CEMAR, of the third installment of the deferment, for the amount of R$60,447, which will be granted as a financial element only after the periodic tariff review in August 2009, to be amortized over the following twelve months. This amount has been registered to non current assets, based on expected realization. At December 31, 2008, CEMAR had calculate a Regulatory Asset for the total amount of de R$77,471 (R$89,042 at December 31, 2007).

(In thousand of Reais, unless when specified)

c. Regulatory Assets PIS and COFINS

Refers to the increase in rates and the change in the criteria for calculating PIS and COFINS to the non cumulative basis, according to Laws 10,637/02 and 10,833/03, respectively, altered by Law 10,865/04, passed-through in the 2007 tariff readjustment, from the indirect subsidiary Light SESA, through Resolution 563, of November 06, 2007, amortized by October 2008.

11 Other accounts receivable

	Parent Company		Consolidated	
	12/31/2008	**12/31/2007**	**12/31/08**	**12/31/07**
Current				
Advances to supplies and employees	-	-	4,089	709
Public lighting contribution	-	-	6,435	-
Rental of real estate	-	-	28	-
Goods and rights allocated for sale			-	68
Service orders	-	-	22,260	4,063
Swap deposits	3,487		3,487	-
Others	8	-	7,881	414
Total	3,495	-	44,180	5,254
Non-current				
Others	-	-	4,810	-
Goods and rights allocated for sale	-	-	3,107	-
Total	-	-	7,917	-

(In thousand of Reais, unless when specified)

12 Investments in subsidiary and joint ventures, intangible assets, and transactions with related parties

The main data about investments in Subsidiaries is as follows:

	Parent Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Shareholder's equity equivalents:				
CEMAR (1)	383,800	327,298	-	-
RME (2)	286,816	-	-	-
GERANORTE (3)	33,505	-	-	-
Subtotal	704,121	327,298	-	-
Others	-	-	3,625	221
Negative goodwill	(3,109)	-	(83,911)	-
Subtotal	-	-	(80,286)	221
Total	701,012	327,298	(80,286)	221

According to Technical Pronouncement OCPC 02 item 53, for consolidation purposes, the negative goodwill was reclassified to non current liabilities, for the amount of R$83,911.

(In thousand of Reais, unless when specified)

a. *Information about subsidiary and joint ventures*

	CEMAR	RME	GERANORTE
Balances on 12/31/2007			
Interest (%)	64.81%	-	-
Capital	157,727	-	-
Shareholder's equity	505,026	-	-
Net income for the year	180,077	-	-
Balances on 12/31/2008			
Interest (%)	65.14%	25.00%	25.00%
Capital	252,513	709,310	88,020
Shareholder's equity	589,210	1,147,263	134,020
Net income for the year	227,804	549,217	-

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

	CEMAR	RME	GERANORTE
Balances on 12/31/2007	327,298	-	-
New acquisitions	-	266,284	33,505
Equity in the income of subsidiary and joint ventures	147,922	131,355	-
Dividends	(91,193)	(110,823)	-
Capital loss	(227)	-	-
Balances on 12/31/2008	383,800	286,816	33,505

(1) CEMAR

Companhia Energética do Maranhão ("CEMAR"), a public company, whose main activity is the distribution of electricity. CEMAR's concession area is the state of Maranhão, and on December 31, 2007, it served approximately 1.5 million clients, covering an area in excess of 333 thousand Km^2. The Concession Contract number 060, signed between the Company ANEEL and CEMAR, is valid until August 10, 2030, and can be extended for a further 30 years.

(2) RME

On February 12, 2008, the Extra-Ordinary General Meeting approved the incorporation, in Equatorial, of PCP Energia Participações S.A., a company that holds an indirect investment of 13.06% in Light S.A., through RME - Rio Minas Energia Participações S.A., which, through the shareholders' agreement, shares the control in the aforementioned company. The incorporation will enable investments in the Brazilian energy sector to be concentrated in Equatorial, making it the only vehicle for expanding its participation in the electrical energy sector, through new investments and acquisitions. Furthermore, the incorporation will provide added value through the exchange of best practices for managing investments, which will result in benefits for Equatorial and consequently, for its shareholders.

(3) GERANORTE

Equatorial Energia S.A. ("Equatorial" or the "Company") acquired 25% of the shares in the company Geradora de Energia do Norte S.A. ("Geranorte").

Geranorte is a company at the pre-operational phase, and is responsible for the implantation and operation of the thermo-electric plants of Tocantinópolis and Nova Olinda, in the city of Miranda do Norte, in the State of Maranhão, and has installed capacity of 330 MW, which will provide energy for the National Inter-connected system.

In accordance with the Communication to the Market, published on April 23, 2008, this purchase was conditional upon: (i) previous authorization from the National Electrical Energy Agency - ANEEL; (ii) the completion of a legal and financial audit of Geranorte by Equatorial; and (iii) the finalization of the negotiations between the parties of the terms and conditions for the related documents that regulate the operation.

With respect to the items stated above, the Company has confirmed that: (i) it obtained previous authorization from ANEEL in relation to the request by Equatorial to belong to the group controlling Geranorte, according to the authorization published in the Official Government Gazette, dated September 18, 2008; (ii) it has concluded the legal and financial audit of Geranorte; and (iii) it has signed contracts that define the terms and conditions for the operation between the parties.

The consortium that retains the control in Geranorte consists of Equatorial Energia S.A. (25%), Fundo de Investimentos em Participações Brasil Energia (25%) and GNP S.A. (50%). Whilst GNP S.A., consists of Servtec Investimentos e Participações Ltda. (50%) and Companhia Ligna de Investimentos (50%). The control over Geranorte will be shared and governed by a Shareholders' Agreement.

The authorization to construct and operate the Tocantinópolis and Nova Olinda plants was obtained by auction A-3, held in June 2007. During this auction, 240 MW (120 MW for each plant) were sold, guaranteeing annual fixed income of approximately R$136.2 million (approximately R$68.1 million for each plant).

The plants will be constructed by the Finish Group Wärtsilä, in the form of a EPC system (Engineering Procurement Construction), and each plant will consist of 19 generating groups of 20V32, which will use heavy oil with a high viscosity level. The project started to be implanted during the second semester of this year, and the plants should become commercially operational in January 2010.

The total value of the project is approximately R$500 million and the investment interest held by Equatorial (25%), is equivalent to R$125 million. The Company invested R$45 million using its own funds, and intends to finance the remaining amount through financing lines.

c. *Transactions with related parties*

The main asset and liability balances at December 31, 2008 and 2007, and the transactions that affected the results for the year, from related party transactions, refer to transactions between the Company and its subsidiary and joint ventures and its related parties, between shareholders, and related parties, key professionals from management and other related parties, in accordance with CVM Decision 560, of December 11, 2008, which approved Technical Pronouncement CPC 05 - Disclosure of Related Parties.

(In thousand of Reais, unless when specified)

Subsidiary CEMAR

			2008			2007		
Companies	**Ref**	**Transaction Nature**	**Assets**	**Liabilities**	**Income statement**	**Assets**	**Liabilities**	**Income statement**
ELETROBRÁS	(a)	Loans	-	340,236	17,957	-	293,691	17,623
		Dividends	-	46,998	-	-	57,990	-
FASCEMAR	(b)	Loans	-	27,856	3,952	-	28,041	3,685
		Private pension	-	-	1,194	-	-	1,470
EQUATORIAL	(c)	Sharing agreement	114	-	-	50	-	-
		Dividends	-	91,196	-	-	117,772	-
LIGHT	(d)	Electric energy purchased	-	1,105	8,758	-	1,002	8,377
		Distribution system use	-	-	6	-	1	6
CHESF	(e)	Electric energy purchased	-	9,138	72,180	-	7,502	62,595
		Distribution system use	-	164	4,762	-	533	4,684
ELETRONORTE	(f)	Electric energy purchased	-	7,497	47,825	-	4,390	34,518
		Distribution system use	-	517	14,625	-	1,720	14,355
FURNAS	(g)	Electric energy purchased	-	13,507	106,108	-	13,172	103,105
		Distribution system use	-	191	6,161	-	625	5,997
CEMIG	(h)	Electric energy purchased	-	1,725	13,666	-	1,384	10,517
		Distribution system use	-	51	1,419	-	122	1,394
CEPISA	(i)	Electric energy purchased	-	-	-	-	-	-
		Distribution system use	-	1,461	12,194	-	1,157	10,180

(a) The amounts with ELETROBRÁS refer to the dividends payable and loan contracts. The loan contracts with ELETROBRÁS arise from the financing lines specifically for the Electrical Sector and the terms agreed are the same as those practiced with other Brazilian electrical energy distributors (see Note 17);

(b) The amounts with FASCEMAR refer to borrowings and contributions between CEMAR and FASCEMAR. The loan contracts are described in note 17 and the terms of the pension plan between CEMAR and FASCEMAR are presented in Note 29.

(c) The amounts with Equatorial Energia S.A. (parent company of CEMAR) refer to the contract to share human resources, administration and the proportional allocation of the respective expenses incurred, for an indeterminate period; and also dividends payable.

(d) The amounts with Light Serviços de Eletricidade S.A. refer to the contracts to purchase electrical energy, and are agreed under normal market terms, and valid as follows: product CCEAR 2005 number 320/2004 until 2012 and product CCEAR 2006 number 705/2004 and 27,167 until 2013.

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

(f) The amounts with Centrais Elétricas do Norte do Brasil S.A. - ELETRONORTE refer to the contracts to purchase electrical energy, which are agreed under normal market terms and also use of the network The contracts are: contract product CCEAR 2005 nº 184/2004 valid until 2012, contract product CCEAR 2006 nº 565/2004 valid until 2013, contract CCEAR 2007 nº 863/2007 valid until 2014, contract CCEAR 2008 nº 1,226/2005 valid until 2015 contract product A-1 nº 3,193/2006 valid until 2014.

(g) The amounts with Furnas Centrais Elétricas S.A. - FURNAS, refer to the contracts to purchase electrical energy, which are agreed under normal market terms and also use of the network. The contracts are: contract CCEAR 2005 nº 286/2004 valid until 2012, contract product CCEAR 2006 nº 670/2004 valid until 2013, contract product CCEAR 2007 nº 925/2004 valid until 2014 and contract P8 new nº.1,833/2005 valid until 2037.

(h) The amounts with Cemig Geração e Transmissão S.A. - CEMIG refer to the contracts to purchase electrical energy, which are agreed under normal market terms and also use of the network. The contracts are: contract product CCEAR 2006 nº 390/2004 valid until 2013 and contract product CCEAR 2008 nº 1,056/2005 valid until 2015.

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

(In thousand of Reais, unless when specified)

Joint subsidiary RME

			2008			2007		
Companies	**Ref**	**Transaction Nature**	**Assets**	**Liabilities**	**Income statement**	**Assets**	**Liabilities**	**Income statement**
CEMIG	(a)	Electric energy purchased	-	649	22,104	-	1,680	13,884
CEMIG	(a)	Electric energy sale	614	-	(5,365)	589	-	(5,132)
CEMIG	(a)	Charges of system use Light SESA with Cemig	37	-	(503)	39	-	(449)
CEMIG	(a)	Charges of basic network use Light SESA with Cemig	-	95	3,246	-	347	3,060
EQUATORIAL	(a)	Electric energy sale- CEMAR	276	-	2,190	251	-	2,094
BNDES	(b)	Loans FINEM	-	108,266	(8,682)	-	60,873	(1,346)
BNDES	(b)	Loans Credit line	-	599	(225)	-	784	84
BNDES	(b)	Loans Debentures	-	6,017	(692)	-	10,042	1,095
BNDES	(b)	Pro Esco and Energy efficiency project of Santos Dumont Condominium	-	149	-	-	-	-
Braslight		Foundation of social security - BRASLIGHT	-	258,040	(56,343)	-	222,979	(26,706)

(a) Controlling Group - Rio Minas Energia Participações S.A - RME, a company that is jointly controlled by Companhia Energética de Minas Gerais - CEMIG, Andrade Gutierrez Concessões, Luce do Brasil Fundo de Investimento em Participações and Equatorial Energia S. A.

(b) BNDESPAR holds direct and indirect interests in the subsidiary and the joint operational ventures of Light S.A.

Presented below is a summary of the contracts agreed with the related parties of RME:

Companies	Ref	Nature of transaction	Value	Date	Overdue date	Rescission conditions	Remaining balance (thousand) 12/31/2008
CEMIG		Electric energy purchased	109,922	01/01/2006	31/12/2015	30% of remaining balance	1,781
CEMIG		Electric energy sale	39,060	Jan/2005	Dec/2013	-	614
CEMIG		Charges of system use Light SESA with Cemig	-	Nov/2003	Indeterminate	-	37
CEMIG		Charges of basic network use da Light SESA with Cemig	-	Dez/2002	Indeterminate	-	370
EQUATORIAL		Electric energy for sale agreement	15,304	Jan/2005	Dec/2013	-	276
BNDES		Loans FINEM	137,333	Nov/2007	Sept/2014	-	108,266
BNDES		Loans Credit line	3,537	Mar/1999	Apr/2010	-	599
BNDES		Loans Debentures	26,250	Jan/1998	Jan/2010	-	6,017
BNDES		Pro Esco and Energy efficiency project of Santos Dumont Condominium	149	Dez/2008	Oct/2014	-	149
Braslight		Foundation of social security - BRASLIGHT	133,763	Jun/2001	Jun/2026	Until de contract deadline	258,040

Additional information - agreements in progress

Light, in order to leverage its capacity to develop and implement new generating projects and given the proved capacity in this area, of its shareholder Companhia Energética de Minas Gerais - CEMIG (“Cemig”), has entered a Memorandum of Understanding (“Memorandum”) which, amongst other rulings, establishes that the parties will seek to produce, together, business plans to development and implement generation generating projects (“Generation Project”). The Memorandum also determines that the parties will enter into specific instruments for each of the Generation Projects that are implemented, and that the Company’s investment, directly or through its subsidiaries, in each of these consortiums, will be 51% and that the investment by CEMIG, directly or through its subsidiaries, will be 49%.

Light’s portfolio includes some projects that are at the development stage, and it has formalized, through its subsidiaries Lightger Ltda., Itaocara Energia Ltda. and Light Energia S.A., three contracts for the Constitution of Consortium with Cemig Geração e Transmissão S.A. (“Cemig GT”), a wholly owned subsidiary of Cemig, the purpose of which is to exploit the hydro-electric enterprises in the regions of Paracambi, Itaocara and Lajes, respectively.

(In thousand of Reais, unless when specified)

All of the aforementioned private instruments were agreed by the parties under suspensive terms, therefore, their effectiveness depends on obtaining all of the authorizations or consent required from the appropriate regulatory bodies, including, but not limited to, ANEEL - National Agency for Electrical Energy.

Equatorial provides a guarantee as the cosignatory or guarantor of CEMAR, for the following financing contracts:

Institution	Value of financing	% guarantee	Beginning	Deadline	Value liberated
Banco do Nordeste do Brasil - BNB	136,076	100	11/23/2005	02/28/2017	136,076
Financiadora de Estudos e Projetos - FINEP	2,637	100	06/13/2006	06/30/2013	2,359
Agência Especial de Financiamento Industrial - FINAME (40/00221-7)	46	100	04/20/2006	05/15/2013	46
Agência Especial de Financiamento Industrial - FINAME (40/00222-5)	506	100	07/07/2006	05/15/2013	388
Banco de Desenvolvimento do Nordeste - BNDES (106607040004100)	28,481	100	04/10/2007	02/15/2012	28,481
Banco do Nordeste do Brasil - BNB (193.2007.4165.2386)	9,652	100	12/06/2007	12/06/2012	9,652
Banco do Nordeste do Brasil - BNB (193.2007.4498.2433)	4,860	100	12/19/2007	12/19/2008	4,860
International Finance Corporation - IFC (*)	135,056	50	02/01/2008	01/15/2016	135,056
Banco de Desenvolvimento do Nordeste - BNDES (10/473589-0)	79,663	100	03/11/2008	07/15/2013	79,663
3ª Public emission of debentures	267,300	100	03/21/2007	03/01/2013	267,300
Total	664,277				663,881

(*) Exposure limit US$40,000,000.00

Total remuneration received by management for the year ending December 31, 2008, is presented below:

	2008	2007
Short terms benefits	2,361	1,637
Rescission of employment contract benefits	440	-
Grantee stock options	15	1,358
Total	2,816	2,995

(In thousand of Reais, unless when specified)

13 Property, plan and equipment

	Consolidated			
	12/31/2008			12/31/2007
Activities	**Costs**	**Accumulated depreciation**	**Net value**	**Net value**
Generation	263,200	(108,093)	155,107	571
Transmission	4,325	(1,984)	2,341	-
Distribution	3,463,935	(1,351,379)	2,112,556	983,882
Administration	64,156	(50,761)	13,395	9,408
Selling	49,336	(8,277)	41,059	3,178
In service	3,844,952	(1,520,494)	2,324,458	997,039
Generation	16,228	-	16,228	169
Distribution	445,957	-	445,957	341,111
Administration	34,586	-	34,586	20,635
Selling	1,614	-	1,614	1,389
In progress	498,385	-	498,385	363,304
Total	4,343, 337	(1,520,494)	2,822,843	1,360,343
(-) Special Obligations linked to the concession	(705,234)	259	(704,975)	(530,218)
Net Total	3,638,103	(1,520,235)	2,117,868	830,125

(In thousand of Reais, unless when specified)

Special obligations linked to the concession

	Parent Company and consolidated	
	2008	**2007**
Consumer contributions	(34,760)	(7,570)
Consumer contributions depreciation	176	-
Donations and investments subsidies	(10,711)	(1,301)
Donations and investments subsidies depreciation	63	-
Government participation	(74,833)	(74,833)
Research and development	(2,916)	-
Research and development depreciation	20	-
Universalization of SPEE	(581,605)	(446,105)
Energetic efficiency program - PEE	(16)	(16)
Others	(393)	(393)
Total	704,975	530,218

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. As of December 31, 2008 the balance of disposal of goods and rights is R$208.

(a) Fixed assets in progress

In Subsidiary CEMAR, the balance of fixed assets in progress refers to work in progress, materials in storage, purchase in progress and prepayment of suppliers, in the amounts of R$325,261, R$45,919, R$6,116 and R$9,884, respectively (R$330,611, R$36,543, R$4,771 and R$7,702 on December 31, 2007, respectively).

Of the total materials in storage, the amount of R$28,289 (R$24,831 on December 31, 2007), represents material held in storage to meet the requirements of the “Programa Luz para Todos”, of Subsidiary CEMAR, and mainly refers to poles, transformers, cables, meters, power converters, among other items to be used for works in progress.

A provision was made, by the Subsidiary CEMAR, for losses deriving from items which have not been used for over 180 days, with amount on December 31, 2008 of R$1,959 (R$958 on December 31, 2007). The balance of fixed assets in progress for distribution is net of this provision.

In the indirect subsidiary Light SESA, fixed assets in progress include the inventories of materials for projects, which, at December 31, 2008, amounted to R$13,366 and a provision for devaluation of inventory of R$372.

(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 6, 2006, are as follows:

(In thousand of Reais, unless when specified)

Subsidiary CEMAR

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

Indirectly subsidiary Light

Generation	**(%)**	**Distribution**	**(%)**	**Sales**	**(%)**	**Administration**	**(%)**	**Transmission**	**(%)**
Bars	2.5	Condenser banks	6.7	Buildings	4.0	Buildings	4.0	System conductors	2.5
Circuit breaker	3.0	Distribution keys	6.7	General equipments	10.0	General equipments	10.0	General equipments	10.0
Buildings	4.0	System conductors	5.0	Vehicles	20.0	Vehicles	20.0	System structure	2.5
Water taking equipments	3.7	Circuit breaker	3.0					Re-connectors	4.3
Water taking structure	4.0	Buildings	4.0						
Generator	3.3	System structure	5.0						
Engine generator group	5.9	Meters	4.0						
Tanks., weirs and adductors	2.0	Regulators	4.8						
Local communication system	6.7	Re-connectors	4.3						
Hydraulic turbine	2.5	Transformers	5.0						
Depreciation middle rate Generation	3.8	Depreciation middle rate Distribution	4.9	Depreciation middle rate Sales	11.3	Depreciation middle rate Administration	11.3	Depreciation middle rate Transmission	4.8

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 tariffs as from the next tariff 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 until the end of the concession period.

The contributions from consumers refer to funds received to execute the services required to meet electricity supply requests. In the Subsidiary CEMAR, the donations and subsidies are mainly the amounts provided by ELETROBRÁS to finance the "Programa Luz para Todos", to the amount of R$581,605 until December 31, 2008 (R$446,105 on December 31, 2007), net of taxes. Government participation refers to federal funds received to execute electrical projects linked to the Public Electricity Service.

In the indirect subsidiary Light SESA, the Special Obligations from the Concession included at June 30, 2008, the amount of R$17,483 which referred to the "Reserve for Reversal", which originated from funds from RGR, and incurs financial charges which are paid annually to Eletrobrás. Consequently, the Company reclassified this amount to non current liabilities.

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.

(In thousand of Reais, unless when specified)

Stated as offsets to property, plant and equipment, obligations related to the concession mainly refer to funds received from consumers to implement ventures necessary to meet electricity orders. These obligations are directly related to the public electricity service concession. According to SFF/ANEEL Circular 1,314/2007, issued June 27, 2007, they shall be amortized as from the 2nd periodical tariff review (August 28, 2008 to CEMAR and on November 2008 to Light SESA) at a rate to be specified by ANEEL corresponding to the average rate of the assets in service. In light SESA the average rate calculated for amortization of special obligations was 3.5%, taking into consideration the registration units for the distribution activity.

The changes in consolidated fixed assets are presented below:

				Transfers		
	Balance on 2007	**Additions (*)**	**Write-offs**	**Capitalization**	**Inventory**	**Balance on 2008**
In service						
Generation	1,513	259,958	(400)	2128	-	263,199
Transmission	-	4,325	-	-	-	4,325
Distribution	1,548,528	1,359,102	(32,195)	529,305	59,196	3,463,936
Sales	37,113	56,527	(545)	4,361	(48,119)	49,337
Administration	(11,561)	73,386	(2,261)	16,195	(11,310)	64,449
Subtotal	1,575,593	1,753,298	(35,401)	551,989	(233)	3,845,246
(-) Depreciation						
Generation	(942)	(105,936)	281	-	(1,497)	(108,094)
Transmission	-	(1,984)	-	-	-	(1,984)
Distribution	(564,646)	(769,662)	23,310	-	(40,381)	(1,351,379)
Sales	(2,719)	(43,985)	662	-	37,766	(8,276)
Administration	(10,247)	(45,287)	562	-	4,210	(50,762)
Subtotal	(578,554)	(966,854)	24,815	-	98	(1,520,495)
Total In service	997,039	786,444	(10,586)	551,989	(135)	2,324,751
In progress						
Generation	169	18,480	(46)	(2,128)	(247)	16,228
Transmission	-	-	-	-	-	-
Distribution	341,111	967,787	(368,262)	(529,305)	34,626	445,957
Sales	1,389	4,982	(396)	(4,361)	-	1,614
Administration	20,635	29,853	-	(16,195)	-	34,293
Subtotal	363,304	1,021,102	(368,704)	(551,989)	34,379	498,092
Total	1,360,343	1,807,546	(379,290)	-	34,244	2,822,843

(*) The additions include the assets in the indirect subsidiary RME, incorporated in 2008.

(In thousand of Reais, unless when specified)

14 Intangible

a. Goodwill based on expected future profitability

	Consolidated	
	12/31/2008	**12/31/2007**
Information on intangibles		
Goodwill	240,331	241,942
Goodwill on the purchase of Geranorte	11,500	-
Negative goodwill	-	(3,109)
Amortization during the year	(4,619)	(1,611)
	247,212	237,222

The historic cost of goodwill refers to the acquisitions of CEMAR, on June 30, 2000 and Geranorte, on October 01, 2008. Since it refers to goodwill based on expected future profitability, the Company has recorded the amounts to intangible.

(In thousand of Reais, unless when specified)

b. Other intangible

Intangible consist of the following, by activity:

	Consolidated			
	12/31/2008			12/31/2007
Intangible activity	**Cost**	**Accumulated amortization**	**Net value**	**Net value**
Intangible				
Distribution	55,954	(44,566)	11,388	6,651
Generation	1,450	(1,409)	41	-
Administration	42,596	(24,965)	17,631	15,110
Sales	46,220	(24,205)	22,015	3,377
In Service	146,220	(95,145)	51,075	25,138
Distribution	4,939	-	4,939	778
Generation	29,415	-	29,415	-
Administration	28,594	-	28,594	14,838
Sales	3,670	-	3,670	708
In progress	66,618	-	66,618	16,324
Total intangible, net	212,838	(95,145)	117,693	41,462

The intangible asset in the subsidiary CEMAR comprises software, rights of way, and others. Software is amortized at the rate of 20% per annum.

The indirect subsidiary, Light has recorded Software to intangibles, which is depreciated at the rate of 20% p.a. and also rights of way, which are not depreciated, since they refer to the right to use a strip of land, normally associated with a transmission and distribution line.

(In thousand of Reais, unless when specified)

15 Deferred charges

Deferred charges consist of R$617, which refer to the parent company's restructuring costs; R$1,457 in the joint venture, Geranorte, arising from pre-operational expenses; and R$1,757 for the joint venture RME, which refers to restructuring costs.

	Parent Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Deferred charges				
Financial charges	-	-	1,002	-
Organization/administration/others	-	-	122	-
Tax charges	-	-	119	-
Insurance	-	-	531	-
Technical consulting	-	-	70	-
Travel and accommodation	-	-	18	-
Pre-operational income	-	-	(405)	-
Restructuring costs	617	-	2,374	-
Total - CVA	617	-	3,831	-

16 Suppliers

	Parent Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Current				
Foreign currency - Transfer founds Itaipú	-	-	27,934	-
UTE Norte Fluminense	-	-	20,399	-
Charges for the use of the electricity network	-	-	28,133	6,566
Sales within the CCEE ambit	-	-	3,279	-
Charges of system services	-	-	1,616	-
Free energy - Compensation of generators	-	-	266	242
Energy auctions	-	-	74,584	39,569
Others	190	-	1,905	-
			158,116	46,377
Material and services	-	-	147,214	125,776
Total	190	-	305,330	172,153

(In thousand of Reais, unless when specified)

17 Loans and financing

	Consolidated							
	2008					2007		
	Current		Non-current			Current	Non-current	
	Principal and charges	Funding costs to apportion (*)	Principal and charges	Funding costs to apportion (*)	Total	Principal and charges	Principal and charges	Total
Foreign currency								
National Treasury	6,084	-	46,996	-	53,080	722	10,224	10,946
Financial Institution	2,065	-	632	-	2,697	-	-	-
	8,149	-	47,628	-	55,776	722	10,224	10,946
Local currency								
Eletrobrás	32,895	-	310,105	-	342,999	15,410	278,280	293,690
IFC	8,603	(265)	135,056	(1,613)	141,781	-	-	-
BNB	20,003	(64)	124,740	(88)	144,591	6,601	137,998	144,599
BNDES	31,375	(3)	170,516	(10)	201,877	3,886	24,775	28,661
FINEP	484	(5)	1,695	(16)	2,158	252	795	1,047
FINAME	100	-	136	-	236	97	235	332
Bradesco	3,504	-	112,500	-	116,004	-	-	-
ABN Amro	980	-	20,000	-	20,980	-	-	-
Financial Institution	71	-	-	-	71	-	-	-
	98,015	(337)	874,748	(1,727)	970,697	26,246	442,083	468,329
Loans - debt with FASCEMAR	4,450	-	23,406	-	27,856	4,070	23,971	28,041
Total	110,613	(337)	945,782	(1,727)	1,054,329	31,036	476,278	507,316
Total net	110,275		944,054					

(*) In accordance with Decision 556, of November 12, 2008, which approved Technical Pronouncement CPC 08, the subsidiary CEMAR appropriated the costs that refer to borrowings obtained in 2008 to results, over the period of the funding, based on the amortized cost method.

(In thousand of Reais, unless when specified)

Description	Contractual rates % p.a.	Transaction costs incurred	Balance of transaction costs to appropriate	Maturity	Value of debt 12/31/2008	Value of debt 12/31/2007
BNB head office	10%	207	152	12/06/2012	9,565	4,818
FINEP	TJLP + 2%	31	21	06/30/2013	2,158	1,047
BNDES II	TJLP + 3.6%	15	13	07/15/2013	68,636	-
IFC	90.9% of CDI + 1.5%	2,100	1,878	01/15/2016	141,782	-
Total		2,353	2,064		222,141	5,865
Current			337			
Non current			1,727			

a. *Covenants*

The subsidiary and joint ventures have borrowings and financing (CEMAR-BNDES, IFC and 3rd debenture issue, indirect subsidiary Light SESA - 5th debenture issue, CCB Bradesco, ABN Amro and BNDES-Finen) which require that certain indebtedness indicators and interest coverage be maintained. During the year ended December 31, 2008, the subsidiary and joint ventures fulfilled all of the indicators required under contract.

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

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

(In thousand of Reais, unless when specified)

	Consolidated					
	12/31/2008			12/31/2007		
	Local currency	**Foreign currency**	**Total**	**Local currency**	**Foreign currency**	**Total**
2008	-	-	-	23,772	508	24,280
2009	83,520	7,068	90,588	-	-	-
Total short-term	83,520	7,068	90,588	23,772	508	24,280
2009	-	-	-	39,894	216	40,111
2010	107,662	5,812	113,474	42,438	827	43,265
2011	124,632	5,180	129,812	98,954	827	99,781
2012	140,035	3,823	143,858	81,954	603	82,557
2013	206,537	2,465	209,002	-	-	-
2014	33,535	967	34,502	-	-	-
After 2014	253,760	29,116	282,876	178,634	7,242	185,876
Total long-term	866,161	47,363	913,524	441,874	9,715	451,590
Total	949,681	54,431	1,004,112	465,646	10,223	475,870

(In thousand of Reais, unless when specified)

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

Consolidated					
Financing	**Date of sign**	**Currency**	**Financial charges**	**2008**	**2007**
TN - Par Bond	04/29/1996	*US$*	6.0000%	23,033	-
TN - Escrow - Par Bond	04/29/1996	*US$*	U$ Treasury	(10,877)	-
TN - Discount Bond	04/29/1996	*US$*	Libor + 13/16	15,994	-
TN - Escrow - Discount Bond	04/29/1996	*US$*	U$ Treasury	(7,630)	-
TN - Flirb	04/29/1996	*US$*	Libor + 13/16	292	-
TN - C. Bond	04/29/1996	*US$*	8.0000%	10,812	-
TN - Debit. Conv.	04/29/1996	*US$*	Libor + 7/8	7,640	-
TN - New Money	04/29/1996	*US$*	Libor + 7/8	288	-
TN - Bib	04/26/1996	*US$*	6.0000%	358	-
BNDES - Imports	03/27/1998	*Umbndes*	Basket BNDES + 4%	599	-
Societe Generale II	07/20/2000	*US$*	Libor + 0.65%	1,102	-
KFW III, IV, e V - Tranche A/B/C	11/3/2000	*US$*	Libor + 0.65%	995	-
TN - Par Bond	04/15/1994	*US$*	US$ + 6% p.a.	3,641	2,773
TN - Discount Bond	04/15/1994	*US$*	US$ + (Libor/Sem + 13/16% p.a.)	5,219	3,974
TN - Flirb	04/15/1994	*US$*	US$ + (Libor/Sem + 13/16% p.a.)	66	152
TN - C. Bond	04/15/1994	*US$*	US$ + 8% p.a.	2,440	2,195
TN - Debit. Conv.	04/15/1994	*US$*	US$ + (Libor/Sem + 7/8% p.a.)	1,740	1,702
TN - New Money	04/15/1994	*US$*	US$ + (Libor/Sem+ 7/8% p.a.)	66	150
Foreign currency				55,778	10,946

(In thousand of Reais, unless when specified)

Consolidated					
Financing	**Date of sign**	**Currency**	**Financial charges**	**2008**	**2007**
ELETROBRÁS	Various	UFIR	5% p.a.	2,763	-
BNDES - FINEM	11/05/2007	TJLP	TJLP + 4.3% p.a.	108,266	-
CCB Bradesco	10/18/2007	CDI	CDI + 0.85%	116,004	-
Working capital - ABN Amro	08/27/2008	CDI	CDI + 0.95%	20,980	-
Various bank sureties				71	-
BNDES Proesco	12/12/2008	TJLP	TJLP + 2.5% p.a.	148	-
BNDES II	03/11/2008	TJLP	TJLP + 3.6% p.a.	68,649	-
ELETROBRÁS	04/27/2004	RGR, FINEL e IGP-M	Various	340,236	293,691
BNDES - FINEN	04/10/2007	TJLP	TJLP + 4.8%p.a..	24,826	28,661
BNB	11/23/2005	FNE	9.78% p.a.	135,027	134,902
FASCEMAR	04/20/2001	CDI	102%CDI	27,856	28,041
FINEP	06/13/2006	TJLP	TJLP + 2% p.a.	2,179	1,047
FINAME	04/20/2006	TJLP	TJLP + 9.5% p.a.	235	332
BNB - new head office	12/06/2007	FNE	9.78% p.a.	9,716	4,818
BNB - Turn	12//19/2007	FNE	(50% * 9.78% p.a.) + (50% * 1.15% p.m.)	-	4,878
IFC	02/01/2008	CDI	90.9% do CDI + 1.5% p.a.	143,659	-
Local currency				1,000,615	496,370
Total				1,056,393	507,316
Current				110,613	31,036
Non-current				945,780	476,280

d. *Universal Rural Power Supply Program*

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

Since the start of the Program, on 2004, CEMAR has invested R$766,543 until December 31, 2008 (R$557,640 until December 31, 2007) in the Universalization Program.

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

Presidential Decree 4,873 dated November 11, 2003, introduced the "Programa Luz para Todos" within the Universalization Plan, which aims to provide electricity to the sections of the Brazilian rural population which do not yet have access to this public service by 2008.

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

In 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 was ended on October 2007, supplying to 48,610 families. The contract totals was R$100,778, including the reimbursement of R$21,568, through the debt acknowledgement contract ECFS- 2669/07. At December 31, 2008 the effective rate to this operation was 6% per annum.

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. This contract was ended on December 2008 and attended to 60,035 consumers. The contract totals realized to date amounted to R$207,072, including the reimbursement of R$37.892, realized after amendment EFCS number 140-D/2008, which decreased the physical goals for this contract. At December 31, 2008 the effective rate to this transaction was 6% per annum.

In April 2007, CEMAR also signed with Eletrobrás, contract ECFS 176/2007 - 3rd stretch, which refers to the third stage of the program, aimed at attending more than 73,059 consumers. The total value of the contract is up to R$291,012. The total value of the contract is up to R$291,012, and at December 31, 2008, the amount of R$261,911 had been realized. At December 31, 2008, the effective rate for this transaction was 6% per annum.

In August 2008, CEMAR signed with ELETROBRÁS, the contract ECF nº. 236/2008 - 4th Series, which referred to the 4th stage of the program, which forecast attending more than 67,136 consumers. The total value of the contract is up to R$338,597, with the amount of R$101,579 liberated at the time of signing the contract. At December 31, 2008, the effective rate for this transaction was 6% per annum.

The ELETROBRAS funds coming from as follows:

- An amount equivalent to up to 13.34% of the total cost of the works in progress, estimated at R$937,459, not including labor expenses, transportation and management, will be obtained through funds from the Global Reversal Reserve - RGR, which corresponds to a loan of in the amount of R$125,057; and

- An amount equivalent to up to 86.66% 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$812,402, as an economic subsidy, in accordance with Law 10,762, dated November 11, 2003.

Since the start of the program CEMAR has received R$100,778 under the ECF-027/2004 agreement, with R$13,437 coming from RGR funds and R$87,341 from CDE funds; and R$207,072 under the ECFS-140/2006 agreement, with R$27,610 from RGR funds and R$179,462 from CDE funds and R$261,911, which refers to contract ECFS-176/2007, with R$34,921 arising from funds from RGR and R$226,989 from CDE and R$101,579, which refer to contract ECFS-236/2008, being R$13,544 derived from RGR funds and R$88,035 from CDE funds.

In the subsidiary RME, the National Program for Universal Access and Use of Electrical Energy, aimed to attend new connections in the rural areas - 'Light For All Program', without any onus on the client, connected 1,001(*) new consumers, for a total estimated cost of R$2,595. In September, 2007, Light SESA concluded all of the installations anticipated for the program. Even after achieving the universal goals presented to ANEEL, Light SESA continued to connect consumers characterized as falling within the Universal Program.

In order to execute this program, ELETROBRÁS disbursed R$300 and Light SESA participated with the sum of R$2,209.

(*) information not audited by the independent auditors.

(In thousand of Reais, unless when specified)

18 Debentures

	Consolidated							
	2008					2007		
	Current		Non-current			Current	Non-current	
	Principal and charges	Funding costs to apportion	Principal and charges	Funding costs to apportion	Total	Principal and charge	Principal and charge	Total
Debentures	27,836	-	503,687	-	531,523	9,637	267,300	276,937

Third Debenture Issue - CEMAR

On March 28, 2007 the public distribution ended of the 3rd issuance of CEMAR's non-convertible debentures.

The funds obtained for the amount of R$267,300 were initially allocated to make prepayments for existing debts that had more onerous terms for the subsidiary, and the remaining funds were allocated to implement CEMAR's investment program. At December 31, 2008 the effective rate for this operation was 13.1% per annum. During April 2007, pre-payments were made for the following contracts:

Contracts	Value
ELETROBRÁS (2035/00)	87,073
ELETRONORTE (Protocol)	91,065
ELETRONORTE (Supply)	56,919
2nd Debenture issuance	16,953
CCV Agreement	2,946
CCV Fund	2,946
Total	257,902

(In thousand of Reais, unless when specified)

		Consolidated					
		2008		2007			
Financing	Date of Sign	Principal	Charges	Principal	Charges	Currency	Financial Charges
BNDES - 1st Debentures issuance (RME)	16/2/1998	5,731	286	-	-	TJLP	TJLP + 4% p.a.
BNDES - 4th Debentures issuance (RME)	30/6/2005	30	-	-	-	TJLP	TJLP + 4% p.a.
5th Debentures issuance (RME)	22/1/2007	239,021	6,701	-	-	CDI	CDI + 1.50%
3rd Debentures issuance (CEMAR)	21/3/2007	267,300	12,455	267,300	9,637	CDI	105.8% CDI
Local currency		512,082	19,442	267,300	9,637		
Current		8,394	19,442	-	9,637		
Non-current		503,687	-	267,300	-		

In compliance with Decision 556, of November 12, 2008, the costs incurred from funding, for the amount of R$3,323, have been deducted from the principal sum for the debentures in the subsidiary RME.

Amendment to the 5th debenture issue

In 2008, RME negotiated with the banks coordinating the 5th debenture issue, the following alterations to their registration, approved in the General Meeting of Debenture Holders, held on May 14, 2008:

(In thousand of Reais, unless when specified)

i. Alteration to the amortization flow for the principal sum for the debentures, as presented below:

Date	**Original flow**	**New flow**
22-jan-08	1.25%	1.25%
22-apr-08	1.25%	1.25%
22-jul-08	1.25%	0.50%
22-oct-08	1.25%	0.50%
22-jan-09	1.25%	0.50%
22-apr-09	1.25%	0.50%
22-jul-09	1.25%	0.50%
22-oct-09	1.25%	0.50%
22-jan-10	2.50%	1.75%
22-apr-10	2.50%	1.75%
22-jul-10	2.50%	1.75%
22-oct-10	2.50%	1.75%
22-jan-11	2.50%	1.75%
22-apr-11	2.50%	1.75%
22-jul-11	2.50%	1.75%
22-oct-11	2.50%	1.75%
22-jan-12	5.00%	5.00%
22-apr-12	5.00%	5.00%
22-jul-12	5.00%	5.00%
22-oct-12	5.00%	5.00%
22-jan-13	6.25%	6.75%
22-apr-13	6.25%	6.75%
22-jul-13	6.25%	6.75%
22-oct-13	6.25%	6.75%
22-jan-14	25.00%	33.50%
	100.00%	100.00%

ii. Maintenance of the Amortization premium of 0.25%, until January 2009, and definition of an Amortization premium of 0.2%, valid from February 2009 to July 2009.

(In thousand of Reais, unless when specified)

19 Regulatory charges

	Consolidated	
	12/31/2008	**12/31/2007**
Current		
Quota in Fuel Consumption Account - CCC	9,543	1,777
Energy Development Account - CDE	4,655	456
Quota in Global Reversion Reserve - RGR	3,009	1,045
Capacity and emergency purchase charges	19,693	-
Inspection Fee - ANEEL	209	198
	37,109	3,476

Global Reversion Reserve (RGR) - This is a charge levied by the Brazilian electricity sector paid monthly by the electrical energy concessionaire companies, and is allocated to provide funds for the reversion, expansion and improvement of public electricity services. The annual value is equivalent to 2.5% of the investments made by the concessionaire in assets tied to providing electricity services, limited to 3.0% of their annual revenue.

Fuel Consumption Account (CCC) - This is the part of the fee earned that has to be paid by the distributors from the inter-connected systems, and is used for two purposes: to pay the cost of the fuel used in the thermo units which are actioned to guarantee any hydro-logic uncertainties; and to subsidize part of the fuel expenses at the isolated systems, to ensure that the electricity fees at these locations are similar to those charged at the inter-connected systems.

Energy Development Account (CDE) - The objective is to promote energy development in the different States and competitiveness of the energy produced, based on alternative sources, in the areas attended by the inter-connected systems, enabling electricity to be available universally. The amounts to be paid are also defined by ANEEL.

(In thousand of Reais, unless when specified)

20 Taxes payable

	Parent Company		Consolidated	
	12/31/2008	**12/31/2007**	**12/31/2008**	**12/31/2007**
Current				
IRRF	-	-	1	-
Deferred income and social taxes	-	-	3,990	1,299
ICMS	-	-	22,608	18,834
PIS/COFINS	-	-	19,735	13,662
PIS/COFINS - installment PAES (Refis II) (a)	-	-	675	-
INSS - installment PAES (Refis II) (a)	-	-	2,068	-
REFIS/PAES (c)	-	-	1,604	1,851
Income and social taxes - Unrealized foreign income	-	-	35,849	-
Provision for income and social taxes	-	-	838	19,514
Withholding income tax - Interest on shareholders’ equity	1,577	1,847	1,577	1,847
Social charges and others	42	41	4,706	24,931
Others	1	1	3,750	802
Total	1,620	1,889	97,401	82,740
Non-current				
Deferred income and social taxes	-	-	68,851	44,014
ICMS	-	-	-	2,777
Income and social taxes - unearned overseas profits (b)	-	-	71,584	-
PIS/COFINS - installment PAES (Refis II) (d)	-	-	2,364	-
REFIS/PAES (a)	-	-	12,077	13,422
PIS/COFINS	-	-	41,574	-
Others	-	-	613	570
INSS - installment PAES (Refis II) (a)	-	-	7,238	-
Total	-	-	204,301	60,783

Tax recovery Program - REFIS/special installments - PAES

On May 31, 2003, Law 10,684/03 (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). In RME the period for the option for installment payments was originally established for July 31, 2003, and subsequently extended to August 29, 2003.

a. In the indirect subsidiary Light SESA the balance at December 31, 2008 was R$3,039.

With respect to the National Institute for Social Security - INSS, the Subsidiary registered a "request for installment payments" on July 31, 2003, according to protocol number 60.213.452-8. The value of the debt included in the PAES was R$14,994 (net of a reduction to the fine of 50%), which is being legally disputed in order to recover the amounts paid as SAT - Employment Accident Insurance. The payment is being made in 120 installments, and consolidation of the amount due has been approved by the INSS. Until December 31, 2008, 66 installments had been paid by RME. The value of the installments was calculated based on the total value of the debt over the period for the installment payments and corrected based on the variation in the long term interest rate - TJLP. The balance at December 31, 2008 was R$9,306.

b. On February 20, 2003, a court injunction was filed, number 2003.51.01.005514-8, with a request for a preliminary junction, in order that Light would not be required to pay corporate income tax (IRPJ) and social contribution on net income (CSLL) due on:

- The profits earned by the companies Light Overseas Investment Limited (LOI) and LIR Energy Limited (LIR) prior to being effectively available, avoiding application of the rule provided in the single paragraph of article 74 of Provisionary Measure 2158-35, of 24.08.2001 (MP 2.158-35), for the period from 1996 to 2001; and

- The profits earned by the companies Light Overseas Investment Limited (LOI) and LIR Energy Limited (LIR) prior to being effectively available, avoiding the application of the rule provided in the single paragraph of article 74, caput, of MP 2158-35/01, for the calendar year 2002 onwards.

Light was granted the injunction, which was subsequently rejected in the sentence that was passed. The appeal against this sentence was received with double effect The State filed an interlocutory appeal against this decision, which was accepted. Consequently, Light filed an internal appeal, which was judged in its favor in March 2007, thus reestablishing suspension of the demand for the tax credit. The State filed a special appeal against this decision, which is pending judgment.

Currently, based on the effects of the decision given preliminary in court injunction number 2003.51.01.005514-8, which suspended the charge for corporate income tax (IRPJ) and social contribution on net income (CSLL), management is awaiting the decision by the Federal Regional Court from the 2nd Region, of the appeal filed by the National Treasury.

Based on this judicial decision, Light SESA suspended payment of Income Tax and Social Contribution, due on taxable profit for 2004, 2005, 2006, 2007 and 2008, calculated in virtue of the addition, to these tax calculation bases, of the profits earned by the companies located overseas. The provision recorded at December 31, 2008 was for the amount of R$71,584.

As part of the process of closing the company Light Overseas Investment Limited (LOI), done on 2008, for ANEEL determination, the investor liquidated its assets and liabilities and distributed dividends of US$ 26,494, corresponding to R$44,100, of which R$32,709 was distributed in March and R$11,391 in April 2008. This distribution of dividends is considered to be a provision of income for the purposes of corporate income tax (IRPJ) and social contribution on net income (CSLL) tax in Light SESA, and the amounts, calculated and paid corresponded to R$7,785 in March 2008 and R$ 2,711 in April 2008.

c. On November 29, 2000, CEMAR entered into the Tax Recovery Program - REFIS. This Program 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 Program 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 Program, 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 10,684/03 (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 Program opting for payment in 120 months, including the tax debts where judicial and administrative proceedings were discontinued.

Upon entering the Program, 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

- Regular payment of the consolidated debt installments, in accordance with the norms detailed in the norm, and also the taxes and contributions due as from March 01, 2003, in relation to which any other form of installment payment is excluded.

(In thousand of Reais, unless when specified)

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

21 Provision for contingencies

The Company and its subsidiary and joint ventures are parties (defendants) in legal actions and administrative processes with various courts and government bodies, arising from the normal course of their operations, involving tax, labor and civil questions and other issues.

The provision is allocated to cover possible losses that have been evaluated as probable by the legal department for the subsidiary and joint ventures and by the external advisors, with the value estimated for the labor, tax and civil claims, in the administrative and judicial courts. Managements consider the provision for contingencies to be sufficient to cover probable losses from the on going processes, as described below:

	Consolidated					
	12/31/2008			12/31/2007		
Nature of dispute	**Value**	**Judicial deposit**	**Net provision**	**Value**	**Judicial deposit**	**Net provision**
Civil and tax	220,327	(13,570)	206,757	34,949	(5,740)	29,209
Labor	52,995	(28,236)	24,759	13,020	(8,511)	4,509
Regulatory	1,067	-	1,067	9,424	-	9,424
Other	21,161	-	21,161	-	-	-
	295,550	(41,806)	253,744	57,393	(14,251)	43,142
Current	16,083	(6,117)	9,966	20,475	(8,517)	11,958
Non-current	279,467	(35,689)	243,778	36,918	(5,734)	31,184
	295,550	(41,806)	253,744	57,393	(14,251)	43,142

Labor claims

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

In the indirect subsidiary Light SESA there are 4,088 labor claims in progress in which the company figures as the defendant. The main demands under the labor claims involve the following matters: extra hours, danger supplement, equal salary, indemnity provided in Law 9,029/98, joint/individual responsibility for employees from out sourced companies, difference from fine of 40% of FGTS arising from correction for hyperinflation and overtime.

In December 2007 Light SESA was served process regarding a civil action brought by the Office of the 1st District Public Prosecutor for Labor Affairs, contesting the legality of outsourcing services related to the company's supporting activities and core business activities. A ruling in favor of the prosecutor's office was handed down on April 4, 2008. A decision was given which resulted in the ordinary appeal filed by Light being suspended. The Company's chances of winning an appeal were rated as 'possible' by the Company's legal advisors.

Civil and tax

The most significant individual contingency provision recorded refers to two demands, one that refers to a claim for settlement of accounts and the other for indemnity, both arising from the agreement to charge the Public Illumination Tariff - TIP, which were filed by the municipal of as São Luís against CEMAR. The first claim filed demanded payment of the amount arising from not transferring the amounts collected for investment in the public illumination park for the city and the decision for the second claim demanded an indemnity payment as a result of CEMAR not providing, over the years, the calculations for correcting the TIP value, in order to meet the monthly cost for the public illumination service. These claims were judged against CEMAR, and the latter is in the process of settling the sentences passed. CEMAR filed two claims to annul the judgments with the Appeal Courts in Maranhão, and it managed to obtain an injunction to suspend the execution of the indemnity process, until the claim is judged by the Courts. The progress of the claims has not altered significantly during the previous two months. Consequently, the financial statements of CEMAR include a provision of R$38,285 (R$19,500 on December 31, 2007).

In addition to the losses provisioned for above, there are other civil contingencies monitored by Management, based on the assessment of Equatorial and Company's legal department and external advisors, for which the chance of loss is rated as possible and remote, amounting to R$45,210 and R$13,089, respectively (R$42,847 and R$12,291, respectively, on December 31, 2007) therefore no provision for these losses has been recorded.

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

The indirect subsidiary Light SESA figures as the defendant in approximately 38,593 processes of a civil nature, of which 11,763 are with the common State and Federal courts (Civil Claims), with requests that amount to R$157,434 and also 26,830 claims that are filed with Special Civil Courts, involving the total amount of R$92,641.

The provision for Civil Claims includes processes that can be quantified, for which Light SESA is the defendant, and for which the outcome has been evaluated as a probable loss by the lawyers responsible for the process. A significant number of the processes refer to claims for material or moral damage, as well as questioning amounts paid by consumers.

Light also has civil claims in which Management, based on the opinion of its legal advisors, believes that the risks of loss are possible, and consequently, no provision has been recorded for these claims. The amount involved from these possible claims was R$89,596.

The subsidiary Light is also part to Public and Popular Civil Actions related to service rates, fees and charges, contracts, equipment, cross plans, interest and other subject matters. On December 31, 2008 the Company was unable to estimate the amounts involved in each of these actions based on the nature, scope and the chances of having to settle these claims.

On November 18, 2008, Light and some of its management and shareholders were informed of the Popular Claim filed in the court for the capital of the State of Minas Gerais by an individual, alleging, amongst other issues, irregularities in the purchase of the controlling interest in Light. The lawyers responsible for this claim consider the probability of loss to be remote.

The majority of the claims with the Special Civil Court refer to discussions concerning consumer relations, such as incorrect charges, incorrect electricity cuts, cuts from defaults on payments, problems with the network, various irregularities, complaints about bills, complaints about the meter measurements and problems with transferring the addressee responsible. There is a limit of 40 minimum salaries for claims being judged by the Special Civil Court. The provision recorded is based on the moving average for the previous 12 months for the value of the sentence.

There are processes of a civil nature for which some industrial consumers are questioning in the judicial sphere, the increase in the electricity tariffs approved in 1986 by DNAEE (“Cruzado Plan”).

PIS/COFINS: Light SESA is part to two judicial proceedings concerning the application of these taxes under Law 9,718/98, as follows:

In the first claim Light SESA questioned the alterations imposed by the Law with respect to (i) extending the calculation base for these taxes; and (ii) the increase in the COFINS rate from 2% to 3%. A definitive decision was given for the appeal filed by Light SESA with the Supreme Court, which judged the increase in the calculation based in favor of the appeal, declaring article 3, § 1, of law 9,718/98 to be unconstitutional.

In the second case, Light SESA claims that the amounts charged in a Collection Letter issued by the Federal Internal Revenue Department are barred by statute of limitations. An injunction was granted suspending collection of these amounts. This injunction was upheld by the Regional Federal Court and is currently pending a decision by the Higher Courts. A ruling on the merits is yet to be handed down by the lower court, and the Company’s legal advisors believe that an unfavorable ruling is possible.

As concerns the expansion of the calculation base for PIS and COFINS tax, due to the decision of the Higher Federal Court, the Light SESA reversed the corresponding provisions of R$432,358 against the “financial expense” item in the income statement for the second quarter, which resulted in an addition of R$ 108,090 to Equatorial’s shareholders equity.

As of December 31, 2008, the value provisioned for the COFINS tax rate increase from 2% to 3% is of R$53,559.

PIS/COFINS - RGR and CCC: This contingency provision corresponds to the portion not included in the PAES installment payments arising from a dispute over a fine. Although unsuccessful in administrative proceedings, the Light SESA has secured a favorable decision in judicial proceedings and is awaiting a decision on an appeal. This amount also includes a portion corresponding to the COFINS tax rate increase for the period from April/99 to December/00, which is currently under litigation.

INSS - ACT Bonus: In August 2006, following the advice of its legal advisers, Light SESA established a provision of R$3,679 related to bonuses paid by the company to its employees in compliance with provisions contained in Collective Labor Agreements, covering the period from 2001 to 2005. In December 2007, based on a second assessment, a reversal of R$1,589 was made owing to the fact that the Tax Authority’ right to charge these amounts had been barred by the statute of limitations. As of December 31, 2008, evaluating the question based on jurisprudence from the higher courts, and the fact that credits had not been constituted, a reversal was made for the total amount of R$2,693.

INSS - tax assessment notice: In December 1999 the INSS issued tax assessment notices claiming that the subsidiary is responsible for withholding tax on the services of contractors and that INSS contribution is payable on profit sharing. The legal advisors of Light S.A. and its subsidiaries believe that only part of these amounts represent sufficient risk to establish a provision. The increase seen from December 31, 2007 to December 31, 2008 is due to correction at the SELIC rate.

INSS - quarterly basis: Light SESA is contesting the legality of Law 7,787/89, which increased the social security contribution rate on payroll, arguing that the law also changed the calculation base for social security contributions during the period from July to September 1989. Under preliminary awards, the amounts payable by the Company as Social Security contribution were offset. Following the advice of legal advisors, Company Management established a provision for the entire amount stated in the tax assessment notices issued by the INSS. The increase seen from December 31, 2007 to December 31, 2008 is due to correction at the SELIC rate.

Law 8,200/91: The provision established is related to the fact that depreciation expenses for the financial years 1991 and 1992 were fully utilized, contrary to the provisions contained in Law 8,200/91(3)(I). Rulings in favor of the Company have been handed down by first and second level courts. The case is currently pending a decision on an appeal brought by the Government. Base on the advice of legal advisors and an assessment of the amounts involved in the tax assessment notices, Light SESA believes that only part of these amounts represent sufficient risk to establish a provision. The increase seen from December 31, 2007 to December 31, 2008 is due to correction at the SELIC rate.

ICMS: This provision is mainly related to a judicial dispute over the applicability of State Law 3,188/99, which restricted the manner of appropriating ICMS credits derived from the acquisition of fixed assets, requiring companies to appropriate these credits in portions, when this restriction is not provided in Supplementary Law 87/96. There are other tax assessment notices being disputed administratively and judicially. Based on the advice of legal advisors and an assessment of the amounts involved in the tax assessment notices, Light SESA's Management believes that only part of these amounts represent sufficient risk to establish a provision and has done so accordingly. The variation in the amount between December 31, 2008 and December 31, 2007, refers to the correction using the UFIR.

Social Contribution: This provision is related to (i) a dispute over the deduction of the amount paid to shareholders as interest on shareholders' equity in 1996 from the calculation base for social contribution on net income (CSLL) tax, in which an injunction and a writ of mandamus have been granted pending a ruling on the Government's appeal; and (ii) failure to add to the social contribution on net income (CSLL) calculation base amounts related to a PIS/COFINS provision, when the requirement to pay these amounts had been suspended. The Company's voluntary challenge and appeal have been denied. The claim was concluded in the administrative sphere, and a tax foreclosure was sentenced; the Company made a deposit for the full amount disputed, and filed appeals against this foreclosure. The variation in the amount between December 31, 2008 and December 31, 2007, refers to the correction using the SELIC rate.

Contribution for Intervention in the Economic Domain (CIDE): This refers to a provision related to CIDE and payments made to offshore companies for services. The lower court decision was unfavorable, and Light SESA is awaiting a ruling on its appeal. In December 2003 the subsidiary began paying the amounts due.

Light and its subsidiaries are also part to tax, administrative and judicial proceedings in which the chances of loss are rated as possible by the Company's legal advisors, for which reason no provision has been established. The amount involved in these proceedings is R$188,175.

Descriptions of tax proceedings rated as 'possible' and which are highly relevant or in which there were developments in the year of 2008 are provided by the Subsidiary Light below:

Possible

i. IN 86. Light SESA was assessed by the Federal Internal Revenue Department for late performance of the notification to submit computer files for the financial years 2003 through 2005. The contestation was rejected and the Voluntary Appeal filed by Light is currently awaiting judgment. The value of the assessment restated up to September 2008 is R$55,550.

ii. ICMS (Aluvale). This refers to tax enforcements disputing the deferral of ICMS on electricity supplies to the consumer ALUVALE, as this is a major industrial consumer of electricity. A motion was filed against these enforcements, and is pending judgment before the lower court. As of December 31, 2008 these tax assessments involve an amount of R$38,925 (R$38,925 on December 31, 2007).

iii. IRRF - Compensations disallowed. Light received a court order informing the non homologation of compensations for IRRF credits on marketable securities and IRRF from electricity payments made by public bodies, compensated based on the Negative IRPJ balance from the base year 2002. Consequently, Light presented a Declaration of Non Conformity, which is pending judgment. The amount involved, at December 31, 2008, was R$42,875.

iv. Others. In addition to these cases, there are several other judicial and administrative disputes that the legal advisers have rated as possible, including (a) ICMS on low income subsidies (b) transfer of ICMS credit (company RHEEM); (c) Voluntary Disclosure of PIS, COFINS, IRPJ and CSLL; (d) ISS on regulated services. As of December 31, 2008 these disputes involve an amount of R$35,225 (at December 31, 2007 the Company did not have investments interest in Light).

v. On December 16, 2008, Light SESA received a Legal Action filed by a commercial client, questioning the inclusion of PIS and COFINS in the price of the electricity, and claimed for reimbursement of all of the amounts incorrectly paid. According to the Company's lawyers, the probability of loss is considered possible, consequently, no provision has been registered.

Regulatory claims

Between November 27, 2006 and December 1st, 2006 ANEEL/SFE audited the Research and Development Programs in 2002/2003 (three projects) and 2003/2004 (two projects) approved by ANEEL Orders 476 dated July 26, 2003 and 828 dated October 14, 2004 and the Energy Efficiency Program in 2002/2003 (one project) and in 2003/2004 (three projects) approved by ANEEL Orders 256 dated May 8, 2003, 854 dated October 26, 2004 and 1222 dated September 15, 2005 based on the physical and financial schedules and the requisites of ANEEL's Electrical Efficiency Audit Manual. In the period December 6 to December 16, 2005, ANEEL/SFE also evaluated CEMAR's technical and commercial procedures.

ANEEL's audit issued three assessment notices referring to the violation of procedures stipulated in the R&D and Electrical Efficiency Manual, and violation of technical and commercial procedures. In order to clarify the facts and prove it correctly used the funds under these programs and complied with technical and commercial procedures, CEMAR filed appeals before ANEEL, presenting supplementary information about the matters reported by the audit and requesting the cases be shelved. In reply to the appeals, ANEEL issued writs partially in favor of CEMAR reducing the value of the technical-commercial assessments 027/2006 from R$9,424 to R$6,336, resulting in a reversal during the first quarter of 2008, of the amount of R$3,088 and a reduction to assessment 035/2007 - P&D, from R$ 1,005 to R$ 286, which resulted in the amount of R$719 being reversed in the third quarter of 2008, which was registered to the heading "other financial expenses". These assessments were paid in May and August 2008, respectively.

CEMAR still has an appeal against assessment 036/2007 - PEE. In view of this and in accordance with the best accounting practices, CEMAR decided to make a provision to cover any losses resulting from the three assessment notices in question.

The Subsidiary Light has drawn attention to the regulatory contingencies deriving from administrative disputes with ANEEL:

Low income - Audit Report RF-LIGHT-04/2007-SFE issued in August 2007 by ANEEL conducted between July 2nd, 2007 and July 13, 2007 questioned the awarding of the corporate tariff to certain consumers in the period and consequently considered part of the subsidies approved and received by Light SESA from Eletrobrás amounting to R$66,595 to be improper. Light SESA made a provision of R$13,345 to cover the risk of having to refund part of the subsidies received.

ANEEL Assessment Notice 009/2005 - The notice was issued on March 15, 2005 on the grounds that Light SESA: (i) incorporated the subsidiaries LIR Energy Limited and Light Overseas Investments (R$286) without the prior consent of ANEEL (ii) conducted transactions with these companies without the consent ANEEL - (total of R$572) and (iii) failed to comply with ANEEL's instruction to cancel the transactions and cease the company's activities - (total of R$858). The Company appealed and the fine related to item (iii) was cancelled and the fines related to items (i) and (ii) were upheld. The fine related to item (ii) has been paid. Judicial proceedings have been filed in relation to the fine referring to item (i) and a judicial deposit of R$414 has been made (principal restated by the SELIC interest rates until the date the deposit was made). After the sentence that overruled the security of MS, filed on November 23, 2007, appeals requesting clarifications were filed, but were subsequently rejected by the sentences passed on December 17, 2007. Light filed an appeal on the merits of the case, against the sentence given, on January 25, 2008, requesting that the effects of this appeal be suspended. A decision was published on September 10, 2008, which accepted the appeal only for the returnable effect. Finally, on September 17, 2008, Interlocutory Appeal 2008.0.00.046455-8 was registered, to obtain the suspension of the appeal on the merits of the case, avoiding the identification of the amounts deposited for the claim. The interlocutory appeal was distributed to the federal court of appeals judge Daniel Paes Ribeiro, who has still not taken a decision on the request for the court order for anticipated appeal. The amount as of December 31, 2008 is R$486.

Assessment 055/2008 - SFE. Filed on October 28, 2008, with a fine for the amount of R$696, based on the argument that Light SESA violated the DEC and FEC indicators of 14 consumer groups, which presented 18 supposed violations in 2007. Light SESA, did not agree with the allegation filed by ANEEL, and presented an appeal filed through Letter D-058/2008, registered on November 12, 2008. Light SESA registered a provision for the total value of the contingency. At December 31, 2008, the value of the provision was R$712 (at December 31, 2007, the Company did not have an investment interest in Light).

(In thousand of Reais, unless when specified)

22 Dividends and interest on shareholder's equity

The Board of Directors approved "ad referendum" by the Company's Shareholders' Meeting, the distribution to its shareholders, in the form of interest on shareholder's equity, the amount of R$11,865 equivalent to R$0.1123175 per share.

Article 9 of law 9,249, of December 26, 1995, permits that interest on own capital paid to the shareholders, can be deducted from income tax and social contribution, calculated on the shareholders' equity accounts and limited to the "pro rata die" variation in the long term interest rate - TJLP.

The shareholders are guaranteed a minimum compulsory dividend of 25% of net profit, adjusted under the terms of legislation in force. However, Company Management is proposing the declaration of dividends and interest on own capital equivalent to 71% of adjusted net profit, for the total gross amount of R$202,016, as presented below:

	2008	**2007**
Net income for the year	308,963	152,845
(-) Prior year adjustments	(9,680)	-
(-) Legal reserve	(14,964)	(7,642)
(+) Profit reserve	-	5,363
Adjusted net income	284,319	150,566
Minimum obligated dividends - 25%	71,080	-
Complementary dividends - 46%	130,936	-
Interest on shareholders' equity	11,865	14,670
Purposed dividends	190,151	135,896
Investment and expansion reserve	82,303	-

(In thousand of Reais, unless when specified)

The balances comprise the following:

Balances on January 1st,2007	107,820
Investment and expansion reserve and dividends	
Declared	150,566
Withholding income tax - IRRF	(1,847)
Paid	(107,820)
Balances on December 31, 2007	148,719
Interest on shareholders' equity and dividends	
Declared	202,016
Withholding income tax - IRRF	(1,577)
Paid	(148,717)
Balances on December 31, 2008	200,441

The Company's Management board approved the dividends proposed for its shareholders, as follows:

Deliberation	**Events**	**Value**	**Value per share ON**
2008			
RCA of 22/12/2008	Interest on shareholders' equity	11,865	0.1123175
RCA of 17/02/2009	Dividends	190,152	1.8000336
Total	-	202,017	-

The dividends will be paid in accordance with legislation in force and will not be subject to monetary correction.

(In thousand of Reais, unless when specified)

23 Researches and development and Energy Efficiency Program

	Parent Company		Consolidated	
	12/31/2008	**12/31/2007**	**12/31/2008**	**12/31/2007**
Energy efficiency program - PEE	-	-	46,540	100
Researches and development - P&D	-	-	24,179	8,586
Energy research company - EPE	-	-	3,128	9,596
Science and technology development national found	-	-	6,257	-
Total	-	-	80,104	18,282
Current	-	-	68,244	18,282
Non-current	-	-	11,860	-

24 Other accounts payable

	Parent Company		Consolidated	
	12/31/2008	**12/31/2007**	**12/31/2008**	**12/31/2007**
Current				
Financial compensation for water resources use	-	-	819	-
Other debts - Return to consumers	-	-	13,296	1,701
Escrow	-	-	4,938	1,379
Private pension entity	-	-	21,936	-
Others	29	478	18,652	2,197
Total	29	478	59,641	5,277
Non-current				
Public asset use - UBP	-	-	29,396	-
Reversal reserve	-	-	17,483	-
Private pension entity	-	-	236,104	-
Others	-	-	5,093	-
Total	-	-	288,076	-

(In thousand of Reais, unless when specified)

25 Shareholders' equity

a. Capital

At December 31, 2008, the composition of Company's capital consisted as following:

Shareholders	Total	%	Common	%
PCP Latin America Power S.A.	58,671,559	55.54	58,671,559	55.54
Others	46,966,471	44.46	46,966,471	44.46
Total	105.638.030	100,00	105,638,030	100.00

On February 12, 2008, the Extraordinary General Meeting approved the Incorporation of PCP Energia by the Company. As a result of the incorporation, a capital increase in the Company was approved of R$273,812, through the issue of 114,984,004 new shares, being 57,492,002 common shares and 57,492,002 nominal preferred shares, with no par value, at the issue price of R$ 2.3813 per share. As a result, the Company's capital increased from R$713,217 to R$987,029, with the company's capital represented by 161,421,890 common shares and 154,118,854 preferred shares, all nominal, with no par value. The Company's capital was fully subscribed and paid in by PCP Energia, and the shares issued will be granted to the shareholders of PCP Energia.

On February 12, 2008, the Extraordinary General Meeting approved the capital increase in the Company for the amount of R$7,00, through the issue of 1,178,946 shares, at the price of R$5.9375, per lot of one million shares, being 392,982 common shares and 785,964 nominal preferred shares, with no par value, to be subscribed by the beneficiaries of Equatorial's Second Program of the First Plan and paid in, under the terms of the subscription payment document, through the exchange of capital in the Company of 72,459,097,549 common shares issued by CEMAR.

The Company's preferred shares do not have the right to vote in general meetings, but have priority in the distribution of the minimum compulsory dividends, of 25% of net profit for the year, adjusted in accordance with legislation in force and less any allocations determined in General Meeting. The Company adhered to BM& F BOVESPA corporate governance level 2 and guaranteed 100% of the "Tag Along" to the minority shareholders in the case of mergers or transfer of the controlling interest.

In April 2008 a total of 38,411 common shares were subscribed, at the price of R$16.1409 per share, by the beneficiaries of the Second Share Purchase Option Plan. Consequently, the Company's capital increased from R$987,029 to R$987,649, represented by 105,611,641 common shares, all nominal with no par value.

On May 12, 2008, a total of 26,388 common shares were subscribed, by the beneficiaries of Company's First Share Purchase Option Program. Consequently, the Company's capital is now represented by 105,638,030 common shares, all nominal, with no par value.

Change in subsidiary's equity interest

On January 31, 2008, a total of 7,430,172,212 common shares in the capital of CEMAR were issued and on February 12, 2008, a Swap was implemented of 72,459,097,549 common shares in CEMAR for shares in Equatorial, with both transactions made by the beneficiaries of the Share Purchase Option Plan. Consequently, capital is now represented by 16,103,659,467,017 common shares, 123,923,178,175 Class A preferred shares, with no voting rights, and 162,572,922,331 Class B preferred shares, with no voting rights, all nominative with no par value. Consequently, the investment interest held by Equatorial in its subsidiary increased from 64.81% to 65.22%.

On May 5, 2008 11,516,766,933 common shares of CEMAR were subscribed by the recipients of the Stock Option Plan. After the grouping had been approved at the General Shareholders Meeting held April 17, 2008 at the rate of 100,000 for each share, the share capital stood at a total of 115,117 common shares, The share capital therefore consisted of 161,151,762 common shares, 1,239,231 preferred Class A shares with no voting rights and 1,625,729 preferred Class B shares with no voting rights, all nominative with no par value.

b. *Adjustments from initial adoption of Law 11.638/07 and prior year adjustments*

In compliance with CVM Decision 562, of December 17, 2008, which approved Technical Pronouncement CPC 10, the Company registered, to cumulative losses, the amount of R$2,073 which refers to the payment based on shares for 2007.

The Company registered the amount of R$2,385 which refers to the 65.14% and R$5,222 which refers to the 25% of the entries for direct adjustments to the shareholders' equity of the subsidiary and joint venture CEMAR and RME, respectively.

Indirectly subsidiary RME

In compliance with Normative Resolution 176 issued by ANEEL on November 28, 2005 and the approvals of the Energetic Efficiency and Research and Development Program Manuals which amended the accounting recognition criteria of said programs, in 2005 and 2006 Light SESA recorded the expenses incurred on R&D - Research and Development and PEE - Energetic Efficiency Program referring to the years 2003, 2004 and 2005 in the Shareholders' Equity. For tax purposes, these expenses were not deducted from the corporate income tax (IRPJ) and social contribution on net income (CSLL) calculation base. However, our analysis concluded that these expenses can be deducted from the corresponding calculation base. Given that the original values were registered directly to shareholders' equity, the taxes calculated for the amount of R$6,591 were also registered directly to shareholders' equity to the heading, accumulated losses.

In addition, in 2007, Light SESA registered a provision for a fine for PIS/COFINS on the deductibility of expenses from CCC and RGR. The subsidiary included this fine in the corporate income tax (IRPJ) and social contribution on net income (CSLL) calculation base as being a deductible expense. After analyzing the expense, it was concluded that since it refers to a fine, it is not deductible. Consequently, the expense, for the amount of R$728, was adjusted in the statement of income for 2007, as the corresponding entry for deferred taxes for the same year.

Subsidiary CEMAR

Law 11,638/07 determined that the asset and liability items, arising from short term and long term operations, when they have relevant effects, should be adjusted to their present values. The Company performed studies to calculate the present value adjustments of its assets and liabilities and observed that only the amounts that refer to installments for accounts receivable should be adjusted. According to the standard on accounting practices, changes to accounting estimates, correction of errors and Technical Pronouncement CPC 13, these adjustments that refer to previous years should be registered to accumulated losses. The Company registered a debit, for the amount of R$3,662 to accumulated losses, which referred to the year 2007, for the consumer installment payments adjusted to present values.

In compliance with CVM Decision 562, of December 17, 2008, which approved Technical Pronouncement CPC 10, the Company recorded the amount of R$400 to accumulated losses, which referred to the payment based on shares for 2007.

c. *Capital reserve*

In compliance with CVM Decision 562, of December 17, 2008, which approved Technical Pronouncement CPC 10, the Company recorded R$2,611, which referred to the options granted recognized.

d. *Legal reserve*

In compliance with Law 6404/76, the reserve was recorded at the rate of 5% of the net profit before tax and Interest on shareholders' equity for the year, up to the limit of 20% of the capital.

Of the total income reported for 2008, R$14,964 was allocated to constitute the legal reserve, and based on the Management Board Meeting, held on February 17, 2009, for the purpose of increasing capital, to be approved in the Extra-ordinary General Meeting.

e. *Unrealized revenue reserves*

On December 31, 2005, as provided in Law 6,404/76, based on equity pick-up of the Subsidiary, Management proposed that the net income for that year, after constituting the legal reserve and allocating dividends (amounting to R$163,053), be allocated to unrealized net income 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. This amount was entirely allocated to the declaration of dividends in the 2007 financial year.

f. *Reserve for investment and expansion*

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

g. *Corporate reorganization*

On February 12, 2008, the Extraordinary Shareholders General Meeting approved the following issues: (a) the conversion of the Company's entire preferred stock into common stock, to the proportion of one preferred share to one common share; (b) the grouping of shares to the proportion of one common share for each three common shares; (c) the adhesion to the rules of BM&F BOVESPA's New Market (Novo Mercado) and the listing of Equatorial's shares in this segment; and (d) a change to the Company's by-laws to ensure the highest standards of corporate governance.

On February 29, 2008, the Special General Meeting ratified for the holders of the preferred shares the conversion of all of the preferred shares into common shares.

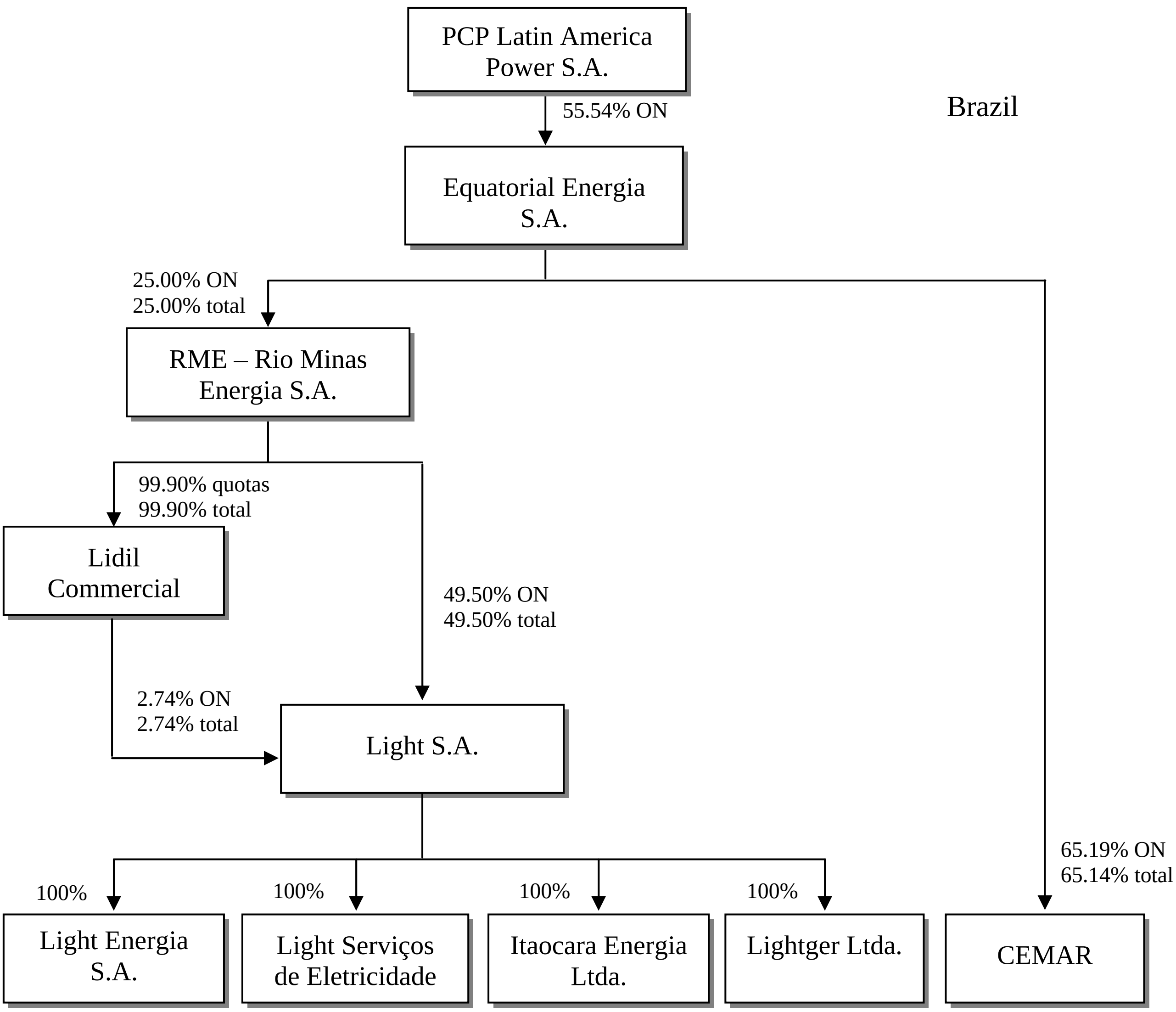
h. Corporate restructuring

On July 10, 2008, the controllers of Equatorial implemented a corporate restructuring that consisted of the successive liquidation of the following companies:

(i) PCP Power LLC; (ii) PCP Latin América Power Fund Limited; (iii) Equatorial Energia Holdings LLC; and (iv) Brasil Energia I LLC.

The corporate changes did not have any effect on the controlling interests in Equatorial, given that PCP Latin America Power S.A., which held an indirect interest in Equatorial of 55.54%, retained this same percentage interest, but which is now a direct interest.

Consequently, after implementing the corporate changes described above, the participation of the PCP Group in the Concessionaries and the Authorized were structured as follows:



PCP Latin America Power S.A.
55.54% ON
Brazil
Equatorial Energia S.A.
25.00% ON
25.00% total
RME – Rio Minas Energia S.A.
99.90% quotas
99.90% total
Lidil Commercial
49.50% ON
49.50% total
2.74% ON
2.74% total
Light S.A.
65.19% ON
65.14% total
100%
100%
100%
100%
Light Energia S.A.
Light Serviços de Eletricidade
Itaocara Energia Ltda.
Lightger Ltda.
CEMAR

i. Stock option program

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

First option plan for the acquisition of shares

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

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

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

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

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

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

  Until December 31, 2007, the outstanding shares to be subscribed under Program 2, was 1,020 thousand common shares (1,020 thousand common shares and 2,039 thousand preferred shares, originally, prior to the conversion and grouping), given that subscriptions were made for 1,040 thousand common shares (1,040 thousand common and 2,081 thousand preference shares) in 2006.

  In February 2008, subscriptions were made for 393 thousand common shares in the Company (393 thousand common shares and 786 thousand preferred shares, originally, prior to the conversion and grouping).

  On December 31, 2008, the outstandingoptions to be subscribed under Plan 2 was 627 thousand common shares, considering the grouping stated above, with the initial exercise date being January 31, 2009 and the closing date being January 31, 2011.

  According to the Plan, recipients of shares that have been subscribed or acquired under the Plan may only sell, transfer or by any other means dispose of the Company's shares, after the Company has been offered the pre-emptive rights to acquire them.

  The Company's pre-emptive right shall only be exercised, if it so desires, to acquire all of the Shares offered by the Recipient, where the recipient undertakes to sell them to the Company at the subscription price defined above, restated by the IGP-M/FGV price index between the subscription date and the date the share price is paid, even if another purchaser is offering a better price.

Second option plan for the acquisition of shares

On April 5, 2007, the creation of a Second Option Plan for the acquisition of Equatorial shares by the management and employees of the Company and subsidiaries was approved at an Extraordinary Shareholders' General Meeting, to be selected by the Plan's Management Committee.

The recipient should use at least 50% of the Profit Share, Performance Bonus or any other means of variable annual compensation ("PL") they are entitled to, net of income tax and other applicable charges, in the subscription of the shares in the lots for which an option has been awarded. The recipients shall also use all of the dividends and interest on shareholders' equity received on their shares acquired under the Plan to subscribe the shares in the lots for which an option has been awarded.

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

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

At December 31, 2007, the balance to be subscribed within the ambit of the Second Plan amounted to 1,044 thousand common (1,044 thousand common shares and 2,088 thousand preferred shares, originally, prior to the conversion and grouping) given that no subscriptions were made for shares during the period from January 1st to December 31, 2007.

In April 2008, within the ambit of the second Plan, a total of 38 thousand of the Company's common shares were subscribed, at the price of R$16.14 per share, equivalent to a total price of R$ 620 thousand (six hundred and twenty thousand Reais). The market value of the shares on the closing date for the subscription was R$17.70.

On December 31, 2008 the balance to be subscribed within the ambit of the second plan 1,006, thousand common shares, considering the conversion and grouping mentioned. The period to exercise this balance is from April 05, 2008 to April 05, 2013.

Information on the stock option plans is summarized below:

	First Plan		**Second Plan**	
In thousand of stocks	**Program 1**	**Program 2**		**Total**
Number of Purchase options	2,934	2,060	1,044	6,038
Options exercised until December 31, 2007	(2,275)	(1,040)	-	(3,315)
Options not exercised until December 31, 2007	660	1,020	1,044	2,724
Options exercised between January 01, 2008 and December 31, 2008	(660)	(393)	(38)	(1,091)
Options not exercised until December 31, 2008	-	627	1,006	1,633

Potential for dilution

According to the rules for each option plan, the potential issue of the remaining options would result in an additional dilution for the existing shareholders of Equatorial Energia S.A. equivalent to a maximum of 1.5%, not considering the potential dilution of the stock option plans of CEMAR and Light.

According to the rules of each stock option plan of our investors, CEMAR and Light, the potential issuance of the remaining options would result in further dilution for its current shareholders equal to a maximum of 0.05% and 4.0% respectively.

Administration of plans

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

Third share option plan

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

(In thousand of Reais, unless when specified)

26 Power supply

A breakdown of power supply by consumer class of Subsidiaries on December 31, 2008 and 2007, is provided below:

	Consolidated			
	MWh (*)		R$	
	2008	2007	2008	2007
Residential	3,312,930	1,353,022	1,085,077	425,457
Industrial	898,864	463,058	228,581	123,913
Commercial	2,133,301	633,679	698,769	221,233
Rural	134,882	134,831	31,063	28,436
Government	548,867	217,737	175,829	81,585
Public lighting	393,881	214,594	69,241	39,270
Public service	480,069	201,896	111,502	49,993
Own consumption	22,068	4,409	-	-
Supply MAE and CEPISA	-	-		
Low income consumers	-	-	91,525	72,259
Others	-	-	181,745	16,341
RTD	-	-	(20,776)	7,351
CVA-PLPT	-	-	1,043	(20,708)
Constitution and amortization of CVA liability	-	-	(1,718)	6,341
Billed power supply	7,924,862	3,223,226	2,651,881	1,051,471
ICMS	-	-	697,879	190,073
Unbilled power supply	-	-	(1,108)	1,012
Energy supply	-	-	113,142	1,827
Total of Supply	7,924,862	3,223,226	3,461,794	1,244,383

(*) Information non audited by independent auditors.

(In thousand of Reais, unless when specified)

27 Operating results

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

	Parent Company					
	Cost of Services		Operating charges		2008	2007
	Electric Energy	For operation	Sales (1)	Administrative (2)		
Cost/expense's nature						
Personnel and management's	-	-	-	2,734	2,734	4,798
Material	-	-	-	46	46	3
Outsourced services	-	-	-	2,788	2,788	2,844
Others	-	-	-	1,493	1,493	1,083
Financial income	-	-	-	(5,616)	(5,616)	(6,876)
Equity income				(299,551)	299,551	(143,425)
Non recurrent income and expenses	-	-	-	(2,386)	(2,386)	-
	-	-	-	(300,492)	(300,492)	(143,425)
Depreciation and amortization	-	-	-	123	123	-
Total	-	-	-	(300,370)	(300,370)	(143,425)

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

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

(In thousand of Reais, unless when specified)

	Consolidated					
	Cost of services		Operating charges		2008	2007
	Electric Energy	**For operation**	**Sales (1)**	**Administrative (2)**		
Cost/expense's nature						
Energy purchased for resale	1,110,794	-	-	-	1,110,794	290,522
Personnel and management's	-	47,577	15,940	36,083	99,600	44,704
Material	-	9,221	1,925	1,785	12,931	6,149
Outsourced services	-	55,582	45,609	54,925	156,116	71,651
Allowance for doubtful debts	-	-	82,971	-	82,971	29,316
Provision for contingences	-	-	-	(938)	(938)	-
Charges on use of transmission system	64,226	-	-	-	64,226	53,173
Others	-	5,615	3,373	21,570	30,558	12,329
Financing results	-	-	-	6,439	6,439	32,173
Equity income	-	-	-	(18,441)	(18,441)	(1,611)
Non recurrent income and expenses	-	-	-	5,292	5,292	-
	1,175,019	117,995	149,818	106,715	1,549,548	538,406
Depreciation and amortization	-	141,299	258	20,566	162,121	67,010
Total	1,175,019	259,294	150,076	127,281	1,711,669	605,416

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

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

28 Employees pension fund

a. Details of the retirement plan CEMAR

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.

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, 2008 and 2007, in accordance with CVM Decision 371, did not identify the existence of an actuarial liability.

The position for the actuarial asset (liability) at the end of the year calculated based on an independent actuarial report is presented below:

(In thousand of Reais, unless when specified)

	2008
Actuarial asset (liability)	
Present value of the actuarial obligation	(99,775)
Fair value of assets from the plan	83,532
	(16,243)
Net actuarial asset (liability)	(16,243)
Provision for actuarial asset (liability)	(27,857)
Additional asset (liability)	11,614
Expense recognized for the year 2008	
Cost of current service (including interest)	12
Expected contributions from participants for 2008	21
Interest on actuarial obligations	10,762
Expected income from assets	11,449
Total expense recognized	(696)

The main actuarial assumptions at the balance sheet date are presented below:

Discount rate for actuarial obligation:	11.30% p.a.
Expected income rate for plan's assets:	14.45% p.a.
Estimated index for salary increase:	6.05% p.a.
Estimated index for increase in benefits:	5.00% p.a.
Bio-metric table for general mortality:	AT-2000 M
Bio-metric table for invalid mortality	AT - 83 M
Bio-metric table for start of invalidity:	Light (average)
Anticipated rotation index:	nil
Probability of starting retirement:	100% for first eligibility to A benefit under the plan

(In thousand of Reais, unless when specified)

b. *Details of the retirement plan of indirect Subsidiary*

Light SESA, indirect subsidiary of RME, is the sponsor of the Social Security Foundation - BRASLIGHT, a closed complementary social security entity, a non profit entity, the purpose of which is to guarantee retirement income to employees from the Light Group related to the Foundation and pensions to their dependents.

BRASLIGHT was established in April 1974, and has three Plans - A, B and C - implanted in 1975, 1984 and 1998 respectively, with approximately 96% of the active participants from the plans A and B transferring to plan C.

At the moment the effective plans are Plans A and B, which are defined benefit plans and C, which is mixed benefit.

On October 02, 2001, the Secretary for Complementary Social Security approved the contract for balancing the technical deficit and the refinancing of the reserves for amortization, which are being paid in 300 monthly installments, as from July 2001, corrected by the variation in the IGP-DI (with one month difference) and actuarial interest of 6% per annum.

The movements reported during this year to the net actuarial liability, are as follows:

	Total consolidated	Current	Non current
Pension plan at 12/31/2006	215,237	18,521	196,716
Amortizations during the year	(18,964)	(18,964)	-
Corrections during the year	26,706	2,298	24,408
Transfer from non current to current	-	16,541	(16,541)
Pension plan at 12/31/2007	222,979	18,396	204,583
Amortizations during the year	(21,282)	(21,282)	-
Corrections during the year	38,387	3,442	34,945
Adjustments from the change in the table	17,956	-	17,956
Transfer from non current to current	-	21,380	(21,380)
Current contributions	-	-	-
Pension plan at 12/31/2008	258,040	21,936	236,104

(In thousand of Reais, unless when specified)

According to the actuarial evaluation report, issued on January 19, 2009, during the 4th quarter of 2008, Braslight altered its general mortality table to the AT-83 table. This alteration occurred in order to comply with CGPC Resolution 18, of March 28, 2006 and the actuarial result for the year. The change in the table resulted in an increase of R$17,956 in the contract to balance the deficit.

Presented below is the composition of the provision at December 31, 2008 and 2007, for the retirement plans and defined benefits, and also additional retirement commitments and/or pensions for death arising from legal decisions or agreements with employees who suffered accidents, considering the present value of the actuarial obligation, and other information required under CVM Decision 371/00:

	Consolidated	
	2008	**2007**
Actuarial assets and liabilities conciliation		
Fair value of assets from the plan	292,384	263,422
Present value of the actuarial obligation with overdue rights	(395,184)	(411,992)
Present value of the actuarial obligation with not yet due rights	(90,140)	(101,693)
Net assets (unsecured liability)	(192,940)	(250,263)
Net liabilities, CVM 371/2000	(192,938)	(250,262)
Adjusted and recorded balance of agreement, as deficit equalization agreement	(258,040)	(222,979)
Provision CVM 371 - actuaries gain and losses	-	(27,283)
	2008	**2007**
Changes in actuarial liability		
Initial net liability, CVM 371/2000	(250,262)	(244,771)
Sponsor contribution	22,763	19,617
Gains and losses related to actuarial deficit	57,188	(3,797)
Expected cost	(22,627)	(21,311)
Final net liability, CVM 371/2000	(192,938)	(250,262)
	2009	**2008**
Expected costs		
Cost of current service	413	420
Cost with interest	52,670	48,525
Return on investments	(30,433)	(27,611)
Expected contributions from employees	(20)	(24)
Estimated expected cost	22,629	21,311

(In thousand of Reais, unless when specified)

	2008	2007
Actuaries assumptions		
Nominal interest rate (discount) present value of actuarial liability	12.36%	10.59%
Expected income rate on assets in nominal plan	12.44%	12.68%
Annual inflation rate	4.33%	4.33%
Salary increase rate	4.96%	4.96%
Readjustment index of payment of coverage's continual service	4.33%	4.33%
Capacity factor	98.00%	98.00%
Cycle rate	Based on age	Based on age
General death rate (a)	AT - 83 (1)	AT - 83 (1)
Board of disability (plans A/B)	LIGHT - Forte	LIGHT – Forte
Board of disability (plans C sold)	LIGHT - Forte	LIGHT – Forte
Disabled person death rate	IAPB-57	IAPB-57
Active participants	3,690	3,925
Retired and allowanced participants	5,686	5,658

29 Insurance

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

Equatorial's Insurance

Risks	Terms	Amount insured	Premium
Civil Responsibility - D&O	07/08/2009	10,000	50
Equatorial's head office - RJ	05/20/2009	2,789	1.9

CEMAR's Insurance

Risks	Terms	Amount insured	Premium
Risks named - substations and inventories	01/01/2009	105,701	160
General civil liability - operations	01/01/2009	7,000	227
Vehicles (a)	From 02/01/08 to 02/01/09	(b)	70

(*) In 2009 this policy was renewed and valid for a further year.

(a) The company has one vehicle insurance policies. We detailed above the period covered by this policies.

(b) Correspond to 73 Vehicles - presented in market value

(In thousand of Reais, unless when specified)

The Company and its Subsidiary have the practice of taking out insurance coverage for the assets subject to risk at amounts considered sufficient to cover any incidents, considering the nature of its activity. The Company's and its Subsidiary's insurance contracts are made in accordance with the risk management and insurance fundamentals generally employed by power distribution companies. The risk premises adopted, given their nature, do not fall within the scope of the audit of the financial statements, and consequently, were not audited by our independent auditors. In February 2009, the insurance policies for the subsidiary CEMAR were renewed for a further year, under the same terms as the previous contracts.

The indirect subsidiary, Light SESA, at December 31, 2008, had insurance coverage for its main assets, which included:

- Civil Responsibly for Management and Directors (D&O) - The objective is to protect the executives against losses and damage arising from their activities as advisors, directors and managers of the Company.
- Civil and General Responsibility - for the purpose of paying indemnity in the event the Company has to bear civil responsibility under sentence passed in court or an agreement authorized by the insurance company, regarding reimbursement for involuntary damage, physical damage to individuals and/or material damage caused to third parties and related to pollution, contamination or unexpected leakages.
- Insurance for International Transport - Embarkation of cargo/equipment, Financial Guarantee Insurance - Sale of Energy (6 policies) and Fire insurance - leased real estate.

Given their nature, the risk assumptions adopted do not comprise the scope of an annual audit, and were not therefore audited by our independent auditors.

At December 31, 2008, the insurance coverage, considered sufficient by Management, is summarized as follows:

	Term			
Risk	**From**	**to**	**Amount insured**	**Premium**
Directors & Officers (D&O)	08/10/2008	08/10/2009	US$30,000	IS$84
Civil and General responsibility	09/25/2008	09/25/2009	R$18,277	R$504
Operating risks	10/31/2008	10/31/2009	*R$2,259,176	R$1,108

The amounts stated (amount insured and premium) for civil responsibility, general and operational risks, were contracted as from this year in Reais, in compliance with CNPS Resolution 165/2007, which no longer accepts that these types of insurance policies be contracted in foreign currencies.

30 Tariff review for indirect subsidiary Light Serviços de Eletricidade S.A. (Light SESA)

Results from the second periodic tariff review of Light SESA:

During the public meeting held on November 04, 2008, ANEEL established, as a provisionary measure, the alteration to the tariff structure for Light Serviços de Eletricidade S/A, to be 1.96%, which became effective as from November 07, 2008. After taking into consideration the additional financial charges of 2.30%, the impact on the tariff amounted to 4.27%. As a result of removing a financial component of -0,41% from the tariff base, which had been added to the 2007 annual adjustment, the average effect on the tariff for the consumer was 4.70%.

With respect to the additional financial charges, it is worth highlighting that ANEEL granted the administrative appeal filed by Light with respect to the 2007 adjustment. Under this appeal, the Company requested the recalculation of the CVA Energy for the period 2005 and 2006. The impact from this decision was R$76,8 million (an increase in the tariff of 1.48%, valid for 12 months), distributed in accordance with the ANEEL methodology, which used the percentage of the CVA in the adjustment for 2007, as the basis for allocating the amounts receivable and payable relative to the CVA. This resulted in an increase in the amounts registered to the asset of CVA-CCC and the amounts registered to the liability of CVA-Energia and CVA-CDE (see table in note 5-b).

The main results from the tariff review were: the tariff adjustment, which establishes tariffs compatible to cover efficient operational costs and remuneration for prudent investments; and Factor X, which establishes productivity goals for the subsequent tariff period.

(In thousand of Reais, unless when specified)

In order to calculate the tariff adjustment, ANEEL determined: (i) the efficient operational costs, using the Reference Company Method - ER, (ii) the prudent investments, using the Regulatory Remuneration Base, (iii) the level of regulatory losses to be passed-through to the consumers; and (iv) the non-manageable costs, which are Part A.

The following table presents the results of the tariff readjustment for Light.

Tariff review 2008	**Valor**
1. Verified revenue	127,571
2. Required revenue (Part A + Part B)	1,306
Part A	883
Energy purchased	614
Regulatory charges	161
Energy transportation	108
Part B	423
Reference Company	144
Delinquency	17
Capital remuneration	176
Reintegration quote	86
3. Other revenues	5
4. Net required revenues[(2 - 3)	1,301
5. Tariff review [(4 - 1)/1]	1.96%
6. Financial components	30
7. Tariff review with financial effects (5 + 6/4)	4.27%

It should be noted that the level of regulatory losses and the calculation of efficient operational costs (Reference Company and Defaults) are provisory.

ANEEL also established, on a provisory basis, that component Xe for Factor X, to be applied as a reduction, in real terms, to Part B of the subsequent tariff adjustments, from 2009 to 2012, should be 0.00%.

After concluding the improvements to the methodologies for the second cycle of the tariff reviews on 25/11/2008, the final amounts are to be established after a decision regarding the Public Consultation process, anticipated for April 2009.

31 Financial instruments - CVM Instruction 475 and CVM Deliberation 566

a. *General considerations*

In compliance with CVM Decision 566, of December 17, 2008, which approved Technical Pronouncement CPC 14, and CVM Instruction 475, the Company analyzed its financial instruments, as follows: marketable securities, swaps, borrowings and financing, and debenture obligations, and made the necessary adjustments to its accounting registers, when necessary.

These instruments are managed by means of operational strategies and internal controls aimed at ensuring liquidity, profitability and security. The control policy consists of permanently accompanying the terms contracted compared to the market terms.

b. *Policy for using derivates*

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

Equatorial holds derivative operations through its indirect subsidiary Light SESA, in the form of foreign exchange hedges (see Notes “c” and “d” below). The Company also has a swap for financial flows with the Bank UBS Pactual, and its premise is to accompany its share performance (EQTL3 - see Note “d” below).

(In thousand of Reais, unless when specified)

As a result of the impacts from the international financial crisis on the capitals market and the consequent significant fall in the quotations for shares listed on the BM&FBOVESPA, the Company decided to interrupt the swap operations involving financial flows, as a result, the last contract was agreed on September 17, 2008.

c. *Market value of financial instruments*

In compliance with CVM Instruction 475, the accounting balances and the market values of the financial instruments included in the balance sheet at December 31, 2008 are shown below:

	Consolidated			
	12/31/2008		12/31/2007	
Description	**Book value**	**Market value**	**Book value**	**Market value**
Assets				
Marketable securities	585,747	585,747	402,525	402,525
Swaps	6,418	6,258	-	-
Liabilities				
Loans and financing	1,048,561	1,048,561	507,316	507,316
Debentures	524,536	524,536	276,937	276,937

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

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

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

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

d. Risk factors - CVM Instruction 475

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

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

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

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

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

- **Foreign currency risk -** Given that part of the borrowings and financing registered by the indirect subsidiary Light SESA is in foreign currency, the Company uses derivative financial instruments ("swap" operations) to reduce risks from foreign exchange variations, which reported a gain of R$12,228 in the 4th quarter of 2008 (loss of R$9,253 in the 4th quarter of 2007) and a gain of R$11,644 for 2008 (loss of R$80,405 for 2007). The net value of swap operations, held at December 31, 2008, was positive, and amounted to R$11,083 thousand negative R$10,130 at December 31, 2007), as presented in the following table:

Institution	Light rights	Light pays	Initial date	Maturity date	Notional value (US$'000)	Fair value Dez/08 (R$'000) assets	Fair value Dez/08 (R$'000) liabilities
Itaú	US$+6,2%	100% CDI	06/19/07	01/15/09	42	13	-
Itaú	US$+6,1%	100% CDI	06/19/07	02/16/09	41	13	-
Unibanco	US$+6,06%	100% CDI	06/19/07	03/11/09	111	35	-
Unibanco	US$+6,07%	100% CDI	06/19/07	04/09/09	6,935	2,217	-
BNP	US$+6,05%	100% CDI	06/19/07	05/15/09	40	13	-
Itaú	US$+6,06%	100% CDI	06/19/07	06/05/09	940	305	-
Itaú	US$+6,05%	100% CDI	06/19/07	06/26/09	444	149	-
Unibanco	US$+3,3%	100% CDI	04/04/08	07/15/09	36	19	-
Unibanco	US$+3,3%	100% CDI	04/04/08	08/17/09	36	18	-
Citibank	US$+3,32%	100% CDI	04/04/08	09/10/09	73	37	-
Unibanco	US$+3,31%	100% CDI	04/04/08	09/15/09	36	18	-
Citibank	US$+3,4%	100% CDI	04/04/08	10/09/09	6,275	3,164	-
Unibanco	US$+3,3%	100% CDI	04/04/08	10/15/09	35	18	-
Unibanco	US$+3,35%	100% CDI	04/04/08	11/16/09	35	17	-
Citibank	US$+3,41%	100% CDI	04/04/08	12/08/09	922	456	-
Unibanco	US$+3,4%	100% CDI	04/04/08	12/15/09	34	17	-
Citibank	US$+3,48%	100% CDI	04/04/08	12/28/09	449	222	-
Unibanco	US$+4,42%	100% CDI	08/25/08	01/15/10	32	21	-
Unibanco	US$+4,32%	100% CDI	08/25/08	02/17/10	32	21	-
Unibanco	US$+4,32%	100% CDI	08/25/08	03/10/10	70	47	-
Unibanco	US$+4,32%	100% CDI	08/25/08	03/15/10	31	21	-
Unibanco	US$+4,53%	100% CDI	08/25/08	04/12/10	5,889	3,940	-
Unibanco	US$+4,32%	100% CDI	08/25/08	04/15/10	31	20	-
Unibanco	US$+4,45%	100% CDI	08/25/08	06/15/10	426	283	-
				Total	22,995	11,084	-

The amount reported is stated at its fair value at December 31, 2008.

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

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

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

e. Sensitivity analysis of financial instruments

Interest earnings bank deposits

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

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

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

Equatorial	**12/31/2008 R$'000**					
Operation	**Risk**	**Probable scenario**	**Scenario (II)**	**Scenario (III)**	**Scenario (IV)**	**Scenario (V)**
Financial assets	CDI	17,315	21,644	25,972	12,986	8,657
Reference to financial assets and liabilities		**Rate on 12/31/2008**	**+25%**	**+50%**	**-25%**	**-50%**
CDI %		12.37	15.46	18.56	9.28	6.19

Foreign currency swap

Equatorial has foreign currency swaps through its investment in Light.

The methodology used for the "probable scenario" was to consider the same behavior for foreign exchange rates reported during 2008.

Risk of exchange rate devaluation (presented in local currency)

Operation	**Risk**	**Scenario (I): Probable**	**Scenario (II):**	**Scenario (III):**
Financial liabilities				
Par Bond	USD	(6,428)	(19,598)	(32,767)
Discount Bond	USD	(3,297)	(12,199)	(21,100)
Flirb	USD	(131)	(724)	(1,317)
C. Bond	USD	(4,432)	(16,004)	(27,577)
Debit. Conv.	USD	(1,866)	(10,745)	(19,624)
New Money	USD	(131)	(716)	(1,300)
Bib	USD	(101)	(495)	(890)
BNDES - Import financing	Basket	(220)	(1,050)	(1,880)
Societe Generale	USD	(391)	(2,274)	(4,156)
KFW	USD	(292)	(1,674)	(3,055)
Derivatives				
Swaps	USD	14,521	28,542	42,629
Reference to financial assets and liabilities			**+25%**	**+50%**
Quotation R$/US$ (End of the year)		2.3370	2.9213	3.5055

(In thousand of Reais, unless when specified)

Risk of Exchange rate appreciation (presented in local currency)

Operation	Risk	Scenario (I): Probable	Scenario (IV):	Scenario (V):
Financial liabilities				
Par Bond	USD	(6,428)	6,741	19,911
Discount Bond	USD	(3,297)	5,604	14,506
Flirb	USD	(131)	462	1,055
C. Bond	USD	(4,432)	7,141	18,714
Debit. Conv.	USD	(1,866)	7,013	15,893
New Money	USD	(131)	453	1,038
Bib	USD	(101)	294	688
BNDES - Import financing	Basket	(220)	609	1,439
Societe Generale	USD	(391)	1,491	3,373
KFW	USD	(292)	1,089	2,470
Derivatives				
Swaps	USD	14,521	367	(13,719)
Reference to financial assets and liabilities			**-25%**	**-50%**
Quotation R$/US$ (End of the year)		2.3370	1.7528	1.1685

Based on the above table, it is possible to identify that despite the partial hedging of the foreign currency debt (limited to the debt service falling due within 24 months), as the quotation for R$/US$ increases, the financial charges for liabilities also increases, but the financial income from the derivatives also partially compensates this negative impact, and vice-versa. Consequently, the Company's cash position is protected by its derivative policy and that of its subsidiary and joint ventures.

The above table demonstrates the net impact of the variations on the scenarios for forecast foreign exchange rate on the results from the derivatives and expenses from foreign currency debts in Light SESA, and it can be observed that, irrespective of the foreign exchange rate, the actual expense (debt + net result from the swap) is the same.

Swaps for financial flows

As reported in the Relevant Fact published on August 13, 2008, Management Board from Equatorial authorized, on the same date, the Company to agree swap contracts with Banco UBS-Pactual, for the total maximum value of R$50 million.

These swaps consist of exchanging the results from future financial flows between Equatorial and Banco UBS-Pactual, according to the following parameters, to be applied to the notional value of each contract:

- **For Equatorial:** Parameter = 0.995 + (final quotation EQTL3/initial quotation EQTL3)

- **For UBS:**

  - **Hypothesis 1**: final quotation EQTL3 > initial quotation EQTL3 corrected by the CDI (from the initial date until the maturity date of the swap)

    Parameter = 1 + % that refers to the Bank's performance rate * (final quotation EQTL3/initial quotation EQTL3 corrected by the CDI, from the initial date until the maturity date of the swap)

  - **Hypothesis 2:** final quotation EQTL3 <= initial quotation EQTL3 corrected by the CDI (from the initial date until the maturity date of the swap)

    Parameter = 1

- **Where:**

  - EQTL3: common share in Equatorial Energia S.A.

  - Final quotation EQTL3 = arithmetic average price of EQTL3, published by BM&FBOVESPA, during the 5 business days immediately prior to the maturity date of the swap

  - Initial quotation EQTL3 = average quotation on the initial date of the swap contract

  - CDI = average daily rate of inter bank deposits (DI) for one day "over extra group", expressed as an annual percentage rate, base 252 business days, calculated and published by CETIP

(In thousand of Reais, unless when specified)

In order to better understand the operation, it can be interpreted that Equatorial, upon agreeing these swap contracts, then holds an asset tracked to the variation in the price of its shares and a liability tracked to the variation in the CDI plus a performance rate for the counterparty, when the share variation exceeds the CDI variation, during the period of the swap contract.

This operation does not involve the purchase or sale of shares in Equatorial by the Company. The contract only provides for the exchange of financial flows between the Company and Banco UBS-Pactual. There are no margins calls associated with this operation.

At December 31, 2008, the Company had 7 swap contracts in force, resulting in a total notional value of R$5.0 million. All of the contracts agreed are valid for a period of one year.

Initial date	Notional value	Initial quotation (R$/share)	Maturity date	Asset position	Liability position	Gross income	Gain/loss in operation
08/29/08	991	14.51	08/31/09	1,677	1,029	647	-344
09/01/08	1,409	14.53	09/01/09	2,384	1,464	920	-490
09/03/08	422	14.53	09/03/09	714	438	276	-146
09/04/08	577	14.49	09/04/09	977	599	379	-199
09/15/08	800	12.51	09/15/09	1,444	832	611	-189
09/17/08	551	12.22	09/17/09	1,005	574	431	-120
09/18/08	274	11.75	09/18/09	508	285	223	-51
Total	5,025			8,709	5,221	3,487	(1,539)

Based on the parameter calculations presented above, and given the fall in the price of the Company's shares, which closed the year quoted at R$10.02, Equatorial registered a loss of R$1.5 thousand to financial results, from this operation. This amount corresponds to the difference between the asset and liability recorded by Equatorial at December 31, 2008.

The sensitivity of the operation to its main risk factor, the Company's share quotation, has been demonstrated in five scenarios.

In compliance with CVM Instruction 475, we present a 'probable' scenario and two other scenarios, with an increase of 25% (scenario II) and 50% (scenario III) in the share quotation.

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

Swap operation	Risk	Notional value	Probable scenario	Scenario II	R$'000 Scenario III
	Share quotation EQTL3	991	679	850	1,021
		1,409	965	1,208	1,451
		422	289	362	435
		577	396	496	596
		800	637	797	920
		551	449	562	645
		274	232	288	330
	Total	5,024	3,647	4,563	5,398
Reference to Swap sensibility		**Appreciation in**		**25%**	**50%**
Share quotation EQTL3 (R$)			10,.02	12.53	15.03

Swap operation	Risk	Notional value	Probable scenerio	Scenario IV	R$'000 Scenario V
	Share quotation EQTL3	991	679	508	337
		1,409	965	722	479
		422	289	216	143
		577	396	296	197
		800	637	477	317
		551	449	336	223
		274	232	174	115
	Total	5,024	3,647	2,729	1,811
Reference to swap sensibility		**Depreciation in**		**25%**	**50%**
Share quotation EQTL3 (R$)			10.02	7.52	5.01

The above table presents the sensitivity of the operation to variations in the share quotations (EQTL3). For the existing parameters for the share quotation, any variations in the CDI do not have an impact on the operation.

Sensitivity analysis for variations in interest rates

1- CEMAR

The sensitivity of the CEMAR's financial assets and liabilities has been demonstrated in five scenarios.

In compliance with CVM Instruction 475, we present a 'probable' scenario and two other scenarios, with an increase of 25% (scenario II) and 50% (scenario III) in the indexors.

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

						R$'000
Operation	**Risk**	**Probable scenario**	**Scenario II**	**Scenario III**	**Scenario IV**	**Scenario V**
Financial assets						
Marketable securities	CDI/Selic	21,722.17	27,152.71	32,583.25	16,291.62	10,861.08
Financial liabilities						
Loans, financing and debentures						
ECF - 2034/00	FINEL	4,930	5,128	5,327	4,731	4,532
ECF - 1510/97	FINEL	83	85	88	80	78
ECF - 1639/97	FINEL	819	847	875	792	764
ECF - 1645/97	FINEL	164	169	173	159	154
ECF -1960/99	IGP-M	18,658	21,941	25,224	15,375	12,092
ECF - 1907/99	FINEL	112	116	120	108	104
ECF - 1908/99	FINEL	767	798	829	736	706
ECFS-2669/07	SELIC	1,374	1,484	1,594	1,263	1,153
FASCEMAR	CDI	3,952	4,732	5,512	3,171	2,391
FINEP	TJLP	106	138	170	74	42
FINAME 01	TJLP	5	5	5	4	4
FINAME 02	TJLP	38	41	44	35	32
BNDES I	TJLP	2,967	3,332	3,697	2,602	2,237
IFC	CDI	14,275	17,905	18,137	10,645	10,414
BNDES II	TJLP	3,291	4,301	5,310	2,282	1,272
DEBENTURES 3rd Issue	CDI	33,969	42,063	50,157	25,875	17,781
Reference to financial assets and liabilities		**Rate on 12/31/2008**	**+25%**	**+50%**	**-25%**	**-50%**
CDI %		12.37	15.46	18.56	9.28	6.19
TJLP %		6.25	7.81	9.38	4.69	3.13
IGP-M %		9.81	12.26	14.72	7.36	4.91
SELIC %		12.48	15.60	18.72	9.36	6.24

(In thousand of Reais, unless when specified)

2- LIGHT

The sensitivity analysis for interest rate risk is presented in the following table, demonstrating the effects on the results from variations in the scenarios:

Risk of interest rate escalating

Operation	**Risk**	**Scenario(I) Probable**	**Scenario (II)**	**Scenario (III)**
Financial assets				
Marketable securities	CDI	69,902	87,378	104,853
Financial liabilities				
Debentures 5º Issue	CDI	(130,548)	(157,967)	(184,827)
CCB Bradesco	CDI	(60,864)	(75,768)	(90,962)
CCB Banco ABN Amro Banking S/A	CDI	(3,919)	(4,751)	(5,585)
Debentures 1º Issue	TJLP	(2,734)	(3,171)	(3,612)
Debentures 4º Issue	TJLP	(377)	(437)	(498)
FINEM BNDES	TJLP	(33,984)	(39,406)	(44,893)
Derivatives				
Swaps	CDI	14,521	13,591	12,653
Reference to financial assets			**+25%**	**+50%**
CDI (% accumulated in the year)		12.3%	15.4%	18.4%
Reference to financial liabilities			**+25%**	**+50%**
CDI (% accumulated in the year)		12.3%	15.4%	18.4%
TJLP (% accumulated in the year)		6.25%	7.81%	9.38%

(In thousand of Reais, unless when specified)

Risk of interest rate decrease

Operation	**Risk**	**Scenario (I) Probable**	**Scenario (IV)**	**Scenario (V)**
Financial assets				
Marketable securities	CDI	69,902	52,427	34,951
Financial liabilities				
Debentures 5º Issue	CDI	(130,548)	(101,992)	(73,524)
CCB Bradesco	CDI	(60,864)	(44,466)	(30,672)
CCB Banco. ABN Amro Banking S.A.	CDI	(3,919)	(3,036)	(2,153)
Debentures 1º Issue	TJLP	(2,734)	(2,357)	(1,940)
Debentures 4º Issue	TJLP	(377)	(325)	(267)
FINEM BNDES	TJLP	(33,984)	(29,295)	(24,108)
Derivatives				
Swaps	CDI	14,521	15,479	16,429
Reference to financial assets			**-25%**	**-50%**
CDI (% accumulated in the year)		12.3%	9.2%	6.1%
Reference to financial liabilities			**-25%**	**-50%**
CDI (% accumulated in the year)		12.3%	9.2%	6.1%
TJLP (% accumulated in the year)		6.3%	4.7%	3.1%

f. Creation of Program for American Depositary Receipts (ADRs) Level 1

As disclosed in the Relevant Fact published on December 19, 2008, Equatorial presented to the Securities Commission - CVM and the U.S. Securities and Exchange Commission - SEC, a request to register a Depositary Receipts Sponsored Program Level 1, to negotiate shares on the America market that are tracked to common shares issued by the Company, as determined in the Company’s management board meeting held on October 08, 2008.

Citibank N.A. (“Citibank”) is the depositary institution for the ADR in the USA. The certificates is initially issued at the rate of 1 (one) Depositary Share for 1 (one) common share.

This operation does not represent an increase in capital or the issue of new shares in the Company and the ADRs are available for trading on the North American over-the-counter market.

32 Subsequent events

a. Proposal to reduce capital

On February 17, 2009, the Company's Management Board approved the following, subject to ratification in General Meeting:

i. a capital reduction for the amount of R$ 82,302,327.66, under the terms of article 173 of Law 6,404/76;

ii. the capital reduction will not alter the number of shares;

iii. the capital reduction will be implemented through reimbursing the shareholders with the amount of R$ 0.77/share (seventy seven cents per share), in proportion to the investment interest held;

iv. the reimbursement to shareholders will be made after a period of 60 days for opposition by creditors, as provided in article 174 of Law 6,404/76; and

v. the shareholding position shall be that recorded on the date of the Extraordinary General Meeting when the decision regarding the capital reduction is to be made.

b. Borrowings and financing

ELETROBRÁS I - On January 30, 2009, the subsidiary CEMAR received the first installment upon signing the contract, with respect to EFCS-2724/2008, for the amount of R$9,769. The total value of this financing is R$97,686 with financing cost of 7% per annum. The total period for the loan is 7 years, with a grace period of 24 months and amortization over 60 months. These funds are guaranteed by CEMAR's income, and are to be used to finance the investments in the Company's transmission and sub-transmission activities.

(In thousand of Reais, unless when specified)

BNB II - On February 05, 2009, the subsidiary CEMAR signed a financing contract with Banco do Nordeste do Brasil S. A. - BNB, for the amount of R$144,939, at a rate of 8.5% per year (considering the default bonus of 15%). The first liberation is anticipated for February 2009, for the amount of R$37,008. The total period for the financing is 12 years, with a grace period of 48 months, and amortization over 96 months. These funds are guaranteed by CEMAR’s income, liquidity fund, bank bond and surety guarantee from Equatorial Energia S.A., and are to be used to finance the investments to combat losses from energy sales, connections for new consumers and to up date the Company’s technology.

ELETROBRÁS II - In February 2009, the contract was approved, for the Debt Acknowledgement and Debt Recognition ECF-2728/2008, between CEMAR and ELETROBRÁS, for the total amount of R$30,731, which refers to the financial settlement of the contract for Financing and Concession of Grants ECFS - 140/2006. The balance for this contract will be adjusted bySELIC rate, maturing in 16 months, with a grace period of 4 months, and amortizations over 12 months.

c. *Alteration to the capital composition of the subsidiary CEMAR*

On February 02, 2009, a total of 37,150 common shares in the capital of CEMAR were issued, which represent 3,715,086,108 common shares prior to the share grouping approved by the Ordinary and Extraordinary General Meeting, held on April 17, 2008 (see note 24 b), assumed by the beneficiaries of the Share Purchase Option Plan. As a result, capital is now represented by 164,146,749 shares, being 161,281,789 common shares, 1,239,231 Class A preferred shares, with no voting rights and 1,625,729 class B preferred shares, with no voting rights, all nominative with no par value, as presented below:

Shareholders	Common stock	Nominative preferred stock class A	Nominative preferred stock class B	Total	%
Equatorial Energia	105,120,627	768,695	1,008,683	106,898,005	65.12%
ELETROBRÁS	54,017,048	459,387	609,069	55,085,504	33.56%
Others	2,144,114	11,149	7,977	2,163,240	1.32%
Total	161,281,789	1,239,231	1,625,729	164,146,749	100.00%

33 Adhesion to the new market

Equatorial Energia transferred from Level 2 of BM&FBOVESPA corporate governance to the New Market on April 23, 2008, given the adherence to best corporate governance practices and demonstrating its commitment to transparency towards its investors and shareholders.

34 Summary of the differences between Brazilian GAAP and IFRS

34.1. Basis of preparation

EQUATORIAL's consolidated annual accounts as of and for the year ended December 31, 2008 were prepared in accordance with Generally Accepted Accounting Practices in Brazil (hereon, "Brazilian GAAP" or "BR GAAP"), which differ in certain significant aspects from International Financial Reporting Standards.

EQUATORIAL prepared the accompanying reconciliation of the shareholders equity and the net income for the year 2008 in accordance with IFRS, in accordance with Regulation (CE) no. 1606/2002 of the European Parliament and Council and in accordance with a waiver received from the BM&FBovespa, dated February 05, 2009, that permits adoption of IFRS for the purposes of Novo Mercado disclosure requirements.

In accordance with an additional waiver received from the BM&FBovespa, dated January 27, 2009, EQUATORIAL is not obliged to disclose additional disclosures that might be required under IFRS, on top of Brazilian GAAP disclosures included in these consolidated financial statements.

Reconciliations and descriptions of the effect of the transition from Brazilian GAAP to IFRS on EQUATORIAL's equity and net income are provided in Note 34.2.3.2.

The reconciliation of the shareholders equity and the net income present a true and fair view of the consolidated equity and consolidated financial position of EQUATORIAL at December 31, 2008, as well as the consolidated results of its operations and the variations in the statements of consolidated net equity, which have occurred in EQUATORIAL in the year ended on said date.

The accompanying reconciliation of the shareholders equity and the net income for the year 2008 of EQUATORIAL have been prepared on the basis of the accounting records of EQUATORIAL and the other entities forming part of the Group EQUATORIAL. Each company prepares its annual accounts following the general accounting practices and accordingly, the adjustments and reclassifications necessary to homogenize said practices and criteria in order to adapt them to IFRS have been introduced. The accounting practices of the consolidated companies have been modified where necessary in order to assure that they are consistent with the accounting policies adopted by EQUATORIAL.

34.2. Accounting policies applied

The first IFRS reconciliation of EQUATORIAL is prepared using accounting policies that comply with the standards in force at December 31, 2008, the reporting date. Standards in force are those that are published by IASB and are mandatory for accounting periods beginning on or after January 1, 2008 and at the same time are endorsed by European Financial Reporting Advisory Group (Herein “EFRAG”).

The described accounting policies have been consistently applied by Group companies and are consistent with those used in the opening balance sheet prepared at the transition date.

34.2.1. Accounting standards and IFRIC interpretations published by IASB not endorsed by EFRAG as of reporting date

The following IASB and IFRIC pronouncements were not endorsed by EFRAG as of the reporting date. EQUATORIAL does not adopt these pronouncements in its 2008 reconciliation of the shareholders equity and the net income for the year and its assessment of the impact of these new standards and interpretations is set out below.

34.2.1.1. <u>Amendment to IAS 39 Reclassification of Financial Assets: Effective Date and Transition (Issued 27 November 2008)</u>

From 1 July 2008, reclassifications of financial assets classified as held for trading (but not designated under the fair value option), are permitted in certain cases:

34.2.1.1.1. If the financial asset meets the definition of a loan or receivable at the date of reclassification and the entity now has the intent and ability to hold it for the foreseeable future or to maturity.

34.2.1.1.2. For other financial assets (i.e., those that do not meet the definition of a loan or receivable at the date of reclassification), the financial asset may be reclassified only in rare circumstances.

From 1 July 2008, assets classified as available for sale (AFS) may be reclassified as loans and receivables provided: (a) they would have met the definition of a loan or receivable, and (b) the company has the intent and ability to hold the asset for the foreseeable future or to maturity.

At the date of reclassification, the fair value of any financial asset reclassified under these provisions becomes its new cost or amortized cost as applicable. The entity will spread over the life of the asset the effect of any subsequent increase in the estimated cash receipts of a reclassified asset as a result of increased recoverability of those cash receipts by adjusting the effective interest rate prospectively, rather than recognizing the impact of the increasing cash receipts immediately in the profit or loss account under the cumulative catch-up approach in IAS 39. The application of this interpretation will not have effect on EQUATORIAL Reconciliations.

34.2.1.2. <u>IFRIC 12 Service Concession Arrangements (Issued 30 November 2006)</u>

This interpretation addresses how service concession operators should apply existing IFRS to account for the obligations they undertake and rights they receive in service concession arrangements. It does not address accounting for the government side of service concession arrangements. IFRIC 12 is effective for annual periods beginning on or after 1 January 2008. The interpretation was endorsed by EFRAG on March 25, 2009. It is applicable to the Group as it is involved in service concession arrangements.

In accordance with IFRIC 12, infrastructure within the scope of this Interpretation shall not be recognized as property, plant and equipment of the operator because the contractual service arrangement does not convey the right to control the use of the public service infrastructure to the operator. The operator has access to operate the infrastructure to provide the public service on behalf of the grantor in accordance with the terms specified in the contract. IFRIC 12 sets out general principles on recognizing and measuring the obligations and related rights in service concession arrangements. Application of IFRIC 12 should result into material reclassifications and certain adjustments to the Company´s financial statements in accordance with IFRS, mainly due to the reclassification of property, plant and equipment to intangible and financial assets, revenue recognition, capitalization of additions to the intangible and amortization. The Company is evaluating the impacts of the aforementioned standard and has not yet determined the changes in its financial position and results of the operation that would result from the application of IFRIC 12.

34.2.1.3. IFRIC 16 Hedges of a Net Investment in A Foreign Operation (Issued 3 July 2008)

The interpretation applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordance with IAS 39. It does not apply to other types of hedge accounting. The main expected change in practice is to eliminate the possibility of an entity applying hedge accounting for a hedge of the foreign exchange differences between the functional currency of a foreign operation and the presentation currency of the parent's consolidated financial statements. The Interpretation is effective for annual periods beginning on or after 1 October 2008 and it is not yet endorsed by EFRAG. The group will apply IFRIC 16 from 1 January 2009. It is not expected to have a material impact on the group's financial statements.

34.2.2. New accounting standards and IFRIC interpretations effective for future accounting periods as detailed below

Certain new accounting standards and IFRIC interpretations have been published that are mandatory for accounting periods beginning on or after January 1, 2009. EQUATORIAL's assessment of the impact of these new standards and interpretations is set out below.

IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009)

The amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The group will apply IAS 23 (Amendment) prospectively from 1 January 2009.

IAS 23 (Amendment), ‘Borrowing costs’ (effective from 1 January 2009)

The amendment is part of the IASB’s annual improvements project published in May 2008. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 ‘Financial instruments: Recognition and measurement’. This eliminates the inconsistency of terms between IAS 39 and IAS 23.

The group will apply the IAS 23 (Amendment) prospectively to the capitalization of borrowing costs on qualifying assets from 1 January 2009.

IAS 1 (Revised), ‘Presentation of financial statements’ (effective from 1 January 2009)

The revised standard will prohibit the presentation of items of income and expenses (that is, ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period.

The group will apply IAS 1 (Revised) from 1 January 2009. It is not expected to have a material impact on the group’s financial statements.

IAS 1 (Amendment), ‘Presentation of financial statements’ (effective from 1 January 2009)

The amendment is part of the IASB’s annual improvements project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, ‘Financial instruments: Recognition and measurement’ are examples of current assets and liabilities respectively.

The group will apply the IAS 1 (Amendment) from 1 January 2009. It is not expected to have an impact on the group’s Brazilian GAAP consolidated financial statements with reconciliation of profit and loss account and shareholder’s equity to IFRS.

IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009)

The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

The group will apply IFRS 2 (Amendment) from 1 January 2009. It is not expected to have a material impact on the group's Brazilian GAAP consolidated financial statements with reconciliation of profit and loss account and shareholder's equity to IFRS.

IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009)

The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions.

The group will apply the IAS 32 and IAS 1(Amendment) from 1 January 2009. It is not expected to have any impact on the group's Brazilian GAAP consolidated financial statements with reconciliation of profit and loss account and shareholder's equity to IFRS.

IFRS 1 (Amendment) 'First time adoption of IFRS', and IAS 27 'Consolidated and separate financial statements'(effective from 1 January 2009)

The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor.

The amendment will not have any impact on the group's Brazilian GAAP consolidated financial statements with reconciliation of profit and loss account and shareholder's equity to IFRS.

IAS 27 (Revised), 'Consolidated and separate financial statements', (effective from 1 July 2009)

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss.

The group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.

IAS 27 (Amendment), 'Consolidated and separate financial statements' (effective from 1 January 2009)

The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment in a subsidiary that is accounted for under IAS 39, 'Financial instruments: recognition and measurement', is classified as held for sale under IFRS 5, 'Non-current assets held-for-sale and discontinued operations', IAS 39 would continue to be applied.

The amendment will not have an impact on the group's operations because it is the group's policy for an investment in subsidiary to be accounted for using the equity method, in the standalone accounts of each entity, as permitted in Brazilian GAAP.

IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009)

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

The group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009)

The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRS.

The group will apply the IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010.

IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation', and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009)

The amendment is part of the IASB's annual improvements project published in May 2008. An investment in associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases.

The group will apply the IAS 28 (Amendment) to impairment tests related to investments in subsidiaries and any related impairment losses when applicable from 1 January 2009.

IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009)

The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made.

The group will apply the IAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.

IAS 38 (Amendment), 'Intangible assets'(effective from 1 January 2009)

The amendment is part of the IASB's annual improvements project published in May 2008. A prepayment may only be recognized in the event that payment has been made in advance of obtaining right of access to goods or receipt of services.

The group will apply the IAS 38 (Amendment) from 1 January 2009. The amendment will not have any impact on the group's Brazilian GAAP consolidated financial statements with reconciliation of profit and loss account and shareholder's equity to IFRS.

IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009)

The amendment is part of the IASB's annual improvements project published in May 2008.

The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

The distinction between current and non-current employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

IAS 37, 'Provisions, contingent liabilities and contingent assets, requires contingent liabilities to be disclosed, not recognized. IAS 19 has been amended to be consistent.

The group will apply the IAS 19 (Amendment) from 1 January 2009.

IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009).

The amendment is part of the IASB's annual improvements project published in May 2008.

This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.

The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition.

The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes the example of a segment so that the guidance is consistent with IFRS 8, 'Operating segments', which requires disclosure for segments to be based on information reported to the chief operating decision-maker. Currently, for segment reporting purposes, each subsidiary designates contracts with group treasury as fair value or cash flow hedges so that the hedges are reported in the segment to which the hedged items relate. This is consistent with the information viewed by the chief operating decision-maker. See note 3.1 for further details. After the amendment is effective, the hedge will continue to be reflected in the segment to which the hedged items relate (and information provided to the chief operating decision-maker).

When re-measuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used.

The group will apply the IAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the group's Brazilian GAAP consolidated financial statements with reconciliation of profit and loss account and shareholder's equity to IFRS.

IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows') (effective from 1 January 2009)

The amendment is part of the IASB’s annual improvements project published in May 2008. Entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to IAS 7 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities.

The amendment will not have an impact on the group’s operations because none of the group’s companies ordinary activities comprise renting and subsequently selling assets.

IAS 28 (Amendment), ‘Investments in associates’ (and consequential amendments to IAS 32, ‘Financial Instruments: Presentation’ and IFRS 7, ‘Financial instruments: Disclosures’) (effective from 1 January 2009)

The amendment is part of the IASB’s annual improvements project published in May 2008. Where an investment in associate is accounted for in accordance with IAS 39 ‘Financial instruments: recognition and measurement’, only certain rather than all disclosure requirements in IAS 28 need to be made in addition to disclosures required by IAS 32, ‘Financial Instruments: Presentation’ and IFRS 7 ‘Financial Instruments: Disclosures’.

The amendment will not have an impact on the group’s operations because it is the group’s policy for an investment in an associate to be equity accounted in the group’s consolidated accounts.

IAS 29 (Amendment), ‘Financial reporting in hyperinflationary economies’ (effective from 1 January 2009)

The amendment is part of the IASB’s annual improvements project published in May 2008. The guidance has been amended to reflect the fact that a number of assets and liabilities are measured at fair value rather than historical cost.

The amendment will not have an impact on the group’s operations, as none of the group’s subsidiaries or associates operate in hyperinflationary economies.

IAS 31 (Amendment), ‘Interests in joint ventures’ (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009)

The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment in joint venture is accounted for in accordance with IAS 39, only certain rather than all disclosure requirements in IAS 31 need to be made in addition to disclosures required by IAS 32, 'Financial instruments: Presentation', and IFRS 7 'Financial instruments: Disclosures'.

The group will apply the amendment where applicable for special purpose entities and consortiums from 1 January 2009.

IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009)

The amendment is part of the IASB's annual improvements project published in May 2008. The amendment deletes the wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortization than the straight-line method.

The amendment will not have an impact on the group's operations, as all intangible assets are amortized using the straight-line method.

IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16) (effective from 1 January 2009)

The amendment is part of the IASB's annual improvements project published in May 2008. Property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable.

The amendment will not have an impact on the group's operations, as there are no investment properties are held by the group.

IAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009)

The amendment is part of the IASB's annual improvements project published in May 2008. It requires the use of a market-based discount rate where fair value calculations are based on discounted cash flows and the removal of the prohibition on taking into account biological transformation when calculating fair value.

The amendment will not have an impact on the group’s operations as no agricultural activities are undertaken.

IAS 20 (Amendment), ‘Accounting for government grants and disclosure of government assistance’ (effective from 1 January 2009)

The benefit of a below-market rate government loan is measured as the difference between the carrying amount in accordance with IAS 39, ‘Financial instruments: Recognition and measurement’, and the proceeds received with the benefit accounted for in accordance with IAS 20.

The group will apply the IAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the group’s Brazilian GAAP consolidated financial statements with reconciliation of profit and loss account and shareholder’s equity to IFRS.

IFRIC 15, ‘Agreements for construction of real estates’ (effective from 1 January 2009)

The interpretation clarifies whether IAS 18, ‘Revenue’, or IAS 11, ‘Construction contracts’, should be applied to particular transactions. It is likely to result in IAS 18 being applied to a wider range of transactions.

IFRIC 15 is not relevant to the group’s operations as all revenue transactions are accounted for under IAS 18 and not IAS 11.

IFRS 8 - Operating segments (effective from 1 January 2009)

IFRS 8 replaces IAS 14,‘Segment reporting’, and aligns segment reporting with the requirements of the US standard SFAS 131, ‘Disclosures about segments of an enterprise and related information’. The new standard requires a ‘management approach’, under which segment information is presented on the same basis as that used for internal reporting purposes. The new standard will not have an impact on the group’s disclosures as it is not required by the Group’s regulator to disclose full IFRS financial statements.

Other amendments

There are a number of minor amendments to IFRS 7, ‘Financial instruments: Disclosures’, IAS 8, ‘Accounting policies, changes in accounting estimates and errors’, IAS 10, ‘Events after the reporting period’, IAS 18, ‘Revenue’ and IAS 34, ‘Interim financial reporting’, which are part of the IASB’s annual improvements project published in May 2008 (not addressed above).

Further minor amendments to IAS 20 ‘Accounting for government grants and disclosure of government assistance’, and IAS 29, ‘Financial reporting in hyperinflationary economies’, IAS 40, ‘Investment property’, and IAS 41, ‘Agriculture’, which are part of the IASB’s annual improvements project published in May 2008 (not addressed above).

These amendments are unlikely to have an impact on the group’s accounts and have therefore not been analyzed in detail.

34.2.3. Transition to IFRS

The BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros(hereon “BM&FBOVESPA”) in its Regulamento de Listagem de Novo Mercado sets down that all the listed companies shall, starting two reporting periods after listing on Nível 2 and Novo Mercado, present their consolidated financial statements (a) according to International Financial Reporting Standards – IFRS, as issued by the International Accounting Standards Board – IASB, or alternatively (b) according to United States Generally Accepted Accounting Principles (US GAAP) as issued by Financial Accounting Standards Board (FASB) or alternatively (c) according to Brazilian GAAP with a reconciliation note to IFRS or US GAAP.

On March 30, 2006 the UNITs of EQUATORIAL became listed on Nível 2 and therefore for the reporting period ending December 31, 2008, EQUATORIAL opted for (c) presenting Brazilian GAAP consolidated financial statements with reconciliation of profit and loss account and shareholder’s equity to IFRS.

The consolidated financial statements for 2007 were prepared in accordance with the Brazilian GAAP. The accounting principles included in these financial statements have been taken into consideration as the “Former Generally Accepted Accounting Principles”, as defined in IFRS 1, for the preparation of the opening consolidated balance sheet as at January 1, 2007 (date of transition).

These consolidated annual accounts have been prepared as described in Note 34.2.3.2 EQUATORIAL has applied IFRS 1 in order to prepare these consolidated annual accounts, applying all the obligatory exceptions and some of the optional exemptions from retroactive application of IFRS.

The Company prepared the opening balance sheet at transition date, January 1, 2007 and adopted IFRS on January 1, 2008. The financial statements as at and for the year ended December 31, 2008 are the first reconciliation between Brazilian GAAP with IFRS.

In the process of first time adoption of IFRS the Company prepared an opening balance sheet at January 1, 2007, being the date of transition to IFRS, Selected accounting policies that comply with IFRS; applied those policies retrospectively to all of the periods presented in the first IFRS financial statements; Considered whether to apply any of the 15 optional exemptions from retrospective application; Applied the five mandatory exceptions from retrospective application; and prepared extensive disclosures to explain the transition to IFRS.

34.2.3.1. Exemptions from full retrospective application – elected by EQUATORIAL

The Company applied all the mandatory exceptions and certain voluntary exemptions as detailed below:

a) Business combinations
EQUATORIAL has applied the business combinations exemption in IFRS 1 for business combinations. Therefore, it has not restated business combinations that took place prior to the January 1, 2007 transition date.

b) Employee benefits
This exemption is not applicable.

c) Cumulative translation differences
This exemption is not applicable.

d) Compound financial instruments
EQUATORIAL has applied the exemption and it only identifies separately the two elements of

the equity component (original equity component and the interest on the liability component that is part of the retained earnings) where the liability component is outstanding at the date of transition.

e) Assets and liabilities of subsidiaries, associates and joint ventures

This exemption is not applicable as all subsidiaries, associates and joint ventures becomes a first-time adopter at the same date as EQUATORIAL.

On February 12 of 2008, Equatorial was merged with PCP Energia Participações S.A. who holds 25% interest in a jointly controlled entity RME, who is a controlling shareholder of Light, S.A. as explained in Note 1. Furthermore, on October 1 of 2008, the Company acquired 25% interest in Geradora de Energia do Norte S.A. (herein "Geranorte") as explained in Note 1.

Light S.A. and Geranorte adopted IFRS on January 1, 2008 (with transition date January 1, 2007). Their transition adjustments, together with the excess of acquirers interest in the fair value of assets, liabilities and contingent liabilities over cost (negative goodwill) on first consolidation, affected significantly the conciliation of equity at December 31, 2008 and the result for the period then ended.

f) Exemption from restatement of comparatives for IAS 32 and IAS 39

EQUATORIAL has not used the exemption and has applied IAS 32 and IAS 39 since the transition date (January 1, 2007).

g) Designation of previously recognized financial instruments

This exemption is not applicable.

h) Decommissioning liabilities included in the cost of property, plant and equipment exemption

EQUATORIAL has not detected at January 1, 2007 any asset that could incur dismantling costs or alike, and, accordingly, this exemption is not applicable.

i) Share-based payment transaction

This exemption is not applicable.

j) Insurance contracts

This exemption is not applicable.

k) Arrangements containing leases
IFRIC 4 requires the lease accounting guidance in IAS 17 to be applied to arrangements that are not a lease in legal form but that convey the right to use an asset in return for a payment or a series of payments. IFRIC 4 is effective for annual periods beginning on or after 1 January 2006 but earlier adoption is encouraged. EQUATORIAL took the exemption and determined whether the arrangements existing at the IFRS transition date contains a lease on the facts existing at that date rather than the conditions at the start of the arrangements.

l) Exploration and evaluation assets
This exemption is not applicable.

m) Fair value measurement of no-active market financial instruments
EQUATORIAL has not applied the exemption offered by the revision of IAS 39 on the initial recognition of the financial instruments measured at fair value through profit and loss where there is no active market. This exemption is therefore not applicable.

n) Presenting comparative accounting and risk disclosures
This exemption is not applicable.

34.2.3.2. Reconciliations between IFRS and Brazilian GAAP

The following reconciliations provide a quantification of the effect of the transition to IFRS in EQUATORIAL. The reconciliation provides details of the impact of the transition on the following details:

– Summary of stockholder’s equity (Note 34.2.3.2.1)
– Reconciliation of net result for 12 months ended December 31, 2007 – Comparative period (Note 34.2.3.2.2)
– Reconciliation of net result for 12 months ended December 31, 2008 – Reporting period (Note 34.2.3.2.3)

(In thousand of Reais, unless when specified)

34.2.3.2.1. Summary of stockholder's equity

The following reconciliations provide a quantification of the effect of the transition to IFRS

		Jan 1, 2007	Dec 31, 2007	Dec 31, 2008
	Total equity under Brazil GAAP	**724,537**	**726,816**	**1,101,126**
i)	Regulatory assets and liabilities	(103,260)	(86,533)	(203,543)
ii)	Special obligations	94,726	106,379	151,112
iii)	Debt payment in installments	(198)	(3,662)	
iv)	Reversal of negative goodwill	3,109	3,109	83,911
v)	Reversal of goodwill amortization	-	1,611	6,231
vi)	Reversal of dividends proposed - Equatorial	80,864	101,922	129,359
vi)	Reversal of dividends proposed - Cemar	42,817	45,518	34,541
vi)	Reversal of dividends proposed - RME	-		31,229
vii)	Reclassification of Minority interest	157,423	177,729	540,932
viii)	Start-up costs reversal			(3,557)
ix)	Compound fin. Inst. - conversion (*)			(67,389)
ix)	Compound fin. Inst. - effective interest rate			(11,591)
ix)	Compound fin. Inst. - segregation of equity component (*)			78,990
x)	Maintenance expense			(1)
xi)	Recognition of deferred tax asset			29,616
xii)	Net deferred tax effect on GAAP differences	2,969	(5,502)	19,033
	Total equity under IFRS	**1,002,987**	**1,067,387**	**1,919,998**

Explanation of effects of transition to IFRS

We set out below explanations and quantifications of the adjustments in the reconciliation included in the point above.

i. Regulatory assets and liabilities

Under Brazilian GAAP, when the regulator establishes a criteria of allocating income or expense to future years, a regulatory asset or liability is booked in the financial statements, which otherwise would be recognized as profit or loss of the year. In accordance with IFRS, regulatory assets and liabilities, which do not attend the criteria established in conceptual framework, are not recognized.

ii. Special obligations

Under Brazilian GAAP, the Company presents special obligations, representing consumers' contributions to the cost of expanding power electric supply systems, as a non-current liability. These obligations were not subject to amortization over the applicable useful lives of the underlying assets. The special obligations are now subject to amortization after the second periodic tariff reset published by ANEEL.

Under new regulation the special obligations (Both existing and newly incurred) are amortized over average remaining useful life of network assets. In some cases this is longer than the remaining concession period. At the end of concession the net amount of special obligation will be deducted from the compensation that EQUATORIAL shall receive for the network assets.

Under IFRS, the amortizable portion of special obligations represents regulatory liability and as such is derecognized. The non-amortizable portion represents a financial liability as it will either decrease the cash inflow or cause cash outflow at the end of concession period and hence it is carried at amortized cost.

Before the determination that special obligations should be amortized for Brazilian GAAP purposes, this reconciled item was considered a permanent difference, and therefore there was no deferred tax impact. Since the determination of special obligations' amortization for Brazilian GAAP purposes, this reconciled item became a temporary difference and, therefore, subjected to deferred taxes calculation. The ANEEL Regulatory Resolution, which established the amortization of special obligations, confirmed the tax impacts related to the amortization of special obligations.

iii. Debt payments in installments

Under Brazilian GAAP until December 31, 2007 the Company recognizes the interest for payments divided in various installments in last payment, whereas in IFRS this financial asset is carried at amortized cost using effective interest rate to recognize interest income at constant rate. In 2008 EQUATORIAL modified its local accounting policies in line with new Brazilian GAAP

iv. Reversal of negative goodwill

Under Brazilian GAAP (until December 31, 2007), the excess of the acquirer's interest in the net fair value of the identifiable assets and liabilities acquired over the cost of the acquisition (herein "negative goodwill") was recognized in balance sheet and no subsequent amortization was permitted. Under IFRS, in accordance with IFRS 3, the negative goodwill is recognized directly in the income statement in the period the business combination occurs. Therefore the company reversed the negative goodwill for IFRS purposes.

As explained in Note 1 to financial statements, on February 12, 2008 the Company acquired through a merger with PCP Energia Participações S.A. 25% of Rio Minas Energia Participações S.A. (herein "RME"). This transaction gave rise to negative goodwill under Brazilian GAAP that was reversed in 2008 for IFRS purposes.

v. Reversal of goodwill amortization

Under Brazilian GAAP (until December 31, 2007), the Group amortized the goodwill originated in previous business combinations. Under IFRS the goodwill is not amortized and the amortization in the post-transition date period is reversed for IFRS purposes.

vi. Reversal of dividends proposed

Under Brazilian GAAP, at each balance sheet date, the board of directors is required to propose a dividend distribution from earnings and accrue for this in the financial statements of the Company. Since this proposal needs to be approved and might be modified at the annual shareholders' meeting, for IFRS reconciliation purposes, the excess of the minimum dividends required by Brazilian Corporate Law of 25% of adjusted net income was not considered as declared at the balance sheet date as they were not approved as of that date and were reversed. In case of CEMAR, the amount adjusted is the amount reflecting the portion not eliminated in consolidation.

vii. Reclassification of minority interest

Under Brazilian GAAP (until December 31, 2007), the minority interest is classified between equity and liabilities, whereas under IFRS it is classified within the shareholder's equity.

viii. Start-up costs reversal

Under Brazilian GAAP (until December 31, 2007), the Group capitalized start-up costs. However, under IFRS, following IAS 16 Property, Plant and Equipment definitions, start-up costs are expensed in the period they are incurred, except if it is probable that the expected future economic benefits will flow to the Companies and if those benefits can be reliably measured. Therefore, Start-up costs were reversed for IFRS purposes.

ix. Compound financial instrument

Under Brazilian GAAP the compound financial instruments are recognized and measured according to its legal form and no equity component separation is required. The debentures issued in June 2005 are fully convertible to common shares at any moment as requested by the bearer of the debenture. The maturity date of debentures issue is in June 2015. Under IFRS the Company determined the fair value of debenture and separated the equity component. Items marked (*) are posted against capital reserves.

The segregation of equity component represents the amount of equity component at the initial recognition of financial instrument, that was reclassified to equity. The effective interest rate adjustment represents the increased interest expense over the period of debt, using effective interest rate rather than nominal rate that will increase the liability to its nominal value at the end of period of instrument. The amount included as conversion represents amounts converted to shares.

x. Maintenance expenses

Under Brazilian GAAP those administration expenses that are related to maintenances are held as Services in course in balance sheet, whereas under IFRS these are expensed as incurred.

xi. Recognition of deferred tax asset

Under Brazilian GAAP, the Group is not allowed to recognize a deferred tax asset that is expected to be recovered after more than 10 years from the balance sheet date. No such limit exists in IFRS and the Group recognized additional deferred tax assets.

xii. Net deferred tax effect on GAAP adjustments

In accordance with the accounting policy of EQUATORIAL, the income tax charge is determined considering the taxable income in accordance with the applicable legal framework and the tax rate approved or substantially approved in Brazil. Deferred taxes are determined according to the liability method based on the balance sheet, considering temporary differences between the accounting and fiscal amounts of assets and liabilities, by the use of the tax rate approved or substantially approved as at the balance sheet date in Brazil, and that are expected to be applicable when the above mentioned differences are reversed. Therefore, the deferred tax adjustments performed under IFRS are related to the impact of the adjustments mentioned above, whenever in accordance with IAS 12 Income Taxes, there are temporary differences between accounting practices and tax regulations that result in deferred taxes asset or liability.

(In thousand of Reais, unless when specified)

34.2.3.2.2. - Reconciliation of net result for 12 months ended December 31, 2007 (Comparative period)

	Item	BR GAAP 2007	Effect of transition to IFRS	IFRS
Net revenues	1	887,152	23,864	911,016
Electric energy purchased for resale	2	(290,522)	4,824	(285,698)
Charge for the transmission and distribution system use	3	(53,173)	(1,492)	(54,665)
Personal	4	(10,304)	(10,497)	(20,801)
Material		(4,048)	-	(4,048)
Third party service		(23,668)	-	(23,668)
Depreciation and amortization	5	(67,010)	3,207	(63,803)
Leasing and rent		(584)	-	(584)
Selling expenses	6	(51,908)	(1,713)	(53,621)
General and administrative expenses		(25,695)	-	(25,695)
Management remuneration		(3,629)	-	(3,629)
Allowance for doubtful accounts and credit losses		(82,971)	-	(82,971)
Provision (reversal) for contingencies		938	-	938
Others operating income (expenses)	7	(14,217)	1,611	(12,606)
Net Financial income (expense)	8	(32,173)	(3,647)	(35,820)
Equity in income		(1,611)	-	(1,611)
Income before income taxes		**279,294**	**16,156**	**295,450**
Social contribution tax		(19,624)	-	(19,624)
Income tax		(1,996)	-	(1,996)
Tax subsidy from SUDENE		-	-	-
Deferred tax expense	9	(46,332)	(8,478)	(54,810)
Profit sharing	10	(8,778)	8,778	-
Income before minority interest		**202,564**	**16,457**	**219,021**
Minority interest	11	(62,790)	20,306	(42,484)
Interesets on shareholders' equity reversal		14,670	-	14,670
Net income for the year		**154,444**	**36,763**	**191,207**

(In thousand of Reais, unless when specified)

Explanation of effects of transition to IFRS

We set out below explanations and quantifications of the reclassifications and adjustments included in the reconciliation above.

1. Net Revenues

a) Regulatory assets and liabilities (see item i in note 34.2.3.2.1)	**23,864**

2. Electric energy purchased for resale

a) Regulatory assets and liabilities (see item i in note 34.2.3.2.1)	**4,824**

3. Charge for the transmission and distribution system use

a) Regulatory assets and liabilities (see item i in note 34.2.3.2.1)	**(1,492)**

4. Personal

a) Stock option expense	(1,719)	_
b) Reclassification of statutory contribution to staff as personnel expenses	(8,778)	**(10,497)**

5. Depreciation and amortization

a) Amortization of special obligations (see item ii in note 34.2.3.2.1)	**3,207**

(In thousand of Reais, unless when specified)

6. Selling expenses

a) Regulatory assets and liabilities (see item i in note 34.2.3.2.1)	**(1,713)**

7. Other operating expenses

a) Reversal of goodwill amortization (see item v in note 34.2.3.2.1)	**1,611**

8. Net finance income / (expense)

a) Special obligations (see item ii in note 34.2.3.2.1)	8,446	
b) Regulatory assets and liabilities (see item i in note 34.2.3.2.1)	(8,629)	
c) Debt payment in installments (see item iii in note 34.2.3.2.1)	(3,464)	**(3,647)**

9. Deferred income tax expense

a) Net effect of deferred taxes on GAAP differences (see item xii in note 34.2.3.2.1)	**(8,478)**

10. Profit Sharing

a) Reclassification of statutory contribution to staff as personnel expenses	**8,778**

11. Minority interest

a) Additional minority interest calculated on IFRS adjustments	**20,306**

(In thousand of Reais, unless when specified)

34.2.3.2.3. - Reconciliation of net result for 12 months ended December 31, 2008 (Reporting period)

	Item	BR GAAP 2008	Effect of transition to IFRS	IFRS
Net revenues	1	2,346,027	(36,332)	2,309,695
Electric energy purchased for resale	2	(1,110,793)	12,686	(1,098,107)
Charge for the transmission and distribution system use		(64,226)	-	(64,226)
Personal	3	(47,577)	(20,172)	(67,749)
Material		(9,221)	-	(9,221)
Third party service		(55,582)	-	(55,582)
Depreciation and amortization	4	(161,864)	4,295	(157,569)
Leasing and rent		(16)	-	(16)
Selling expenses	5	(67,105)	403	(66,702)
General and administrative expenses		(68,801)	-	(68,801)
Management remuneration		(26,003)	-	(26,003)
Allowance for doubtful accounts and credit losses		(82,971)	-	(82,971)
Provision (reversal) for contingencies		938		938
Others operating income (expenses)	6	(30,451)	1,081	(29,370)
Net Financial income (expense)	7	(6,439)	(2,312)	(8,751)
Equity in income		18,441	-	18,441
Negative goodwill on joint venture	8		439,071	439,071
Income before income taxes		**634,359**	**398,720**	**1,033,078**
Social contribution tax		(17,076)	-	(17,076)
Income tax		(86,934)	-	(86,934)
Tax subsidy from SUDENE		46,577	-	46,577
Deferred tax expense	9	(69,877)	6,854	(63,023)
Profit sharing	10	(20,172)	20,172	-
Income before minority interest		**486,877**	**425,746**	**912,623**
Minority interest	11	(198,627)	6,108	(192,519)
Interesets on shareholders' equity reversal		11,865	-	11,865
Net income for the year		**300,114**	**431,854**	**731,968**

(In thousand of Reais, unless when specified)

Explanation of effects of transition to IFRS

We set out below explanations and quantifications of the reclassifications and adjustments included in the reconciliation above.

1. Net Revenues

a) Regulatory assets and liabilities – CEMAR (see item i in note 34.2.3.2.1)	(3,369)	
a) Regulatory assets and liabilities – LIGHT (see item i in note 34.2.3.2.1)	(32,963)	**(36,332)**

2. Electric energy purchased for resale

a) Regulatory assets and liabilities – CEMAR (see item i in note 34.2.3.2.1)	(197)	
a) Regulatory assets and liabilities – LIGHT (see item i in note 34.2.3.2.1)	12,883	**(12,686)**

3. Personal

b) Reclassification of statutory contribution to staff as personnel expenses	**(20,172)**

4. Depreciation and amortization

a) Amortization of special obligations (see item ii in note 34.2.3.2.1) - CEMAR	3,781	
b) Amortization of special obligations (see item ii in note 34.2.3.2.1) - LIGHT	514	**4,295**

(In thousand of Reais, unless when specified)

5. Selling expenses

a) Regulatory assets and liabilities (see item i in note 34.2.3.2.1)		**(403)**

6. Other operating expenses

a) Regulatory assets and liabilities (see item i in note 34.2.3.2.1)	(1,413)	
b) Reversal of maintenance expenses (see item x in note 34.2.3.2.1)	34	
c) Start-up costs reversal (see item x in note 34.2.3.2.1)	(347)	
d) Reversal of negative goodwill (see item iv in note 34.2.3.2.1)	(4,639)	
e) Reversal of goodwill amortization (see item v in note 34.2.3.2.1)	4,620	**1,081**

7. Net finance income / (expense)

a) Special obligations (see item ii in note 34.2.3.2.1)	8,494	
b) Regulatory assets and liabilities (see item i in note 34.2.3.2.1)	(10,774)	
c) Effective interest rate on debenture (see item ix in note 34.2.3.2.1)	(32)	**(2,312)**

8. Negative goodwill on joint venture

a) Negative goodwill recognized on joint venture RME (controlling shareholder of LIGHT) and Geranorte (see item viii above)	**439,071**

The changes in the Group's structure are explained in Note 1. The consideration paid for interests acquired was to match the book value under previous Brazilian GAAP. As an effect of IFRS transition adjustment, net assets of both RME and Geranorte increased and caused an excess of acquirers interest in the fair value of assets, liabilities and contingent liabilities over cost (negative goodwill) on first consolidation under IFRS. The Company recognized this negative goodwill in result for the year.

9. Deferred income tax expense

a) Net effect of deferred taxes on GAAP differences (see item xii in note 34.2.3.2.1)	**6,854**

10. Profit Sharing

a) Reclassification of statutory contribution to staff as personnel expenses	**20,172**

11. Minority interest

a) Additional minority interest calculated on IFRS adjustments	**6,108**

34.2.4. Additional disclosures required under IFRS

34.2.4.1. Earnings per share

Under Brazilian GAAP, net income per share is calculated on the number of shares outstanding at the balance sheet date. Under IFRS, the Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic and diluted EPS are calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

	2008	**2007**
Earnings per shares under Brazilian GAAP – R$	R$ 2.84	R$ 0.77

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the company and held as treasury shares. The weighted average number of ordinary shares, for all periods presented, is adjusted for share grouping as explained in Note 25 as it represents an event that have changed the number of ordinary shares outstanding, without a corresponding change in resources.

	2008	2007
Profit attributable to equity holders of the company	731,968	191,207
Weighted average number of ordinary shares in issue (thousands)	101,166	65,836
Basic Earning per share (in R$)	7.2353	2.9043

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has one category of dilutive potential ordinary shares that is share options.

A maximum amount of number of shares that could have been acquired, adjusted for effects of share groupings as explained in Note 25 is included. As the conditions for these contingently issuable shares have not yet been met, the number of contingently issuable shares included in the diluted earnings per share computation is based on the number of shares that would be issuable if the end of the reporting period was the end of the contingency period.

	2008	2008
Earnings		
Profit attributable to equity holders of the company	731,968	191,207
Profit used to determine diluted earnings per share	731,968	191,207
Weighted average number of ordinary shares in issue (thousands)	101,166	65,836
Adjustments for:		
– Share options (thousands)	1,126	1,984
Weighted average number of ordinary shares for diluted earnings per share (thousands)	102,291	67,820
Diluted Earning per share (in R$)	7.1557	2.8193

* * *

Composition of the Management Board

Carlos Augusto Leone Piani

Firmino Ferreira Sampaio Neto

Gilberto Sayão da Silva

Alessandro Monteiro Morgado Horta

Paulo Jerônimo Bandeira de Mello Pedrosa

Celso Fernandez Quintella

Alexandre Gonçalves Silva

Composition of the Audit Committee

Effectives Members	Substitute Members
João Marcelo Dantas Leite	Luiz Otavio Bianchini Laydner
Marcelo Sousa Monteiro	Felipe Sousa Bittencourt
Beatriz Oliveira Fortunato	Frederico Djun Takahashi Saraiva

Equatorial Energia S.A.

(Publicly-held Company)

Board of Directors

Carlos Augusto Leone Piani
President

Eduardo Haiama
Finance Directors and Investor Relationship

Tinn Freire Amado
Director

Patrícia Pugas de Azevedo Lima
Director

Ana Marta Horta Veloso
Director

Controller's Department Management

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

Geovane Ximenes de Lira
Accountant
CRC PE012996-O-S-MA