

3Q06



Financial and Operating Results Presentation

Third Quarter, 2006

UBS LATEMEA New York Conference, 16-17 November 2006



Agenda

 Strategic Issues

 Operating Results

 Financial Results

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Strategy

Consolidation of distributors located in the North / Northeast / Center-West Regions

- Acquisition of control, independently or jointly
- Opportunities for gains through: operational and financial restructuring, reduction of losses, synergy gains and above average market growth

Increased operational efficiency and reduction of losses

- Continuation of CEMAR's restructuring program, increasing productivity gains, seeking new cost reductions and reducing commercial losses

Selective assessment of investments in generation

- Heavy investments in generation will be necessary over the next few years in Brazil
- This scenario could generate attractive investment opportunities that will be analyzed by Equatorial

Strategy / Target Markets

Target market represents 22.5% of electricity national demand (2005), 34.2% of the population (2005) and 20.4% of GDP (2003)



Strengths

Growth prospects and consolidation opportunities

Financial strength and solid management team with turnaround experience



Result-oriented management model

High level of Corporate Governance

3Q06



Agenda



Strategic Issues



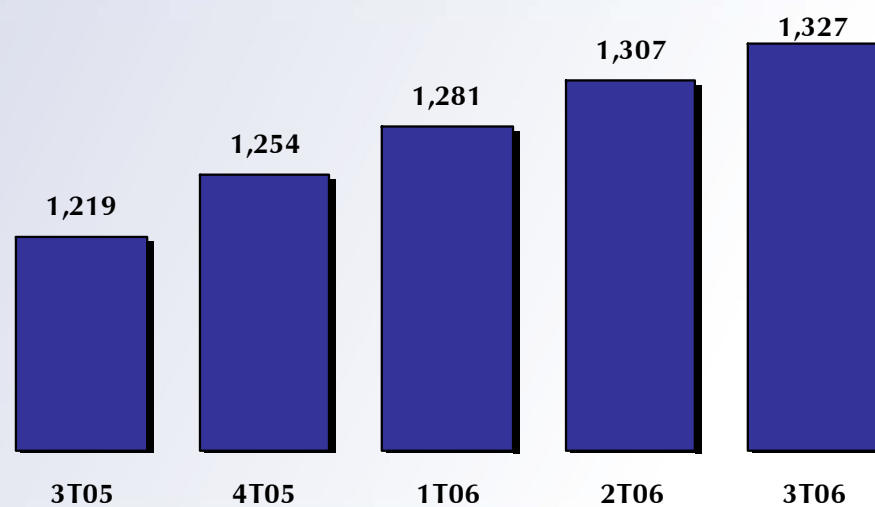
Operating Results



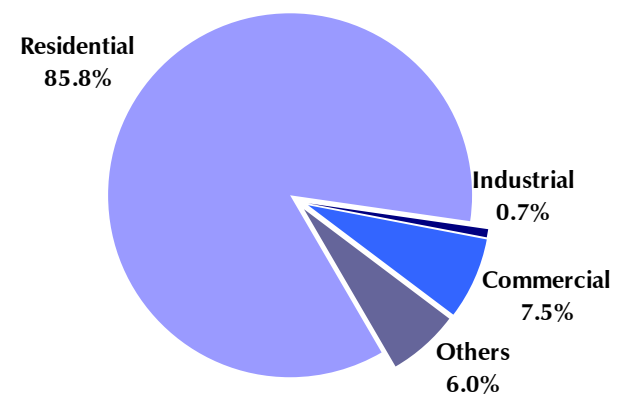
Financial Results

Customer Base

Customer Base (thousands)



Customer Base Breakdown



• Customer base growth of 8.9% in the last 12 months

Electricity Volume

Electricity Volume per Class

| CONSUMPTION CLASS (MWh) | 3Q05 | 3Q06 | % Chg. | 9M05 | 9M06 | % Chg. |
|------------------------------|----------------|----------------|-------------|------------------|------------------|-------------|
| Residential | 283,102 | 300,342 | 6.1% | 828,460 | 875,372 | 5.7% |
| Industrial | 108,861 | 103,575 | -4.9% | 315,988 | 276,751 | -12.4% |
| Commercial | 140,436 | 149,695 | 6.6% | 404,706 | 430,359 | 6.3% |
| Others (ex. own consumption) | 176,550 | 185,889 | 5.3% | 487,089 | 524,308 | 7.6% |
| TOTAL | 708,949 | 739,500 | 4.3% | 2,036,244 | 2,106,789 | 3.5% |

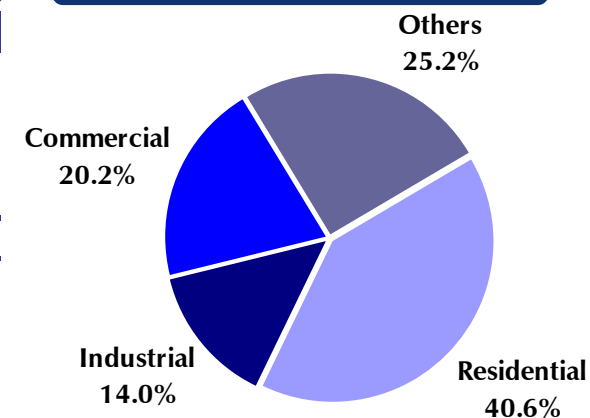
Load: Brazil vs. NE vs. CEMAR

| | Year | 1Q | 2Q | 3Q | 9M |
|---|--------|---------|---------|-----------|-----------|
| Brasil Electric Energy Load (GWh)* | 2006 | 104,999 | 100,980 | 140,886 | 346,865 |
| | 2005 | 99,900 | 99,538 | 134,671 | 334,109 |
| | % Chg. | 5.1% | 1.4% | 4.6% | 3.8% |
| Northeast Region Electric Energy Load (GWh)* | 2006 | 15,079 | 14,476 | 20,396 | 49,951 |
| | 2005 | 14,512 | 14,323 | 19,777 | 48,612 |
| | % Chg. | 3.9% | 1.1% | 3.1% | 2.8% |
| CEMAR Electric Energy Load (MWh) | 2006 | 966,504 | 983,932 | 1,085,808 | 3,036,244 |
| | 2005 | 926,615 | 966,722 | 1,024,914 | 2,918,251 |
| | % Chg. | 4.3% | 1.8% | 5.9% | 4.0% |
| CEMAR Electricity Sales (MWh - ex. own consumption) | 2006 | 669,484 | 697,806 | 739,500 | 2,106,789 |
| | 2005 | 650,086 | 677,208 | 708,949 | 2,036,244 |
| | % Chg. | 3.0% | 3.0% | 4.3% | 3.5% |

* data from the Integrated National System

Source: ONS (National System Operator) and CEMAR

Billed Electricity (% per Class)



- Electricity volume growth of 4.3% in the last 12 months
- Strong residential growth due to 6.4% increase in the number of customers in the LTM
- Industrial Class fell 4.9% in the 3Q06 y-o-y, better than 2Q06 (17.6%)
- Pig Iron producer's 3Q06 consumption growth of 14.7% y-o-y

Electricity Balance and Energy Losses

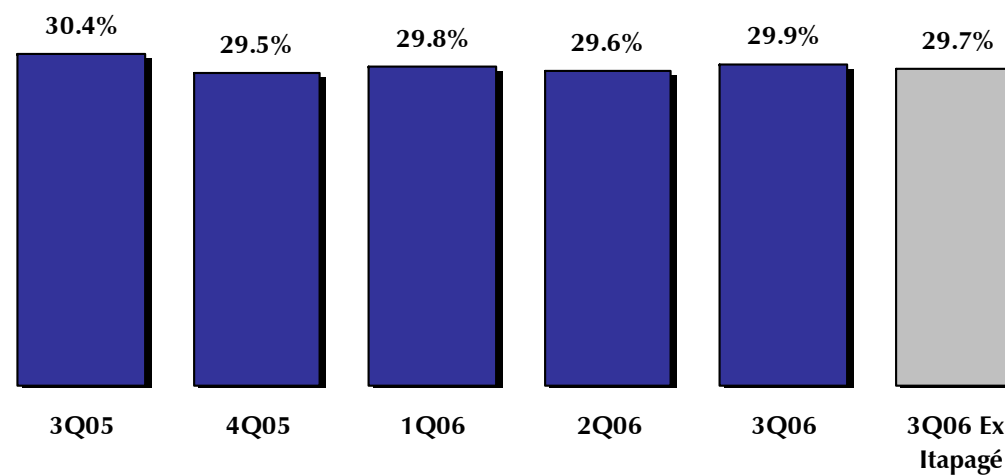
Electricity Balance

| Electricity Balance (MWh) | 3Q05 | 3Q06 | % Chg. | 9M05 | 9M06 | % Chg. |
|---------------------------|-----------|-----------|--------|-----------|-----------|--------|
| Required Energy * | 1,025,098 | 1,085,933 | 5.9% | 2,918,825 | 3,036,609 | 4.0% |
| Sales ** | 710,355 | 741,243 | 4.3% | 2,040,182 | 2,111,835 | 3.5% |
| Losses | 314,743 | 344,690 | 9.5% | 878,644 | 924,775 | 5.3% |

* includes own generation

** includes energy sales to consumer classes, own consumption and supply to CEPISA

Electricity Losses (LTM)



- Losses (LTM) of 29.9% in the 3Q06, 0.5 p.p. down year-on-year, and slight increase of 0.3 p.p. compared to 2Q06

- Without the supply interruption at Itapagé Celulose, these losses would come to 29.7% (LTM)

Electricity Loss Trend

Year-over-year % Change in MWh



• In Sep/06, the loss change rate was lower than the Jun/06 figure by 0.4 p.p., but higher than the change rate of required energy and energy sales

- Includes own generation
- Includes energy sales, own consumption and supply to CEPISA

Tariff Adjustment – 2006/2007

- Aneel authorized CEMAR's average tariff adjustment of 14.58% for the period between Aug/06 and Jul/07
- The average tariff increase for electricity prices, considering previous financial adjustments, was 10.68%
- Aneel approved CEMAR's request to recognize the impact of the "Light for All" program – R\$34.0 MM contribution as financial component, pushing the tariff up by 4.25%

| CEMAR - Breakdown of 2006 Tariff Adjustment | | | | |
|---|---|-------------------|------------------------------------|-------------------------|
| Tariff Adjustment: 14.58% | Pass-through of Part A and B Change: 10.07% | 2.98% | Energy Purchases | Part A |
| | | 1.08% | Sector and Transmission Charges | |
| | | 5.84% | RTD | Part B |
| | 0.17% | Part B | | |
| | Financial Components Change: 4.51% | 4.25% | Universalization | Financial Components |
| | | 0.26% | Other Financial Adjustments | |
| Variable | 2005 | 2006 | % Chg. | |
| Annual Adjustment | R\$726,415,379.06 | R\$799,593,865.83 | 10.07% | |
| Part A | R\$346,846,807.11 | R\$376,320,022.91 | 8.50% | |
| Part B | R\$379,568,571.94 | R\$423,273,842.92 | 11.51% | |
| Financial Adjustments | - | R\$36,046,002.22 | N/A | |

Agenda

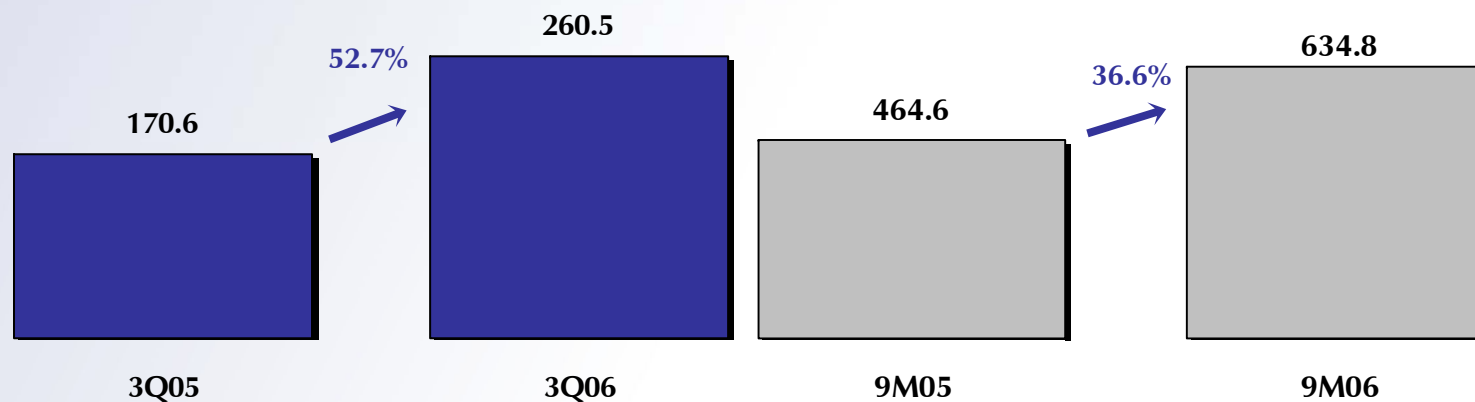
 Strategic Issues

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Net Revenues

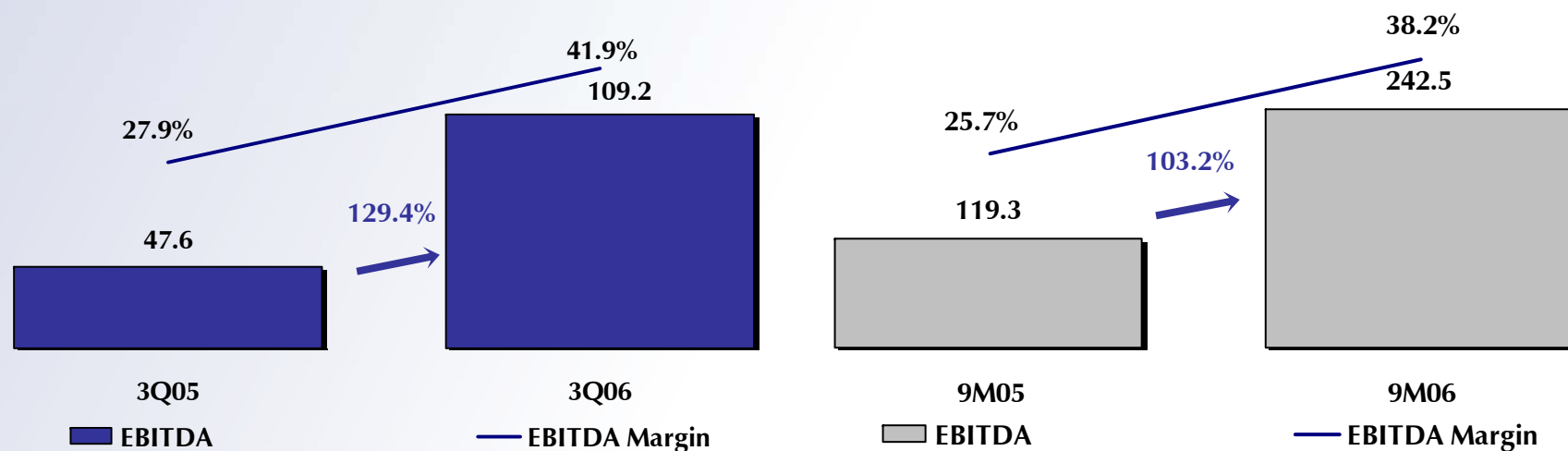
Net Revenues (R\$ million)



- Net Revenues grew 52.7% and 36.6% year-on-year in the 3Q06 and the 9M06, respectively
- Results chiefly due to:
 - a) the August 2005 tariff review (15.95%)
 - b) the positive impact of the financial component related to the “Light for All” Program costs in the August 06 tariff readjustment
 - c) 4.3% volume increase in energy sales

EBITDA and EBITDA Margin

EBITDA (R\$ million) and EBITDA Margin (% of Net Revenues)



- EBITDA reached R\$109.2 million in the 3Q06, 129.5% up on the R\$47.6 million reported in the 3Q05
- EBITDA margin of 41.9%, up by 15.2 p.p. compared to the same quarter in the previous year

Income Tax and Social Contribution

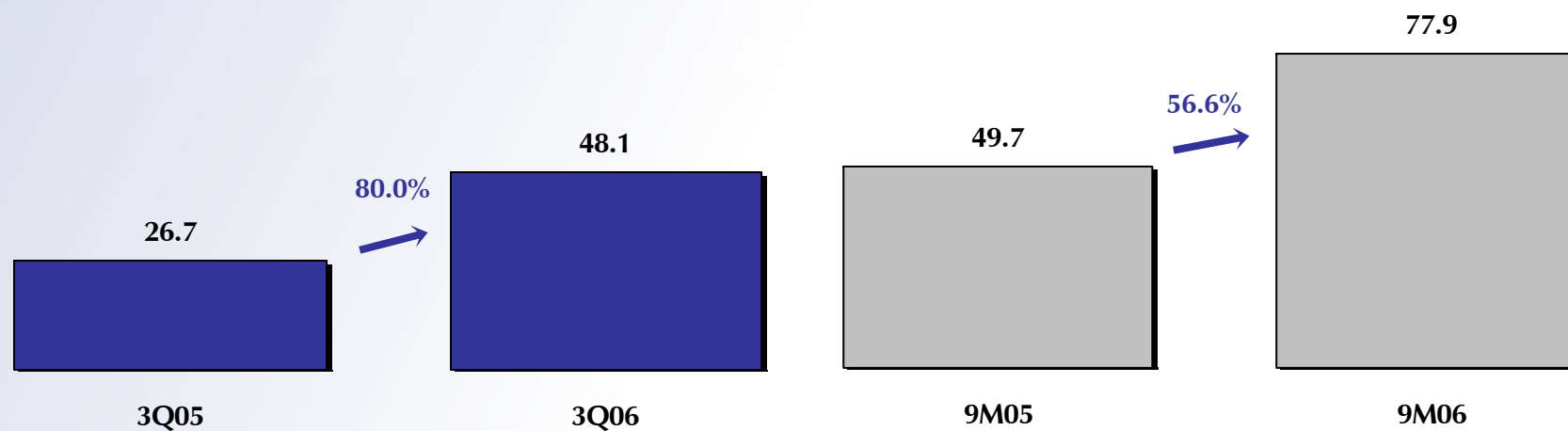
| Income Tax / Social Contribution (R\$ million) | 1Q06 | 2Q06 | 3Q06 | 9M06 |
|--|-------|-------|--------|--------|
| Expense Income Tax/ Social Contribution (1) | 12.6 | 13.5 | 18.5 | 44.6 |
| (+) Reversal in Tax Provision 2005 | - | 3.1 | 6.3 | 9.4 |
| (-) Deferred Tax Asset | (3.8) | (6.7) | (11.6) | (22.1) |
| (-) ADENE Incentive | (3.0) | (2.7) | (5.7) | (11.4) |
| = Tax / Cash Basis (2) | 5.8 | 7.2 | 7.5 | 20.5 |
| Earnings Before Tax (3) | 33.7 | 43.2 | 89.6 | 166.5 |
| Effective Income Tax/Social Contribution - Accrual Basis - (1)/(3) | 37.4% | 31.3% | 20.7% | 26.8% |
| Effective Tax Rate (%) - Cash Basis - (2)/(3) | 17.2% | 16.7% | 8.4% | 12.3% |

- The deferred tax assets and the tax benefits obtained from ADENE (Northeast Development Agency) mean that the Company's income tax and social contribution disbursements are substantially lower than the regular tax rates

tabela

Net Income

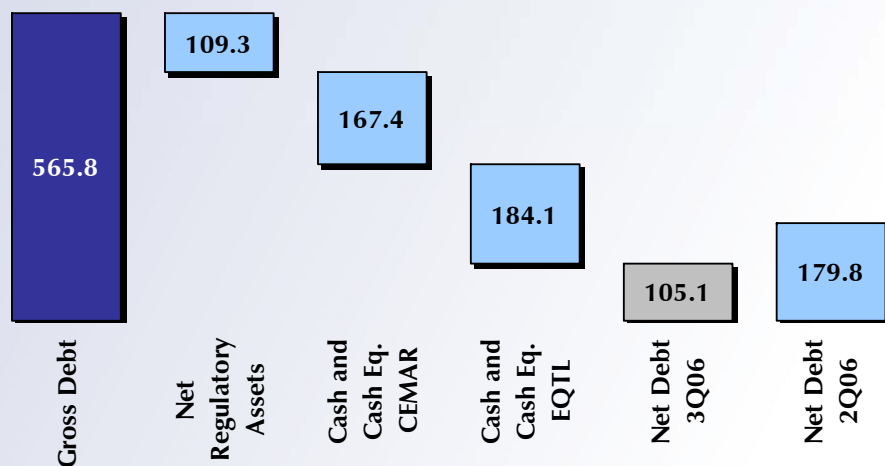
Net Income (R\$ million)



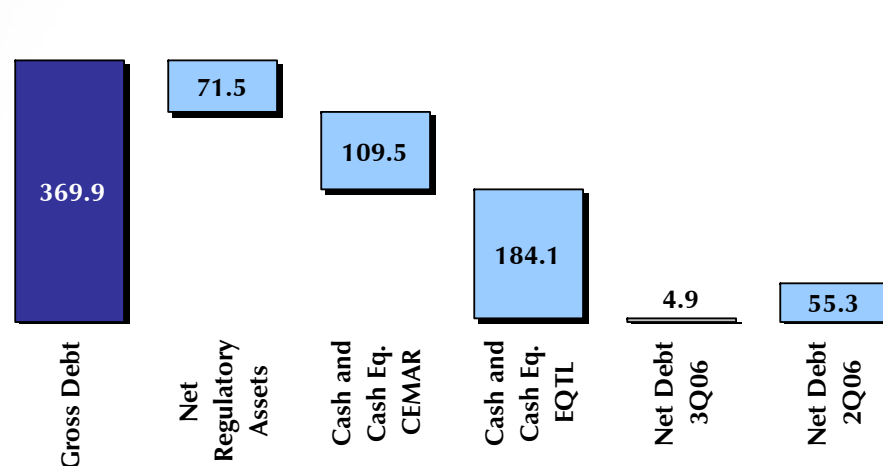
- 3Q06 Net Income: R\$48.1 million (R\$0.73 / Unit), 80.0% growth vs. the 3Q05
- 9M06 Net Income: R\$77.9 million (R\$1.18 / Unit), 58.6% growth vs. the 9M05

Net Debt

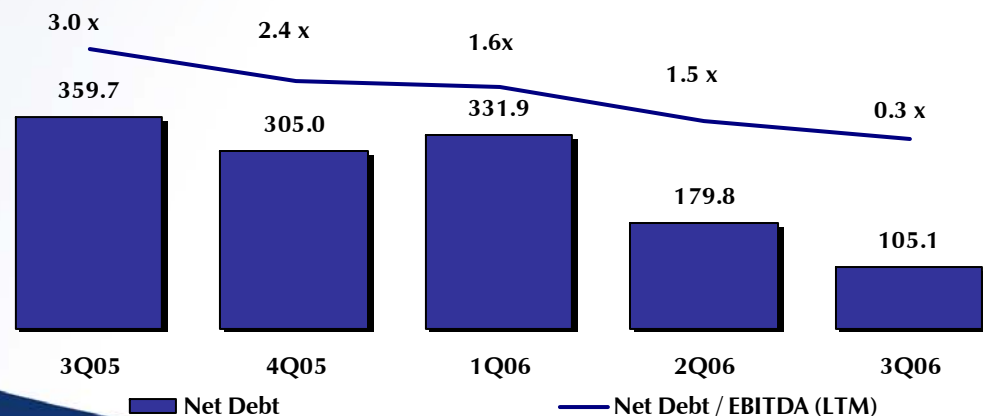
Net Debt Calculation (R\$ million)



Net Debt Calculation - Ownership Adjusted (R\$ million)

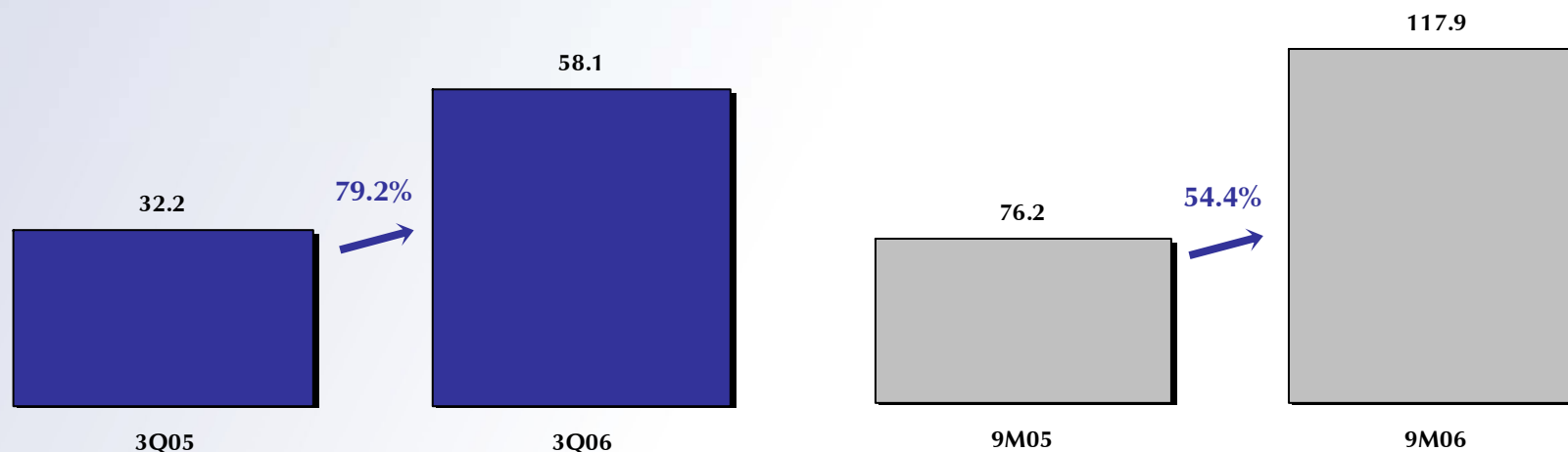


Net Debt (R\$ million) and Net Debt / EBITDA (LTM)

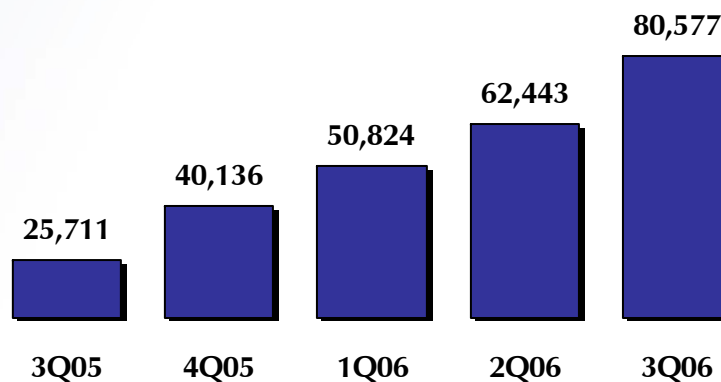


PLPT (Luz Para Todos – “Light for All” Program)

PLPT Direct Investments (R\$ million)



Clients Connected

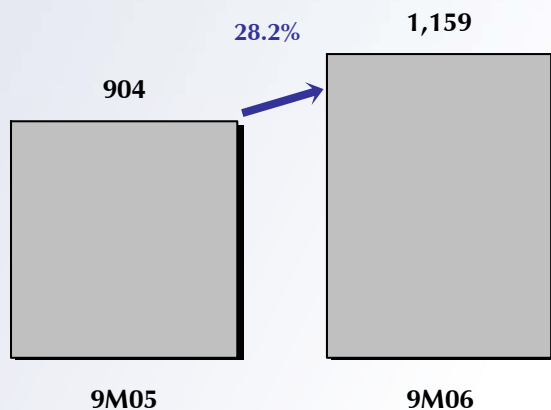


• By the end of September, CEMAR had connected 80.6 thousand clients through the PLPT

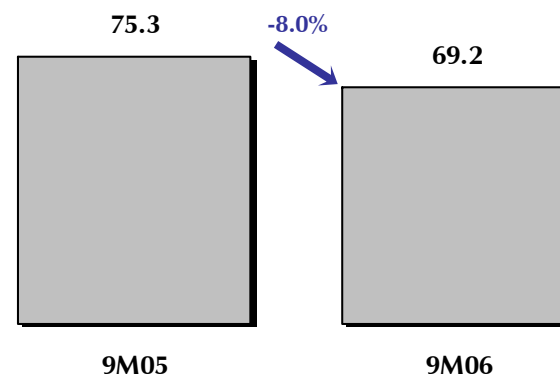
Efficiency Indicators

• Continuous efficiency gains

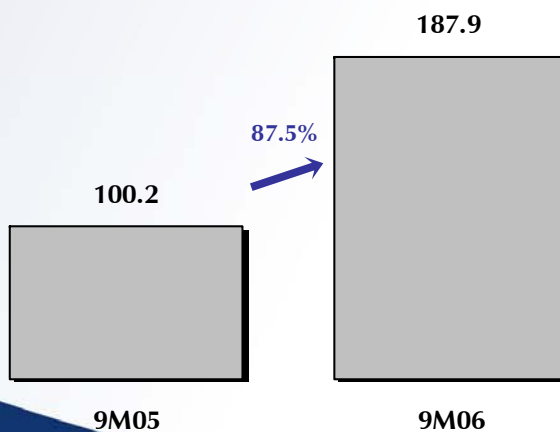
Consumers per Employee 9M06 – 9M05



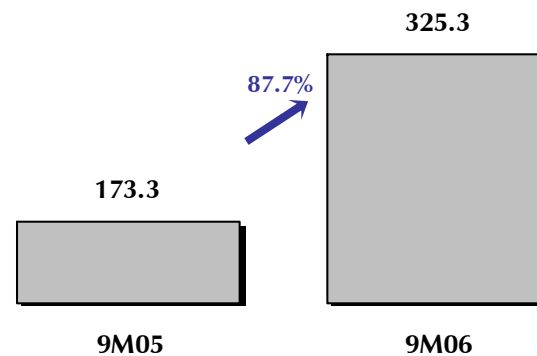
PMSO* per Consumer: 9M06 – 9M05



EBITDA (R\$) per Consumer 9M06 – 9M05



EBITDA (R\$) per MWh 9M06 – 9M05



* excluding provisions, restructuring costs and non-recurring expenses

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