MANAGEMENT REPORT FOR

FISCAL YEAR 2008

AND

FINANCIAL STATEMENTS FOR

FISCAL YEARS 2008 AND 2007

TRACTEBEL ENERGIA S. A.

FINANCIAL AND INVESTOR RELATIONS AREA

Dear Shareholders,

The Management of Tractebel Energia S.A. ("Tractebel Energia" "Tractebel" or the "Company"), is pleased to present for your examination the Management Report and corresponding Financial Statements accompanied by the opinions of the Independent Auditors and Fiscal Council with respect to the fiscal year ending December 31, 2008. Information is shown in millions of Reais and on a consolidated basis except when specified to the contrary and in accordance with generally accepted accounting practices in Brazil.

Message from the Management

The year of 2008, in which Tractebel Energia commemorated its tenth anniversary, was marked by the Company's consolidation as the largest private sector business in the Brazilian electricity generating industry. In our first decade, we have experienced two growth cycles which have seen the Company expand its generating plants by ten units compared with the initial eight. Currently, our generating complex is made up of seven hydro and six thermal plants as well as five units fired from so-called complementary energy sources – two small hydroelectric power plants, two wind farms and a biomass-powered unit. As a consequence of this progress, proprietary installed capacity increased 66% from 3,719 MW in 1998 to 6,189 MW this year.

During the first growth cycle ending 2003, the generating complex was expanded with the William Arjona Thermoelectric Power Plant (in the state of Mato Grosso do Sul - MS) and the hydroelectric plants: Itá (states of Santa Catarina - SC and Rio Grande do Sul - RS), Machadinho (SC and RS) and Cana Brava (state of Goiás – GO), as well as the Lages Cogeneration unit (SC), a biomass plant using timber waste supplied from the wood-working industry in the Lages region. Together, these enterprises accounted for an additional 2,199 MW of installed capacity.

In 2007 we initiated our second growth cycle on the back of the favorable results from the newly acquired plants during the first cycle, strong cash flow and support from our parent company, the GDF SUEZ Group, by acquiring the Ponte de Pedra Hydroelectric Plant (Mato Grosso - MT and MS). The second growth cycle continued through 2008 with investments in complementary energy sources. Not only did this improve our know-how in this segment, but also we were able to meet our target of increasing our capacity by 100 MW in energy from these sources. During the course of the year, we concluded the acquisition of the Rondonópolis (MT), José Gelazio da Rocha (MT) and Areia Branca (state of Minas Gerais - MG) small hydroelectric power plants. The first two were already operational while the third is scheduled to begin generation in 2009. Finally, we also purchased two wind farms, Beberibe (state of Ceará - CE) and Pedra do Sal (state of Piauí - PI), both of which are also already operational.

We are currently developing a further three projects. The unveiling of the first of these, the São Salvador Hydroelectric Plant (state of Tocantins - TO), scheduled for February 2009, will be a landmark event, - Tractebel Energia establishing a footprint in all regions of Brazil. The other two projects - the Estreito hydro plant (state of Maranhão - MA) and Destilaria Andrade (state of São Paulo -SP) – a biomass plant, are programmed for activation in 2010. Together with Areia Branca, these new projects will increase our generation capacity by 716 MW. In addition, the Seival project with up to 540 MW in generation capacity and also acquired during this cycle, awaits an appropriate moment for work to begin.

The Company reported an equally impressive financial result in 2008: we posted net income of R$ 1,115.2 million, the highest ever, and 6.6% higher than 2007 - and this despite the officially determined reduction in commercial capacity of the thermal plants. On the operational front, despite the thermoelectric units being worked at high dispatch levels, uptime increased to 98.7%, discounting scheduled stoppages - yet another record in this first decade of activities.

We consider ourselves well prepared to confront the international financial crisis and our determination to grow and create stakeholder value over the coming years remains undiminished. Commercial capacity including new plants and acquisitions from third parties has nearly all been sold through 2010. The robust cash flow and government financing from the National Economic and Social Development Bank (BNDES), particularly financing under the aegis of the Accelerated Growth Plan (PAC), are allowing us to maintain expansion and capital expenditures in projects in progress on track. In addition, our exposure to foreign exchange fluctuations is low – less than 12% of gross debt is not denominated in Brazilian Real - and will tend to diminish further in the next few years.

The Company's positive economic performance in the past decade is intimately linked to our commitment to sustainable development. We always operate with respect for the environment which provides us with the necessary resources for generating electric power. The focus of our business is thus based on the equilibrium between the three pillars which sustain corporate activities: to present an excellent economic performance, to be socially just and to operate in an environmentally responsible manner. By conducting our operations on a sustainable basis, we are able to create value for all our various stakeholders.

Recognition of this continued commitment was again apparent in 2008. For the fourth consecutive year Tractebel Energia's shares were reconfirmed as a component part of the BM&FBovespa – Bolsa de Valores, Mercadorias e Futuros's Corporate Sustainability Index (ISE). Additionally, NBR ISO 9001 and NBR ISO 14001 certification for all our plants was renewed – naturally, with the exception of the recently acquired units. Again, among other awards we were placed first among the Best Companies for Shareholders in the III Listed Company Ranking which rates the most outstanding companies based on EVA, earnings per share, liquidity, corporate governance and sustainability. This accolade reflects the conduct of our business in line with best corporate governance practice as well as an indication of our commitment to accountability and transparency in our management.

During this past decade we have arduously and incessantly sought to innovate, explore new opportunities and expand our generating complex nationwide. In this year of consolidation we can commemorate the fruits of these efforts and now move forward with the inspiration to vigorously work towards further expanding our activities. Our desire to continue growing remains unabated as well as our commitment to protect the environment and to social development. We wish to thank our employees, investors, customers, suppliers and society for the role they have played in the Company's trajectory and their dedication and confidence in the construction of this story of success.

Manoel Arlindo Zaroni Torres
Chief Executive Officer

Maurício Stolle Bähr
Chairman of the Board of Directors

1_Institutional Profile

The largest private sector energy generation company in Brazil, Tractebel has registered offices in Florianópolis, state of Santa Catarina. For ten years now, it has been operating in the installation and operation of generating plants and in the commercialization of electricity.

The Company's shares trade on BM&FBovespa – Bolsa de Valores, Mercadorias e Futuros's Novo Mercado (the Brazilian Securities, Commodities and Futures's Exchange). Tractebel Energia is controlled by GDF SUEZ Energy Latin America Participações Ltda., in turn a subsidiary of the Franco-Belgian group GDF SUEZ, one of the largest in the world in the area of energy, water and waste management.

In 10 years, Tractebel's generating complex has grown 66% totaling 6,189 MW of proprietary installed capacity with 18 power plants in operation. The plants are responsible for generating energy for meeting about 6% of domestic electricity consumption. Total capacity takes into account the plants fully operated by Tractebel as well as a 19.3% stake the Company holds in the Machadinho Hydroelectric Power Plant (HPP) (total capacity of 1,140 MW), and 70.0% in the Itá HPP (total capacity of 1,450 MW). Considering the stakes held by other investors, the total installed capacity operated by Tractebel is 7,248 MW. In addition to plants which are already operational, four are in the construction phase and will add 716 MW to proprietary capacity.

2_Expansion of the Generating Complex

In 2008 the Company consolidated its position of market leadership by acquiring six new plants with an installed capacity of 290 MW: the Ponte de Pedra HPP (acquisition initiated in 2007 and concluded in 2008), the José Gelazio da Rocha, Rondonópolis and Areia Branca (the latter still under construction) small hydroelectric plants (SHPs) and the Beberibe and Pedra do Sal wind farms. These investments totaled R$ 1,085.8 million.

With the construction of new plants - the São Salvador and Estreito hydroelectric plants, the Destilaria Andrade Thermoelectric Plant (TPP) and the Areia Branca SHP - Tractebel is expanding its generating activities to the all regions in Brazil. The Company now has operations in the states of Santa Catarina, Rio Grande do Sul, Paraná, São Paulo, Mato Grosso do Sul, Mato Grosso, Goiás, Ceará, Piauí, Minas Gerais, Tocantins, and Maranhão.

The new São Salvador (243 MW), Estreito (435 MW and still to be transferred by the controlling company to Tractebel), Destilaria Andrade (18 MW) and Areia Branca (20 MW) units will add a further 716 MW of generating capacity. This figure incorporates Tractebel's stake of 40.1% in the Estreito consortium, with a total capacity of 1,087 MW and 55.4% in the Destilaria Andrade consortium with a total capacity of 33 MW. If we consider total plant capacity, then an increment of 1,383 MW will be added to the Company's operations.

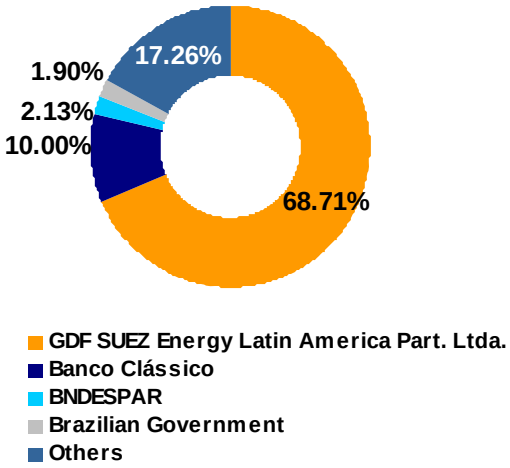
The development of the Seival TPP in the state of Rio Grande do Sul continues under study. The plant would have an estimated 340 MW capacity, its output destined for export. Total capital expenditures for the five plants are forecast at R$ 5 billion, and possibly higher considering that the maximum permitted capacity is 540 MW.

2.1_Shareholding Control

On December 31, 2008, the Company's capital stock amounted to R$ 2,445.8 million, represented by 652,742,192 common shares which are regularly traded on the BM&FBovespa – Bolsa de Valores, Mercadorias e Futuros under the TBLE3 symbol. The Company has a Level I ADR (American Depositary Receipts) Program, trading on the US over-the-counter market under the TBLEY symbol, the ratio being one ADR for each common share.

GDF SUEZ Energy Latin America Participações Ltda. holds a controlling stake of 68.71% in the Company's capital.

Shareholding Control



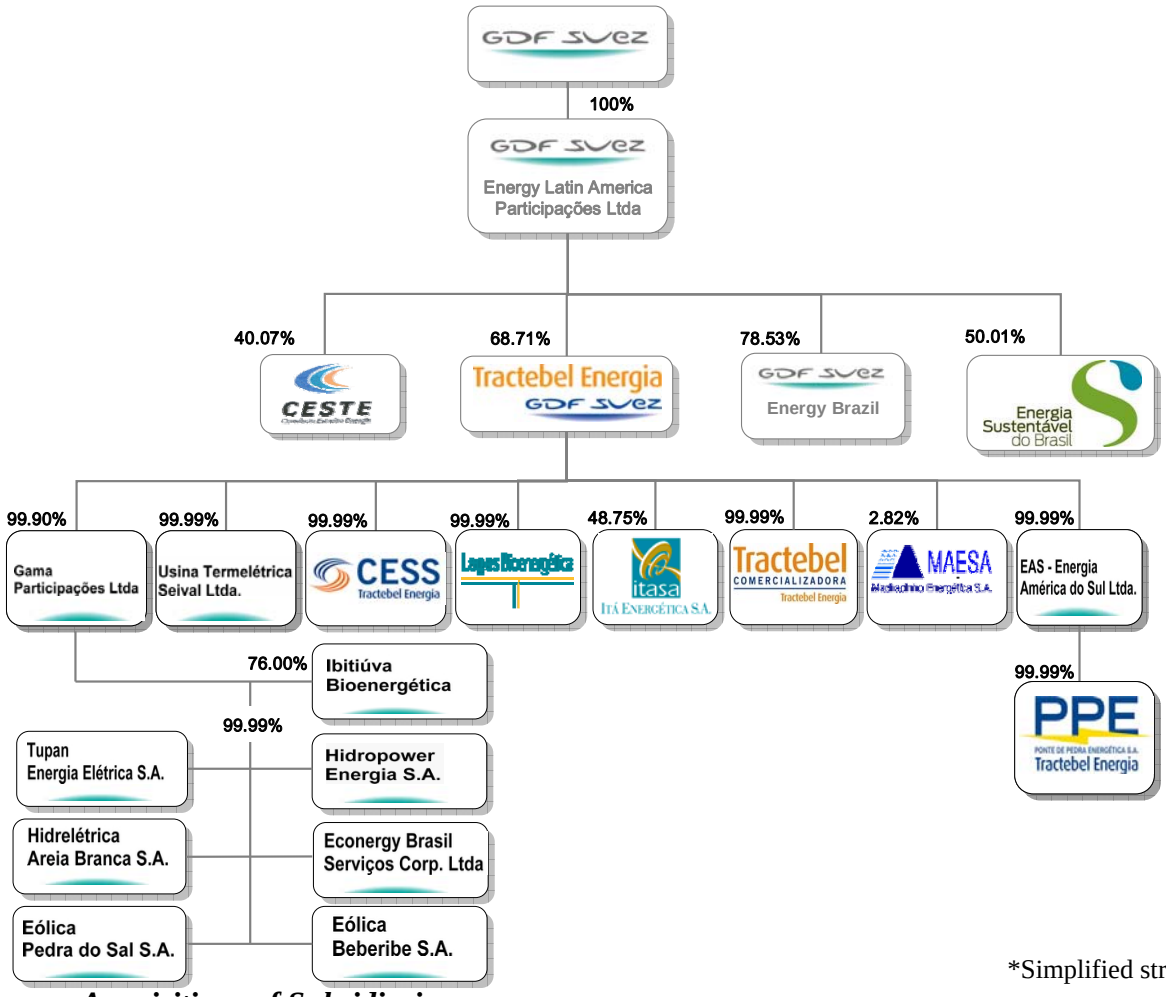
2.2_Corporate Structure

GDF SUEZ Energy Latin America Participações Ltda., a member of the GDF SUEZ group, has a controlling stake in Tractebel Energia, which in turn has a direct or indirect controlling stake in the following companies: Companhia Energética São Salvador; Lages Bioenergética Ltda.; Seival Participações S.A.; Ponte de Pedra Energética S.A.; Gama Participações Ltda.; and Tractebel Energia Comercializadora Ltda., which intermediates and operates purchases, sales, imports and exports of electricity in the free market.

The Company also has a 2.82% stake in Machadinho Energética S.A. (Maesa) and 19.28% in the Machadinho HPP operating consortium.

In addition, Tractebel has shared control of the Itá HPP operating concessionaire, Itá Energética S.A. (Itasa) – with a stake of 48.5% - and a further stake of 39.5% of the Itá Consortium, responsible for the construction of the project. This translates into an overall stake of 70% in the Itá HPP.

Breakdown of Corporate Structure*



*Simplified structure

Acquisitions of Subsidiaries

On April 29, 2008, EAS - Energia América do Sul Ltda. ("EAS"), a wholly-owned subsidiary of the Company, completed the acquisition of Ponte de Pedra Energética S.A., - the concessionaire for Ponte de Pedra HPP – at a cost of R$ 645.0 million.

During 2008, through its Gama Participações Ltda. ("Gama") subsidiary, the Company acquired the entire capital stock of Tupan Energia Elétrica S.A. ("Tupan") and Hidropower Energia S.A. ("Hidropower") for approximately R$ 240.9 million. Tupan holds ANEEL's (Brazilian Electricity Energy Agency) authorization to operate the Rondonópolis SHP concession, the plant having an installed capacity of 26.6 MW and in commercial operation since December 2007. ANNEL also granted the authority to Hidropower to operate the Engenheiro José Gelazio da Rocha SHP concession with an installed capacity of 23.7 MW and commercially operational since February 2007.

On December 22, 2008, Gama also announced the total acquisition of the capital stock of the following companies: Eólica Beberibe S.A., which has the concession to operate the Beberibe wind farm with an installed capacity of 25.6 MW; Eólica Pedra do Sal S.A., which has the concession to operate the Pedra do Sal wind farm with an installed capacity of 17.85 MW; Hidrelétrica Areia Branca S.A. which owns the concession for operating the Areia Branca SHP, with an installed capacity of 19.8 MW; and Econergy Brasil Serviços Corporativos Ltda., the services provider operation for implementing the three generation assets already mentioned. The total price tag for these acquisitions was R$ 200.0 million.

3_Economic Environment

In 2008 the Brazilian economy reported GDP growth of 5.6% despite the deterioration in the international economic crisis in the final quarter of the year.

Inflation measured by the Amplified Consumer Price Index (IPCA) posted a slight increase but remained within the government's target band, ending the year at 5.9%. A decline in the rate of economic activity and increased food prices were largely responsible for higher inflation rates.

The basic Selic interest rate also recorded an increase and ended the year at 13.75%, 2.5 p.p. up on 2007, interrupting a declining trajectory which had been in place since 2006.

Despite Central Bank efforts with successive auctions of dollars from the foreign reserves to avoid the strong upward spiral in the exchange rate, the US currency closed the year at R$ 2.33, equivalent to an appreciation of 31.3% against the Real.

Industrial output recorded an annual increase of 3.1%, the result of improvements in 17 sectors, the main drivers being other transportation equipment (42.2%), pharmaceuticals (12.7%) and non-metallic minerals (8.3%). End use categories also reported expansion in capital goods (14.4%), consumer durables (3.8%), semi- and non-durable goods (1.4%) and intermediate goods (1.6%). Expansion, however was 2.9 p.p. less compared with 2007 due to the sharp downturn in industrial activity in the fourth quarter 2008.

Industrial employment tracked industrial production during 2008, posting a growth of 2.1%. In turn, sector payroll registered a year on year increase of 6% according to the Instituto Brasileiro de Geografia e Estatística (IBGE) – Brazilian government statistics office.

The country's foreign exchange flow which sweeps up financial and trade results closed the year negative – impacted by the crisis – with a net outflow of US$ 983 million, the worst result since 2002.

However, in the midst of the international turmoil, Brazil became a creditor nation for the first time in its history, boosting its foreign reserves and paying off its external debt with the International Monetary Fund (IMF). With its public accounts in equilibrium, during the year the risk rating agencies upgraded the country to investment grade – increasing international confidence and contributing once more to attracting foreign direct investment.

4_Electricity Energy Consumption

Consumption billed through the Sistema Interligado Nacional (SIN) - National Interconnected System, in 2008 amounted to 445.4 TWh, translating to a year on year increase of 2.8% based on Energy Trading Board (CCEE) data. This growth was substantially down on the 5.7% for the same period in 2007.

In the first quarter, reduction of growth in demand was due to high prices in the spot market and unseasonably cool temperatures.

Between May and September demand reported a marked recovery, growth for June, July and August posting growth in relation to the same months in 2007 of 5.2%.

The fourth quarter registered a deceleration in demand, signaling that the financial crisis was finally impacting growth.

5_Operational Performance

5.1_Uptime Operating

The uptime ratio of plants operated by Tractebel in 2008 was 98.7%, excluding scheduled stoppages. This value corresponds to an increase of 0.7 p.p. compared with the preceding year and sets an all-time record for the Company and breaking down into uptime of 99.6% for hydroelectric generation and 94.3% for thermal generation. If scheduled stoppages were taken into account, the overall uptime would have been 96.4% at the hydro plants and 88.0% at the thermal plants. This data excludes the units acquired in 2008.

5.2_Production

As an introduction to this item, it should be noted that Tractebel acquired both new and already operational power plants during the course of 2008.

Taking into account Tractebel-owned plants at the end of 2007, production reached 33,258 GWh (3,786 average MW) in 2008, a 1.8% decline compared with the 33,858 GWh (3,865 average MW) reported in 2007. If the plants acquired during 2008 are then factored into the equation, electricity production reached 34,128 GWh (3,885 average MW), a year on year growth of 0.8% and another all-time record. Again taking figures for 2008 but accounting for annual production before and after the respective plant acquisitions, Tractebel-operated plants produced 34,709 GWh (3,951 average MW), an increase of 2.5% against 2007.

Details of the above values are included in the following table:

Production (average MW)****

Power Plants	12M07	12M08*	12M08*/12M07	12M08**	12M08**/12M07	12M08***	12M08***/12M07
Hydro	3.294	3.164	-3,7%	3.260	-0,8%	3.304	0,6%
Thermal	563	616	9,7%	616	9,7%	616	9,7%
Complementary	8	6	-19,2%	9	15,6%	31	307,4%
Total	**3.865**	**3.786**	**-1,8%**	**3.885**	**0,8%**	**3.951**	**2,5%**

(*) Considers the same generation complex existing in 12/31/2007.

(**) Only considers the period after-acquisition by Tractebel.

(***) Considers the periods prior and after-acquisition by Tractebel.

(****) Due to the fact that 2008 was a leap year in contrast to 2007, the change for 12M refers to the calculation in GWh, and not in average MW.

It is worth noting that the increase or reduction in hydroelectric generation does not necessarily result in an improvement or a deterioration in the Company's economic and financial performance in any given period analyzed. This is due to the Energy Reallocation Mechanism (MRE), which dilutes the risks of hydroelectric generation among its participants.

The increase in the Company's thermal generation mitigates exposure to the spot price (PLD), the opposite also being true, all other variables remaining unchanged.

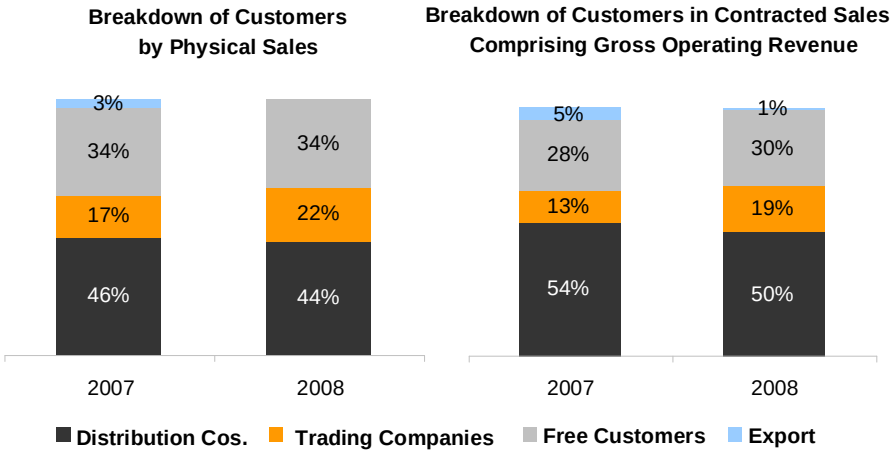
Tractebel's proprietary installed capacity as at December 31, 2008 totaled 6,189 MW, a growth of more than 66% in relation to the 3,719 MW in September 1998, when the Company was acquired through a privatization auction.

5.3_Customers

Tractebel Energia has a well-diversified customer portfolio, serving energy distribution concessionaires, trading companies and free customers (the majority large industrial consumers) through flexible contracts both in terms of duration and volume. Furthermore, in the free customer segment the Company adopts a sales diversification strategy among industries of different sectors of the economy.

Tractebel maintains a close relationship with its customers, allowing it to detect needs and develop products and tailored services which contribute to consumer loyalty.

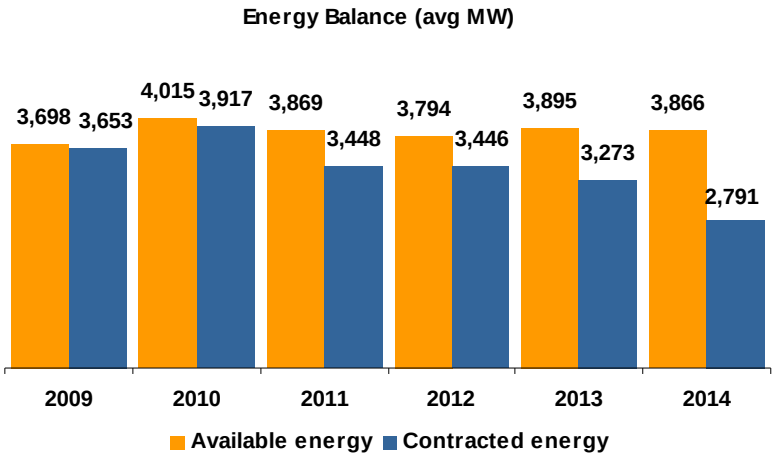
In 2008 the share of free customers in the Company's total physical sales remained stable in relation to 2007 at 33.9%, while their participation in gross operating revenue relative to contracted sales increased 2.1 p.p., reaching 30.1%.



5.4_ Energy Balance

Based on the outlook for the sector that indicates a potential increase in energy prices, the Company has opted to maintain part of its available energy on a non-contracted basis from 2011 forward.

According to data of commercial capacity and purchase and sale contracts in force on December 31, 2008, Tractebel Energia's energy balance shows that the Company's current resources, including acquisitions from third parties are almost entirely contracted until 2010.



6_Economic and Financial Performance

6.1_Main Indicators

The following information is in millions of Reais and on a consolidated basis, except when otherwise stated and in accordance with generally accepted accounting practices in Brazil.

	2006	2007	2008	Change 2008/2007
Economic Indicators (R$ million)				
Gross Operating Revenue	3,005	3,365	3,834	13.9%
Net Operating Revenue	2,706	3,043	3,441	13.1%
EBITDA[1]	1,595	1,856	2,180	17.5%
EBITDA Margin(%)	58.9	61.0	63.4	2.4 p.p.
Service Income – EBIT[2]	1,387	1,620	1,914	18.1%
Financial Result	(156)	(135)	(324)	140.0%
Net Income	979	1,046	1,115	6.6%
Financial Indicators (R$ million)				
Total Assets	5,539	6,598	8,342	26.4%
Shareholders' Equity	2,765	2,817	3,171	12.6%
Investiments	69	379	1,489	292.4%
Net Debt	1,025	1,019	2,559	151.1%
Shares				
Number of Shares (thousand)	652,742	652,742	652,742	0.0%
Net Income per Share (R$)	1.5001	1.6019	1.7084	6.6%
Average Share Price (R$)	16.53	20.32	20.99	3.3%
Dividend Distribution (R$ million)	930	993	756	-23.9%
Market				
Energy Sales (GWh)	32,836	32,800	30,661	-6.5%
Energy Sales (average MW)	3,748	3,744	3,491	-6.8%
Workforce				
Number of Employees	905	917	941	2.6%

(1) EBITDA represents: earnings + financial result + non-operating result + social contribution and income tax + depreciation and amortization

(2) EBIT represents: earnings + financial results

Reconciliation of EBITDA:

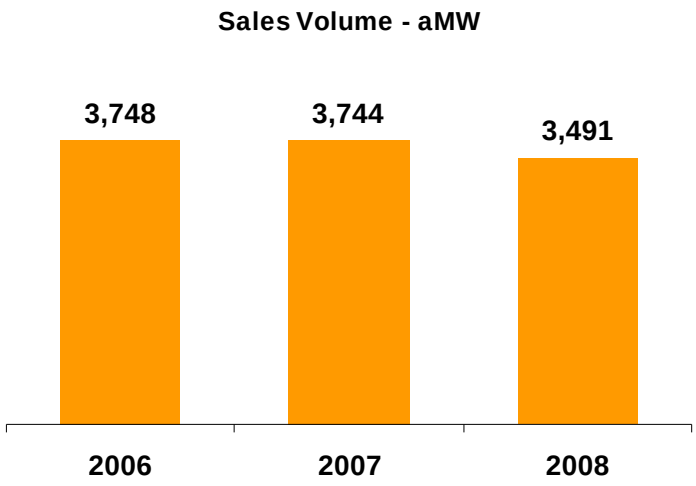
(in thousands of R$)	2006	2007	2008	Change 2008/2007
Operating income	1,226,977	1,485,338	1,589,520	7.0%
(+/-) Financial Expenses	156,208	134,653	324,250	140.8%
(-) Equity in Subsidiaries	(300)	-	-	-
(+) Depreciation and Amortization	215,111	235,866	266,383	12.9%
EBITDA	**1,597,996**	**1,855,857**	**2,180,153**	**17.5%**

Management's comments on the economic-financial performance and the result of the operations should be read together with the Financial Statements.

6.2_Gross Operating Revenue

In fiscal year 2008, gross operating revenue reached R$ 3,834.1 million, an increase of 14.0% over the R$ 3,364.7 million recorded in 2007. This trend largely reflects: (i) an increase in the average selling price of 14.8% (discounting exports), rising from R$ 97.84/MWh in 2007 to R$ 112.31/MWh in 2008; (ii) a reduction of 6.5% from 32,800 GWh (3,744 average MW) to 30,661 GWh (3,491 average MW) in the amount of energy sold due to the imposition of reduced physical guarantees of certain thermoelectric plants by the Mining and Energy Ministry (MME) and the lapsing of ANEEL's authorization excluding the Company from exposure to the spot price (PLD) for the 300 MW of imported energy under the contract signed with Companhia de Interconexão Energética (CIEN); (iii) a growth of R$ 256.7 million in revenue from transactions conducted through the Energy Trading Board (CCEE), as explained below under a specific heading, (iv) reduction in energy exports to Argentina and Uruguay of R$ 135.4 million, equivalent to 947.6 GWh, and (v) enhanced revenues from sales of energy generated by Ponte de Pedra HPP (UHPP) worth R$ 97.8 million and reflected in the breakdown of average price and variation in sales volume for 2008 as previously described.

With the exception of the impact of UHPP, gross operating revenue was little impacted by plants recently acquired and incorporated into the company's business during fiscal year 2008, namely those of the Beberibe and Pedra do Sal wind farms, and the José Gelazio da Rocha and Rondonópolis SHPs.



6.2.1_Wholesale Market for Electric Energy

For fiscal year 2008 as a whole, revenue from sales to the wholesale market, i.e. those to customers other than free customers, reached R$ 2,754.2 million, 13.7% greater than the preceding year when a total of R$ 2,421.5 million was registered, principally due to (i) the increase of 32.4% in price and 13.3% in sales volume to trading companies; (ii) the greater revenue from CCEE transactions as described below; and (iii) the reduction in exports of energy to Argentina and Uruguay as mentioned above. Out of total wholesale market revenue, R$ 296.0 million originated from CCEE operations (R$ 39.2 million in 2007) and R$ 2,458.3 million from contracted energy sales (R$ 2,382.3 million in 2007).

6.2.2_Retail Market for Electric Energy

Annual retail energy market revenues (sales to free customers) were R$ 1,059.5 million, an increase of 14.0% against sales of R$ 929.2 million in 2007, the result of a reduction of 6.9% in sales volume and growth in prices of 21.9%.

6.3_Deductions in Operating Revenue

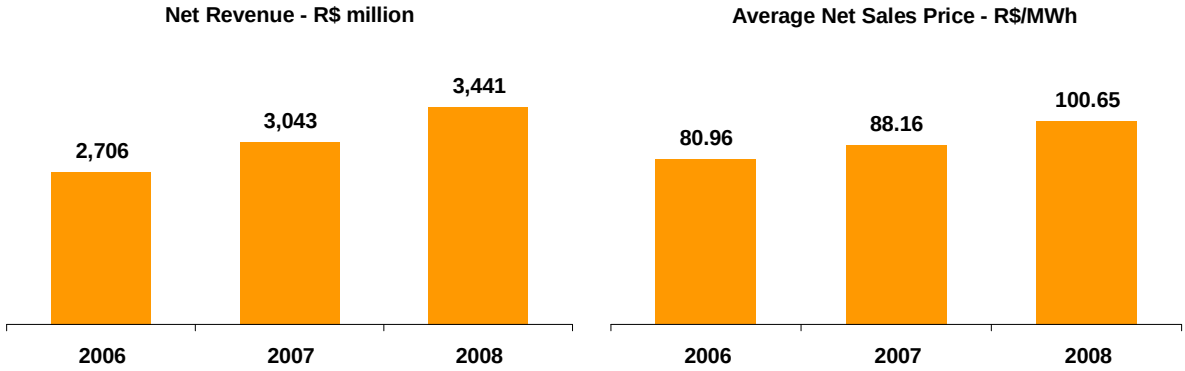
In 2008 deductions were R$ 393.1 million, 22.3% higher than in 2007 when the figure was R$ 321.3 million. This increase stems largely from a combination of the following factors: (i) growth of 13.9% in gross operating revenue; (ii) increased PIS and Cofins payments due to maturing sales contracts subject to

the cumulative tax regime at a rate of 3.65%, and the subsequent recontracting of this energy via fresh sales contracts on a non-cumulative basis at a rate of 9.25%; and (iii) reduced energy exports which are exempt from ICMS, PIS and Cofins charges.

6.4_ Net Operating Revenue from Sales and Services

For the 2008 fiscal year, net operating revenue posted a total of R$ 3,441.0 million, 13.1% higher than the R$ 3,043.4 million in 2007.

The improved performance is directly linked to growth in gross operating revenue and deductions from operating revenue, as explained above. The average price of energy sales (which exclude ICMS, PIS, Cofins and R&D) if exports are ignored, amounted to R$ 100.65/MWh in 2008, 14.2% up on the price of R$ 88.16/MWh prevailing in 2007. This increase is mainly due to reasons already commented upon as well as increased prices practiced by free consumers.



6.5_Cost of Electric Energy and Services

For the fiscal year 2008 costs rose 10.9% to R$ 1,193.5 million against R$ 1,076.6 million in 2007. These variations were principally due to the following elements:

• **Electric power purchased for resale:** there was an increase of R$ 218.9 million in 2008 due to the expansion of 25.7% in the volume of energy purchased for resale and the increase of 47.1% in average prices – a reflection of higher prices charged on new contracts. This percentage is in line with the increase in average spot prices (PLD) for 2008, approximately 40% higher than 2007.

• **Transactions channeled through the Energy Trading Board (CCEE):** a reduction of R$ 136.8 million in 2008, as commented below under a specific heading.

• **Fuel expenses for electricity energy generation:** there was a reduction of R$ 23.0 million in 2008, reflecting a combination of factors: (i) inflow of R$ 92.4 million due to diesel oil consumption at the William Arjona TPP and Alegrete TPP in the light of (i.i) the level of energy dispatch from the power plants by the National Electricity System Operator (ONS) to maintain the system's safety margin nationwide, and due to diminished water flows at certain periods of the year (these costs were offset by an increase in CCEE revenue as mentioned in greater detail below under 'Energy Trading Board – Details of CCE Operations'), and (i.ii) export of energy to Argentina and Uruguay from Alegrete TPP; (ii) a decline of R$ 104.1 million in consumption of coal used to generate energy for export, a relevant event in 2007 but not meaningful in 2008; and (iii) a R$ 14.4 million decline in the consumption of natural gas due to the suspension of supplies of this fuel to William Arjona TPP as from November 1, 2007.

• **Financial compensation for use of hydrological resources**: in 2008 there was an increase of R$ 3.8 million resulting largely from the annual tariff readjustment and the inclusion of the charge on generation from UHPP.

• **Depreciation and amortization:** an increase of R$ 27.6 million in 2008 due in large part to the consolidation of the depreciation on assets of Ponte de Pedra Energética S.A. (PPESA).

6.6_Energy Trading Board – Details of CCEE operations

The various monthly credit or debit entries to the account of a member of the CCEE are summarized into a single billing as a receivable or a payable. This therefore requires an entry to either an income or an expenses account. In this context it is worth pointing out that due to adaptations to portfolio management strategy there have been changes in the profile of the billing mentioned over the past few years.

In 2007 Tractebel Energia S.A., the leading member among those making up the consolidated group (other examples are Tractebel Energia Comercializadora and Lages Bioenergética), made two entries to income and ten to expenses in contrast to 2008 when there were nine entries to income and three to expenses. Such fluctuations complicate direct comparison of the elements comprising each billing over the two-year period – the reason for including the present topic in this report. In this way, we are able to analyze the oscillations in the principal elements in spite of their allocation either to income or expenses according to the credit or debit nature of the billing to which they relate.

Generically speaking, these elements are income or expenses items arising for example from (i) the application of the Energy Reallocation Mechanism (MRE); (ii) the so-called "sub-market risk"; (iii) dispatch triggered by the Risk Aversion Curve (CAR); (iv) the application of System Service Charges (ESS), resulting in dispatch which diverges from the thermal plants order of merit; and (v), naturally, energy exposure (a net short or long position in the monthly accounts) which in turn, will be settled at the spot (PLD) price.

For the fiscal year 2008, a net income of R$ 251.1 million was recorded against an expense for the preceding year of R$ 142.5 million - in other words a positive impact on the result of R$ 393.6 million between the two years analyzed.

The positive impacts on the Company's results between comparative periods were the result of a combination of factors, the principal of which were:

a) in 2008 an improvement in the portfolio management strategy of which the monthly allocation of the assured annual energy from the plants is a component part. Given the greater volatility in spot prices (PLD), this strategy allowed the Company to turn in significantly positive results, particularly in January and February 2008;

b) dispatch from the William Arjona and Alegrete TPPs in disaccord with the order of merit for this purpose, particularly in February and March 2008, for providing a safety margin for the Brazilian electricity system and in compliance with Electric Power Monitoring Committee (CMSE) guidelines. Part of the increase in this income however was offset against the increased cost of fuel consumption used to generate this energy; and

c) reduced exposure in the CCEE in 2008 (as mentioned already, a year in which average spot prices were considerably higher than was the case in 2007) compared with the preceding year, principally due to:

(i) the adjustment in the commercial policy in order to offset the lapsed authorization excluding the Company from exposure to the spot price (PLD) under the contract signed with CIEN and the reduction in thermoelectric power plants' physical guarantees ordered by the MME, as commented above under the gross operating revenue item;

(ii) the fact that coal-fired thermoelectric generation in 2008 was totally directed to the National Interconnected System (SIN), while the year before part of this energy had been allocated to the export market;

(iii) the intensification of energy purchases in the second half of 2008 and subsequent settlement in the CCEE, as part of the Company's portfolio management strategy; and

(iv) the reduction in consumption by industrial customers, principally in December 2008.

6.7_Selling Expenses

By and large, selling expenses comprise charges for use and connection to the electricity grid. In 2008 they amounted to R$ 250.1 million, 15.4% greater than 2007 when they were R$ 216.8 million. The increases are largely a reflection of the annual tariff readjustment and to a lesser degree, an additional R$ 10.6 million relative to charges incurred by Ponte de Pedra Energética S.A. (PPESA).

6.8_General and Administrative Expenses

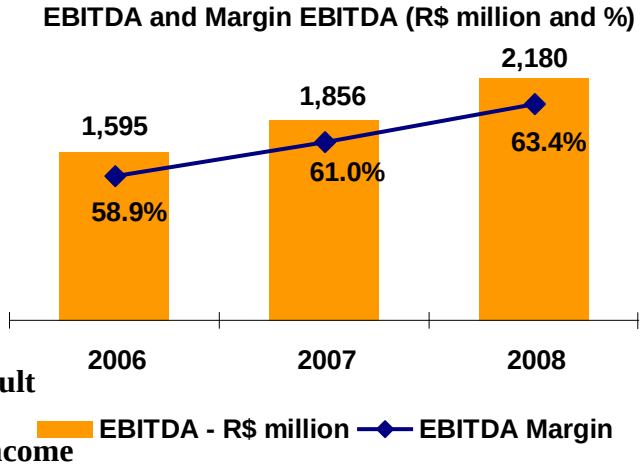
In 2008 general and administrative expenses increased 24.7% from R$ 130.1 million to R$ 162.3 million in large part due to: (i) an increase of R$ 11.6 million in third party services paid principally to management consultants and consultancies' fees for the issue of promissory notes, new businesses, human resources, and tax and legal questions; (ii) higher payroll overheads of R$ 4.0 million due to the annual wage increase and additional fringe benefits granted to employees in accordance with the collective bargaining agreement negotiated with the occupational category; (iii) R$ 3.0 million in additional depreciation and amortization costs; and (iv) a rise of R$ 12.5 million arising from judicial settlements and payment of contributions.

6.9_Other Operating Revenues – Recovery of PIS and Cofins

In the first quarter of 2008 the Company recognized non-recurring revenue of R$ 76.4 million with respect to the recovery of PIS and COFINS charges improperly levied in previous fiscal periods. This amount represents largely taxes paid on values recovered on the consumption of fossil fuels acquired through the Fuel Consumption Account (CCC) and the Energy Development Account (CDE). Under an ANEEL directive, as from November 2005 these items are no longer recognized as operating revenue and are now booked to an electric energy production cost rectifying account.

6.10_EBITDA and EBITDA Margin

As a result of the foregoing 2008, EBITDA reached R$ 2,180.2 million, 17.5% higher than the R$ 1,855.9 million in 2007. EBITDA margin in 2008 was 63.4% against 61.0% in 2007.



6.11_Financial Result

6.11.1_Financial Income

For fiscal year 2008, financial income grew R$ 22.5 million on the back of: (i) an increase of R$ 16.5 million in income from money market investments, including R$ 4.5 million in income on the newly-acquired PPESA's investments; (ii) a growth in monetary restatement of R$ 2.9 million in court deposits

linked to legal actions due to the variation in indices used for restatement and higher court deposits effected; and (iii) a R$ 2.1 million increase in monetary restatement on long term receivables accounts.

6.11.2_Financial Expenses

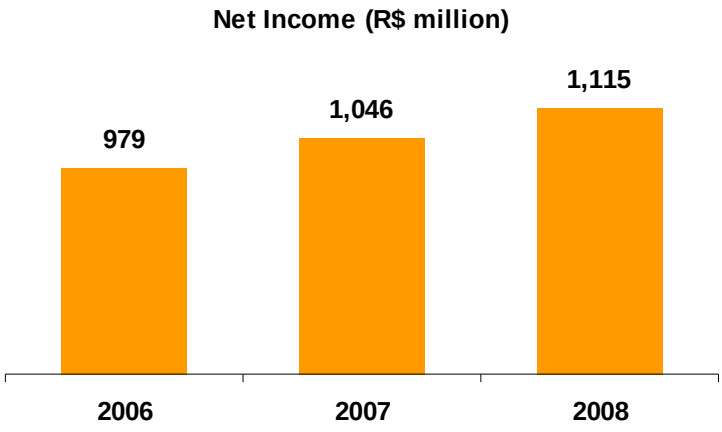
Fiscal year financial expenses rose R$ 212.1 million over those of 2007 due to: (i) an increase of R$ 113.2 million in foreign exchange variation expenses not realized on loans and financing, net of R$ 21.5 million in income on a foreign exchange hedge operation still ongoing in 2007 due to the appreciation in the US dollar and Euro against the Brazilian Real; (ii) an increase of R$ 62.6 million in interest on loans, financing, debentures and on concession charges payable to ANEEL, largely due to interest payments of R$ 33.1 million on loans in the form of promissory notes mentioned above, as well as R$ 33.3 million in charges on PPESA's loans and financing; (iii) an increase of R$ 49.7 million in monetary restatement of debt due in large part to the significant appreciation of the IPCA and IGPM inflation indexes in 2008 (5.9% and 9.8%, respectively) and to the consolidation of R$ 15.9 million in monetary restatement on ANEEL's concession charges to PPESA; and (iv) a reduction of R$ 19.4 million in CPMF expenses.

6.12_Income Tax and Social Contribution

In fiscal year 2008 the Company reported an increase in tax overheads of R$ 34.7 million compared with 2007, by and large due to increased pre-tax profits.

6.13_Net Income

Fiscal year 2008 net income reached R$ 1,115.2 million, 6.6% higher than in 2007 when the Company posted earnings of R$ 1,045.6 million, equivalent to R$ 1.7084 earnings per share. Net of taxes and excluding the effects of the increased not realized foreign exchange variation of R$ 74.7 million and the year on year reduction in results for exports of R$ 35.9 million as well as revenues from the recovery of PIS and Cofins charges of R$ 50.4 million in 2008, the Company would have reported a 13.2% increase in net income.

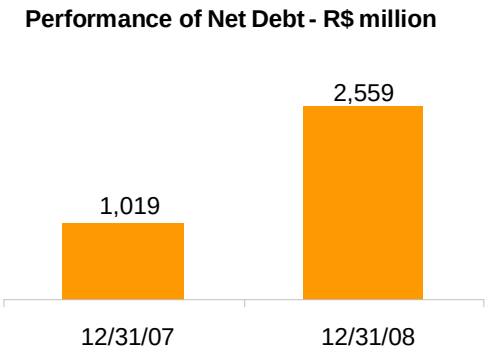


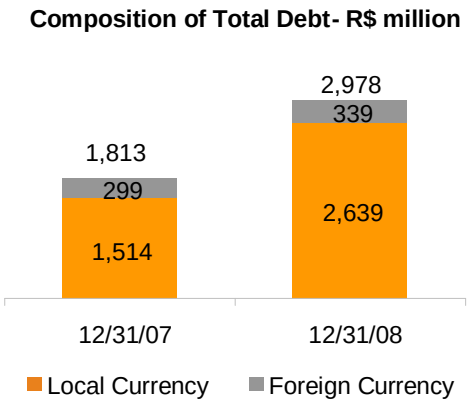
6.14_Debt

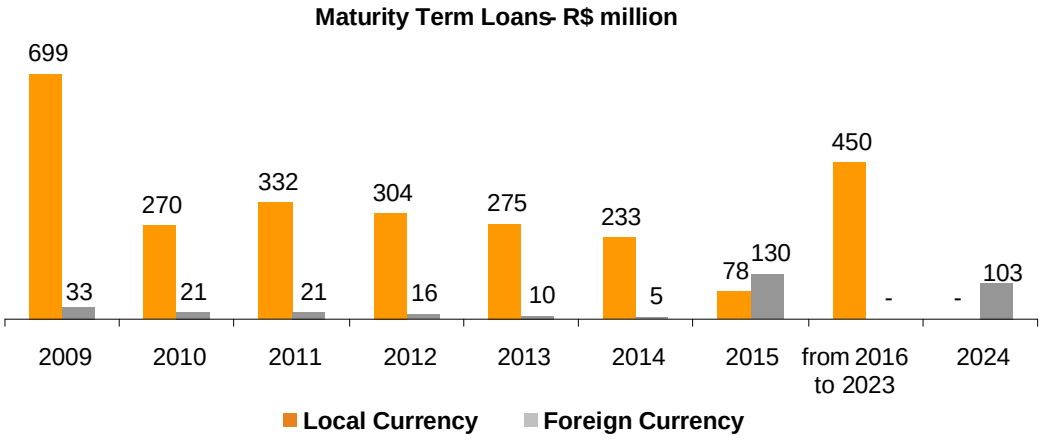
The Company's net debt (total debt less cash and cash equivalents) as at December 31, 2008 was R$ 2,558.6 million, 151.1% higher than the R$ 1,019.1 million registered as of December 31, 2007.

Total gross consolidated debt, mainly in the form of loans, debentures, promissory notes and financing, totaled R$ 2,978.6 million on December 31, 2008, a 64.3% increase compared to the position on December 31, 2007. Of the total debt at the end of the period, 11.4% was foreign currency denominated (16.5% at the end of 2007), this being unhedged.

Growth in the Company's debt is mainly due to the following factors: (i) the issue of R$ 400.0 million in promissory notes in April 2008 as a contribution to funding the Company's capital expenditures plan; (ii) the consolidation of R$ 294.2 of loans held by PPESA; (iii) the consolidation of R$ 92.6 million in loans held by the Rondonópolis and José Gelazio da Rocha SHPs, the acquisitions of which were finalized on December 5, 2008; (iv) the draw-down of an accumulated total of R$ 160.4 million in 2008 of lines from the National Social and Economic Development Bank - BNDES and its financial agents for capital expenditures at the São Salvador Hydroelectric Plant; and (v) the consolidation of R$ 186.9 million in loans held by the Beberibe and Pedra do Sal wind farms, and the Areia Branca SHP, the acquisitions of which were announced to the market on December 22, 2008.







7_ Capital Expenditures

7.1_Maintenance, Modernization and Expansion of the Generating Complex

In 2008 R$ 288.5 million was allocated to the building of the São Salvador Hydroelectric Plant – of which R$ 68.5 million related to PIS/Cofins credits accumulated up to December 31, 2008 –, R$ 10.2 million to work on the Destilaria Andrade TPP, R$ 33.3 million on the construction of the Pedra do Sal wind farm and the Areia Branca SHP and a further R$ 71.1 million to plant maintenance and modernization. As a result total capital expenditures amounted to R$ 403.1 million.

A further R$ 885.8 million was invested in acquisitions of which R$ 644.9 million for the Ponte de Pedra HPP and R$ 240.9 million for the José Gelazio da Rocha and Rondonópolis SHPs.

In addition, on December 22, 2008, the Company announced the acquisition of three generation assets using complementary energy sources - the Beberibe and Pedra do Sal wind farms and the Areia Branca SHP - at a cost of R$ 200.0 million, payment of which is expected to be made in January 2009.

As a consequence, Tractebel invested R$ 1,488.9 million, 292.4% higher than the figure recorded in 2007, R$ 379.4 million.

7.2_Research and Development

Tractebel conducts its annual research and development program in line with ANEEL's requirements and as a means of identifying sustainable solutions and interacting with local teaching and research institutions and foundations. R&D expenditures in 2008 were R$ 20.0 million for various projects in the following areas of creation and investment:

- energy efficiency;
- renewable or complementary sources of generating electricity;
- environment;
- quality and reliability;
- planning and operation of electrical systems;
- supervision, control and protection of electrical systems;
- meter reading and billing; and
- new materials and components.

8_Corporate Governance

Tractebel undertakes its business transactions according to best corporate governance practice, committed to management accountability and transparency. In 2008 this posture was recognized, the Company being placed first among The Best Companies for Shareholders in the III Listed Company Ranking sponsored by the *Capital Aberto* magazine. The award highlights the companies that particularly stand out based on criteria of EVA, earnings per share, liquidity, corporate governance and sustainability.

Tractebel Energia's shares are traded on the Novo Mercado, a segment of the BM&FBovespa – Bolsa de Valores, Mercadorias e Futuros made up of companies that voluntarily adopt corporate governance practices additional to those required by the Brazilian legislation.

The Company's internal control structure has been adjusted to the dictates of the US Sarbanes-Oxley Act (SOX) for listed companies and designed to create reliable audit mechanisms and information security for ensuring the veracity of the content of financial reports.

The Board of Directors is made up of nine effective members, two of whom are independent and one, an employee representative. The Management Board comprises seven members elected by the Board of Directors for a three-year term of office, re-election being permitted. The Fiscal Council has three members, a minimum of three and a maximum of five being permitted, with one nominated by the minority shareholders.

Tractebel Energia is structured into eight advisory committees which contribute to specific areas of business and the actions of which are subject to Board approval. The committees cover the areas of Energy, Risk Management, Finance, Tax Planning, Ethics, Innovation, Sustainability and Strategy.

8.1_ Shareholders' Rights

Each one of the Company's common shares entitles the holder to one vote at ordinary or extraordinary general shareholders' meetings as well as the right to receive dividends. The common shares also permit participation in the distribution of profits or other distributions to shareholders; supervision of Company management within the parameters established by the Bylaws; preemptive rights in the subscription of shares, convertible debentures or subscription bonuses; and withdrawal from the Company as a result of events envisaged under Brazilian Corporate Law. According to Novo Mercado regulations, common shares may be included in public share offerings should a controlling stake in the Company be sold, receiving at least 100% of the price paid per common share for the controlling block.

In addition, it is binding on the Company to settle disputes through the Market's Arbitration Panel in accordance with an arbitration clause included in the Bylaws.

8.2_Policy for the Disclosure of Information

The Policy for the Disclosure of Information and Trading of Shares of Tractebel Energia meets the rules on transparency and the requirements of the financial market regulators such as the Central Bank, the Securities and Exchange Commission (CVM) and the BM&FBovespa. The Company discloses material facts in line with CVM Instruction 358/02, which requires corporate data on its business dealings to be made available to investors in sufficient time for decision-making. Disclosure of quarterly results, material facts, earnings releases, annual reports, documents filed with the CVM, company policies and practices and other institutional information are all to be found in the Investor Relations site. (www.tractebelenergia.com.br).

8.3_Code of Ethics and Board of Directors' Internal Charter

Tractebel's Code of Ethics is in its second edition and reaffirms the corporate values and standards of conduct which the Company requires of its staff and partners. It clarifies issues of ethical behavior and defines the principles to be followed in the relationship with the stakeholders which interact with Tractebel. The document is aligned to the values and principles of the parent company, GDF SUEZ, and can be accessed from the Company site (www.tractebelenergia.com.br).

In addition, Tractebel Energia has prepared and implemented the Board of Directors' internal charter based on a similar document used by its parent company.

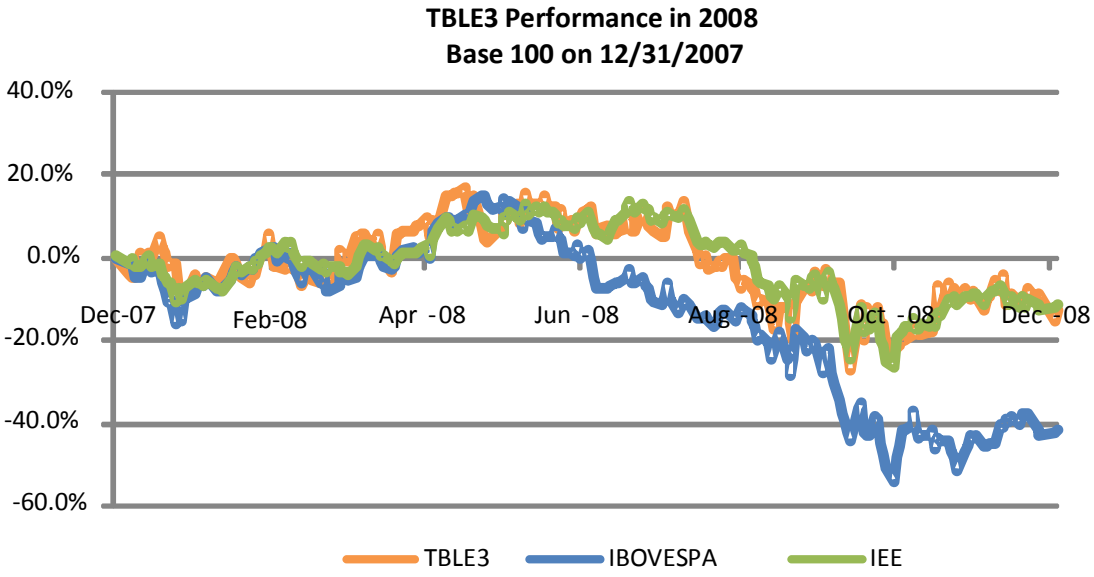
9_Capital Markets

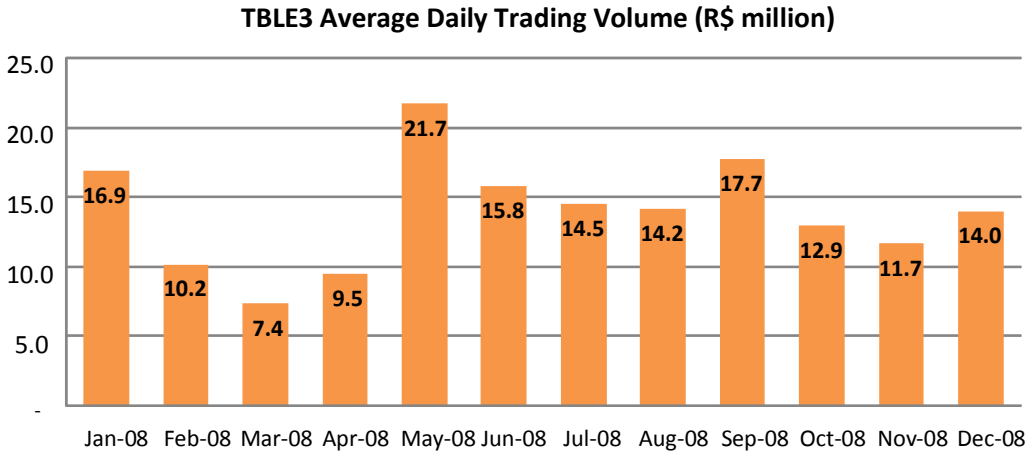
Tractebel Energia's shares are listed on BM&FBovespa's Novo Mercado under the TBLE3 symbol. The shares are a component part of the Special Corporate Governance Index (IGC), the Special Tag Along Stock Index (ITAG) and, for the fourth consecutive year were selected to comprise the Corporate Sustainability Stock Index (ISE). The Company's Level I ADRs (American Depositary Receipts) are traded on the US over-the-counter market under the TBLEY symbol with a ratio of one ADR to one common share.

The year was a tumultuous one for the world economy. The deterioration of the international crisis hit the banking sector as well as the monetary and capital markets, which reported significant declines. Growth in the major economies registered a sharp downturn, some countries descending into outright recession. In Brazil, the US dollar recorded strong appreciation during the year. The BM&FBovespa Stock Index (Ibovespa) closed 2008 41.2% down accompanied by an 11.6% loss in the Electric Energy Stock Index (IEE). Tractebel's shares tracked the market trend, closing down 12.9% on the year.

The Company's securities were traded on all the days the BM&FBovespa was open for business in 2008. Average daily trading volume was R$ 14.2 million, 25.8% higher than the R$ 11.3 million reported in 2007.

On December 31, 2008, Tractebel Energia's shares closed at R$ 18.55/share, representing a market capitalization of R$ 12.1 billion.





9.1_Investor Relations

The Investor Relations Department is responsible for the disclosure of information on company performance. This is conducted through events such as those of the Association of Capital Markets' Analysts and Professionals (Apimec), in addition to conference calls and visits to generating plants as part of the Company's Inside Tractebel program. The Investor Relations area also is a constant presence at conferences and seminars run by investment banks and brokerage houses, thus promoting the investing public's access to Company information. Contact channels with investors and market analysts are made through the investor relations' site, telephone calls (phone number 48 3221-7221) and one-on-one meetings.

10_Human Resources

Tractebel's human resources policies provide the framework for achieving an ethical, just and responsible working environment propitious for employee performance, development and recognition. The Company invests continually in the development of programs of communication to enhance attitudes and behavior aligned to the organizational culture, thus maintaining the corporate structure and sustaining business strategy.

Every two years, the Company conducts an organizational climate survey in order to enhance the relation of confidence between the Company and its employees and to improve the human resources structure and programs. In the most recent survey held in 2007, 88% of the employees rated Tractebel as one of the best companies to work, an eight percentage point improvement on the preceding survey. On the basis of the last survey various actions have been implemented to improve points raised and deemed as unsatisfactory in 2007 and to improve the results obtained. In 2008 the Company was ranked among the 50 largest companies in personnel management by *Valor Carreira* of the *Valor Econômico* newspaper.

The Company requires a specialized labor force in the services it offers and thus a work force of highly qualified professionals: 36% have a college education and 38% have a technical studies degree.

In this context, the corporate Succession Program aims to maintain a professional workforce which is always up-to-date and qualified and also covers the engagement of new employees and the implementation of a voluntary severance programs linked to the preparation of a succession plan with employment termination dates set by the Company.

Tractebel Energia ended 2008 with a payroll of 941, of which 819 were men and 122, women. During the period, 61 new employees were hired and 37 labor contracts rescinded.

Tractebel Energia is party to Collective Labor Agreements with the labor unions that represent the Company's employees as called for under International Labor Organization (ILO) guidelines. The agreements include themes such as salary increases, private pension plans, fringe benefits, occupational safety and health, protective equipment, training and education.

10.1_Occupational Health and Safety

Tractebel adopts practices and programs on occupational health and safety both for the employees themselves as well as companies providing outsourced services.

In 2008 there was one fatal accident on Tractebel's property involving the employee of an outsourced company. The accident frequency rate was 3.2 and the serious accident rate, 0.08 out of a total of 4,992,528 man hours worked during the year by the Company's direct employees and those of outsourced companies. The Company seeks to constantly improve its occupational health and safety policy as well as raise the awareness of the employees in an effort to improve these statistics.

All employees undergo annual medical checkups. In addition each one has an individual health plan, which establishes associated targets, as for example, weight and cholesterol levels based on the results of examinations for each employee.

10.2_Fringe Benefits

Tractebel Energia offers all employees and their dependents healthcare services covering medical, dental, pharmaceutical and psychological treatment.

The Company also offers group life insurance, coverage for incapacity and invalidity, maternity and paternity leave, day-care and nutrition, private pension plan and assistance for those with special needs.

Out of the total number of employees, 94.3% are members of the Company's Private Pension Plan, managed by PREVIG – Sociedade de Previdência Complementar, the large majority having signed up to the defined contribution scheme. In 2008 the Company injected R$ 57.6 million into this Plan.

The Company also sponsors through Fundação Eletrosul de Previdência e Assistência Social (ELOS), about 2,200 Tractebel retirees for whom it is responsible and who opted not to join Tractebel Energia's PREVIG pension plan.

10.3_Training and Development

The Company runs a training and development program besides offering assistance in obtaining educational qualifications at different academic levels. In 2008 average annual employee training amounted to 72.4 hours/man.

Since 2000 the Tractebel Trainees program has been identifying, developing, training and investing in new talents for qualifying employees who today work in the Company in several different areas.

10.4_Compensation and Sharing in Results

The Company's compensation policy is aligned to market practices and is monitored on the basis of salary surveys.

In 2008 R$ 13.4 million was distributed to the employees from retained profits. The distribution was proportional to compensation and also considers individual performance and the achieving of previously established targets.

11_Socio- environmental Responsibility

As a generator of electricity, an input which is necessary for economic and social development, Tractebel recognizes the impacts of its activities and actions on the environment and the community. For this reason the Company's management policy is based on the principles of sustainable development and on the equilibrium between economic, social and environmental dimensions.

The Company's environmental strategy employs programs and tools which allow it to identify and manage the impacts caused and in so doing, seek to minimize them through operational improvements and risk control.

Tractebel Energia's socio-environmental management works within a framework of four guidelines to achieve these results as part of the process of seeking sustainable development:

- operational: to maximize the generation of energy in accordance with the National Electrical Systems Operator (ONS), preserving environmental conditions and ensuring the safety of its power generating assets;
- environmental: to generate energy in compliance with the standards of safety, rational use of natural resources and the preservation of public assets;
- assets: to use areas only strictly necessary for the projects, reallocating remaining areas to social and environmental use, detecting and preventing any eventual irregularities in the way they are employed; and
- relationship with society: to participate in the life of the community situated in the areas of influence of the projects, seeking to identify and satisfy its expectations, installing the means for open and permanent communication.

The Integrated Management System for the Quality and the Environment provides support for the Company's operations, maintaining mechanisms and operational procedures tailored to the management of each plant. This takes into account the specifics of each operation (hydro or thermal powered) and the socio-environmental characteristics of each region.

In the case of the hydroelectric plants, Tractebel monitors and controls the use of natural resources and implements actions to mitigate or compensate the impacts arising from the use of its hydro plant reservoirs. The principal monitoring and controls at the thermoelectric plants focuses on atmospheric quality and on the volume and quality of effluent and solid waste.

As a result of these initiatives, all Tractebel's generating plants are in full compliance with the respective environmental agency requirements and, with the exception of the recently acquired units, possess international ISO 9001:2000 and ISO 14001:2004 certifications thus complying with the provisions in the Company's Code of Ethics and Environmental Code as well as meeting stakeholders expectations.

Since it conforms to Clean Development Mechanism (CDM) requisites as established under the Kyoto Protocol, the Lages Cogeneration Unit is certified and registered with the United Nations Framework Convention on Climate Change (UNFCCC).

As a result, gas emissions which the plant avoids are recognized globally as carbon credits, making them eligible for trading.

The plant originates carbon credits by generating energy from waste from the woodworking industries in the Lages region so avoiding methane gas emissions which would be liberated should the waste be allowed to decompose. Thus the unit contributes to reducing the greenhouse gas effect. Some 750,000 tons of Emissions Reductions Certificates (ERCs), representing 40% of the total ERCs to have been issued have already been sold for delivery by 2013 in annual installments to the Prototype Carbon Fund (PCF). In 2008 the Company sold carbon credits worth R$ 10.0 million, generated by the Lages Cogeneration Unit and already issued by the United Nations Clean Development Mechanism Executive Committee to Bunge Emissions Fund Limited.

Tractebel is also active in social and cultural projects through various programs focused on education, volunteer work, citizenship, cultural development, environmental education, generation of employment and income, and insertion in the labor market.

As a result of its commitment and operations aligned to sustainable development, the Company has been included for the fourth consecutive year as a component in BM&FBovespa's Corporate Sustainability Stock Index. The Index represents a portfolio of shares of companies committed to the practices of sustainability and which report the best performance in economic efficiency, socio-environmental responsibility and corporate governance.

Tractebel Energia's Sustainability Committee implements a proactive system for socio-environmental responsibility, ensuring the transparency of the Company's actions and the ethical use of applied resources.

12_Independent Auditors

Pursuant to Article 2 of CVM Instruction 381/03, Tractebel Energia declares that the external auditors, Deloitte Touche Tohmatsu Auditores Independentes, for the Company and its subsidiaries did not render any services unrelated to the independent audit in 2008.

13_Acknowledgements

Tractebel Energia wishes to thank its employees, customers, suppliers, shareholders, financial institutions, government entities, regulatory organs and all those that contributed to the Company's performance in in these 10 years of existence.

The Management

Tractebel Energia
GDF SUEZ

TRACTEBEL ENERGIA S.A.

BALANCE SHEETS AS OF DECEMBER 31, 2008 AND 2007
(in thousands of Brazilian reais – R$)

ASSETS

	Note	Company		Consolidated	
		2008	2007	2008	2007
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents		8,761	6,694	25,389	25,170
Temporary cash investments	4	309,859	565,061	394,616	768,921
Consumers, concessionaires and permittees	5	371,041	323,171	387,579	349,906
Dividends receivable from subsidiaries		9,000	91,006	-	-
Sale of assets and rights	9	17,448	-	17,448	-
Recoverable taxes	6	17,069	8,285	27,035	11,169
Inventories		57,749	49,289	58,788	50,068
Collaterals and restricted deposits		-	18,375	1,414	19,785
Deferred tax assets	7	13,642	12,091	14,488	12,160
Other		34,463	26,906	31,480	27,172
TOTAL CURRENT ASSETS		**839,032**	**1,100,878**	**958,237**	**1,264,351**
NON-CURRENT ASSETS					
Long-term assets					
Recoverable taxes	6	22,613	21,208	106,682	24,183
Collaterals and restricted deposits		-	-	25,162	32,330
Escrow deposits	19	159,906	126,357	161,005	150,679
Sale of assets and rights	9	68,469	81,315	68,469	81,315
Deferred tax assets	7	201,673	201,371	208,431	204,015
Other		7,913	7,024	18,040	7,024
		460,574	**437,275**	**587,789**	**499,546**
Permanent assets					
Investments	10	1,604,629	1,156,481	30,812	30,812
Property, plant and equipment	11	3,414,337	2,725,218	6,638,263	4,724,611
Intangible assets	12	19,840	2,185	126,715	72,081
Deferred charges		-	-	-	6,689
		5,038,806	**3,883,884**	**6,795,790**	**4,834,193**
TOTAL NON-CURRENT ASSETS		**5,499,380**	**4,321,159**	**7,383,579**	**5,333,739**
TOTAL ASSETS		**6,338,412**	**5,422,037**	**8,341,816**	**6,598,090**

The accompanying notes are an integral part of these financial statements.

Tractebel Energia
GDF SUEZ

TRACTEBEL ENERGIA S.A.

BALANCE SHEETS AS OF DECEMBER 31, 2008 AND 2007

(in thousands of Brazilian reais – R$)

LIABILITIES AND SHAREHOLDERS' EQUITY

	Note	Company		Consolidated	
		2008	2007	2008	2007
CURRENT LIABILITIES					
Trade accounts payable	14	149,029	229,708	212,367	273,911
Dividends and interest on capital	24	154,497	532,997	154,497	532,997
Loans and financing	15	512,519	71,255	671,913	121,024
Debentures	16	50,111	32,138	60,591	56,560
Taxes payable	17	370,548	271,724	404,108	341,396
Special obligations		36,559	32,713	37,759	33,073
Research and development	18	55,037	38,820	60,270	46,574
Reserve for contingencies	19	10,140	10,134	10,262	10,336
Post-employment benefits	21	21,642	18,450	21,642	18,450
Related parties	30	-	-	221,306	-
Other		44,621	37,793	57,719	45,475
TOTAL CURRENT LIABILITIES		**1,404,703**	**1,275,732**	**1,912,434**	**1,479,796**
NON-CURRENT LIABILITIES					
Long-term liabilities					
Loans and financing	15	403,363	345,302	1,580,325	970,731
Debentures	16	632,984	560,302	665,744	664,919
Reserve for contingencies	19	71,512	63,229	75,750	68,040
Concession fees payable	20	285,782	-	556,683	234,188
Post-employment benefits	21	321,800	310,333	321,800	310,333
Deferred tax liabilities	22	36,535	36,535	38,135	36,535
Other		10,945	13,751	20,157	16,695
TOTAL NON-CURRENT LIABILITIES		**1,762,921**	**1,329,452**	**3,258,594**	**2,301,441**
SHAREHOLDERS' EQUITY					
Capital	23	2,445,766	2,445,766	2,445,766	2,445,766
Capital reserves	23	91,695	91,695	91,695	91,695
Profit reserves	23	633,327	279,392	633,327	279,392
TOTAL SHAREHOLDERS' EQUITY		**3,170,788**	**2,816,853**	**3,170,788**	**2,816,853**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**6,338,412**	**5,422,037**	**8,341,816**	**6,598,090**

The accompanying notes are an integral part of these financial statements.

TRACTEBEL ENERGIA S.A.

STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(in thousands of Brazilian reais – R$)

	Note	Company		Consolidated	
		2008	2007	2008	2007
GROSS OPERATING REVENUE					
Electricity sales to final consumers		383,042	343,794	1,059,455	929,246
Electricity sales to distributors		2,680,941	2,543,455	2,754,241	2,421,532
Other revenues		23,931	19,719	20,421	13,938
		3,087,914	**2,906,968**	**3,834,117**	**3,364,716**
DEDUCTIONS					
PIS and COFINS (taxes on revenues)		(194,057)	(149,365)	(261,355)	(199,336)
ICMS (state VAT)		(68,308)	(61,103)	(103,515)	(95,260)
ISS (service tax)		(357)	(377)	(373)	(377)
Research and development		(25,350)	(22,563)	(27,830)	(26,316)
		(288,072)	**(233,408)**	**(393,073)**	**(321,289)**
NET OPERATING REVENUE		**2,799,842**	**2,673,560**	**3,441,044**	**3,043,427**
COST OF ELECTRICITY AND SERVICES					
Electricity purchased for resale		(166,619)	(394,651)	(486,567)	(267,652)
Transactions within CCEE		(40,988)	(177,412)	(44,909)	(181,709)
Electricity production cost	25	(558,923)	(526,372)	(650,948)	(616,376)
Cost of services	25	(11,077)	(10,830)	(11,077)	(10,830)
		(777,607)	**(1,109,265)**	**(1,193,501)**	**(1,076,567)**
GROSS PROFIT		**2,022,235**	**1,564,295**	**2,247,543**	**1,966,860**
OPERATING EXPENSES					
Selling expenses	25	(216,627)	(179,038)	(250,083)	(216,757)
General and administrative expenses	25	(145,517)	(113,716)	(162,319)	(130,121)
(Recording) reversal of operating provisions, net	26	3,394	(258)	480	(2,229)
Recoverable taxes (PIS and COFINS	27	76,431	-	76,431	-
Income from favorable court decisions		2,595	3,700	2,595	3,700
Other operating expenses, net		(937)	(1,507)	(877)	(1,462)
		(280,661)	**(290,819)**	**(333,773)**	**(346,869)**
Service income		**1,741,574**	**1,273,476**	**1,913,770**	**1,619,991**
Investments in subsidiaries					
Equity in subsidiaries	10	54,698	185,838	-	-
Amortization of Goodwill	10	(3,031)	(6,747)	-	-
		51,667	**179,091**	**-**	**-**
Financial income (expenses)					
Financial revenues	28	110,095	82,025	123,136	100,602
Financial expenses	28	(348,034)	(144,527)	(447,386)	(235,255)
		(237,939)	**(62,502)**	**(324,250)**	**(134,653)**
INCOME BEFORE TAXES		**1,555,302**	**1,390,065**	**1,589,520**	**1,485,338**
Income tax	8	(320,542)	(251,664)	(346,923)	(321,552)
Social contribution tax	8	(119,607)	(92,774)	(127,444)	(118,159)
NET INCOME		**1,115,153**	**1,045,627**	**1,115,153**	**1,045,627**
EARNINGS PER SHARE - R$		**1.71**	**1.60**	-	-

The accompanying notes are an integral part of these financial statements.

TRACTEBEL ENERGIA S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (COMPANY)
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(in thousands of Brazilian reais – R$)

	CAPITAL	CAPITAL RESERVES	PROFIT RESERVES	RETAINED EARNINGS	TOTAL
BALANCES AS OF DECEMBER 31, 2006	**2,445,766**	**91,695**	**227,110**	**-**	**2,764,571**
Net income	-	-	-	1,045,627	**1,045,627**
Managements proposal for allocation of net income:					
- legal reserve	-	-	52,282	(52,282)	-
- dividends/interest on capital R$1.5218031188 per common share	-	-	-	(993,345)	**(993,345)**
BALANCES AS OF DECEMBER 31, 2007	**2,445,766**	**91,695**	**279,392**	**-**	**2,816,853**
Adjustments effect from the Law 11,638	-	-	(4,919)	-	**(4,919)**
Net income	-	-	-	1,115,153	**1,115,153**
Management proposal for allocation of net income:	-	-	-	-	-
- legal reserve	-	-	55,758	(55,758)	-
- dividends/interest on capital R$1.1586484519 per common share	-	-	-	(756,299)	**(756,299)**
- retained earnings reserve	-	-	303,096	(303,096)	-
BALANCES AS OF DECEMBER 31, 2008	**2,445,766**	**91,695**	**633,327**	**-**	**3,170,788**

The accompanying notes are an integral part of these financial statements.

TRACTEBEL ENERGIA S.A.
STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(in thousands of Brazilian reais – R$)

	Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Operating activities:				
Net income	1,115,153	1,045,627	1,115,153	1,045,627
Items not requiring outlay of cash:				
Depreciation and amortization	208,375	176,521	266,383	235,866
Equity in subsidiaries	(51,667)	(179,091)	-	-
Monetary and exchange variation, net	127,644	(33,137)	155,601	(16,320)
Recoverable taxes (PIS and COFINS)	(76,431)	-	(76,431)	-
Net interest	56,015	38,270	71,755	54,981
Recording (reversal) of operating provision, net	(28,634)	4,781	(25,720)	6,758
Deferred income and social contribution taxes	(213)	(6,497)	(4,917)	(6,334)
Other	1,425	236	1,450	(1,465)
	1,351,667	**1,046,710**	**1,503,274**	**1,319,113**
Decrease (increase) in assets				
Funds linked to payment of obligations	-	21,643	-	21,643
Consumers, concessionaires and permittees	(25,161)	3,007	(30,581)	19,612
Recoverable taxes	25,363	5,795	26,511	5,861
Inventories	(8,273)	(26,570)	(8,705)	(26,445)
Collateral and restricted deposits and escrow deposits	34,374	32,849	59,219	33,061
Sale of assets and rights	(1,077)	(551)	(1,379)	9,333
Prepaid expenses	1,215	(2,230)	(41)	(2,243)
Fuel consumption account credits – CCC/CDE	(10,757)	1,543	(10,757)	1,543
Other	(6,938)	(4,231)	(12,950)	(4,518)
	8,746	**31,255**	**21,317**	**57,847**
Increase (decrease) in liabilities				
Trade accounts payable	(86,490)	(6,216)	(63,125)	36,400
Loans, financing and debentures	30,849	14,373	82,375	14,352
Taxes	140,450	243,718	99,452	303,993
Related parties	-	-	221,306	-
Special obligations	6,667	6,288	4,742	6,295
Reserve for contingencies	(8,767)	(5,615)	(7,235)	(6,806)
Post-employment benefits	(31,390)	(29,334)	(31,390)	(29,334)
Research and development	9,992	7,456	11,302	11,399
Other	1,496	5,318	16,947	5,548
	62,807	**235,988**	**334,374**	**341,847**
Net cash provided by operating activities	**1,423,220**	**1,313,953**	**1,858,965**	**1,718,807**
Cash flows from investment activities				
Increase in investments, net of cash and cash equivalents	(885,312)	(353,771)	(1,052,757)	(329,001)
Additions to property, plant and equipment	(69,923)	(67,586)	(401,700)	(376,117)
Increase in intangible assets and deferred charges	(607)	(1,428)	(65,331)	(1,428)
Dividends received from subsidiaries	64,402	231,958	-	-
Net cash (used in) from investment activities	**(891,440)**	**(190,827)**	**(1,519,788)**	**(706,546)**
Financing activities				
Financing and debentures	400,000	353,423	583,531	693,363
Repayment of loans, financing and debentures	(103,476)	(158,345)	(187,011)	(228,118)
Cash and cash equivalents received from the merger of subsidiary	28,344	-	-	-
Payment of dividends and interest on apital	(1,109,783)	(940,255)	(1,109,783)	(940,255)
Net cash used in financing activities	**(784,915)**	**(745,177)**	**(713,263)**	**(475,010)**
Total effects on cash and cash equivalents	**(253,135)**	**377,949**	**(374,086)**	**537,251**
Cash and cash equivalents				
Balance at beginning of year	571,755	193,806	794,091	256,840
Balance at end of year	318,620	571,755	420,005	794,091
	(253,135)	**377,949**	**(374,086)**	**537,251**

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Payments made during the year				
Interest on loans, financing and debentures	97,116	73,191	142,734	114,892
Income and social contribution taxes	282,774	102,500	351,353	154,470
Transactions not involving cash				
Offset income and social contribution taxes	48	16,974	2,446	21,638
Proposed dividends and interest on own capital credited	176,000	545,279	176,000	545,279
Proposed dividends receivable from subsidiaries	4,071	91,006	-	-
Adjustments effect from the Law 11,638	(4,919)	-	(4,919)	-

The accompanying notes are an integral part of these financial statements.

TRACTEBEL ENERGIA S.A.
STATEMENTS OF VALUE ADDED
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(in thousands of Brazilian reais – R$)

	Company		Consolidated	
	2008	2007	2008	2007
VALUE ADDED GENERATED				
Revenues from sales and services	3,087,914	2,906,968	3,834,117	3,364,716
Recoverable taxes (PIS and COFINS)	76,431	-	76,431	-
Other	1,658	2,193	1,718	2,238
	3,166,003	**2,909,161**	**3,912,266**	**3,366,954**
(-) Inputs				
Materials	(21,042)	(21,271)	(22,733)	(23,300)
Third Parties services	(98,153)	(75,045)	(111,217)	(87,539)
Fuel for electricity production	(92,456)	(118,684)	(103,968)	(126,960)
Electricity purchased for resale	(166,619)	(394,651)	(486,567)	(267,652)
Transactions within CCEE	(40,988)	(177,412)	(44,909)	(181,709)
Electric network usage charges	(205,160)	(169,161)	(235,556)	(205,762)
Insurances	(7,906)	(6,798)	(9,159)	(7,924)
Other	(24,235)	(21,460)	(33,372)	(23,714)
	(656,559)	**(984,482)**	**(1,047,481)**	**(924,560)**
GROSS VALUE ADDED	**2,509,444**	**1,924,679**	**2,864,785**	**2,442,394**
Depreciation and amortization	(208,375)	(176,521)	(266,383)	(235,866)
VALUE ADDED GENERATED, NET	**2,301,069**	**1,748,158**	**2,598,402**	**2,206,528**
VALUE ADDED RECEIVED IN TRANSFER				
Financial income	110,095	82,025	123,136	100,602
Equity in subsidiaries	51,667	179,091	-	-
VALUE ADDED FOR DISTRIBUTION	**2,462,831**	**2,009,274**	**2,721,538**	**2,307,130**

DISTRIBUTION OF VALUE ADDED

	Company				Consolidated			
	2008	%	2007	%	2008	%	2007	%
Compensation:								
Labor								
Payroll and related charges	94,389	3.83	88,167	4.39	97,682	3.59	89,871	3.90
Benefits	30,731	1.25	23,802	1.18	30,889	1.13	24,101	1.04
FGTS (severance pay fund)	6,041	0.25	5,906	0.29	6,380	0.23	5,906	0.26
Profit sharing	14,905	0.61	13,001	0.64	14,982	0.55	13,038	0.56
	146,066	**5.94**	**130,876**	**6.50**	**149,933**	**5.50**	**132,916**	**5.76**
Government								
Federal taxes	663,026	26.92	535,193	26.64	766,468	28.17	688,741	29.86
State taxes	68,462	2.78	61,300	3.05	103,674	3.81	95,460	4.14
Municipal taxes	820	0.03	930	0.05	863	0.03	948	0.04
Sector charges	116,088	4.71	102,852	5.12	133,636	4.91	127,381	5.52
ANEEL concession fees	42,785	1.74	-	-	83,371	3.06	34,302	1.49
	891,181	**36.18**	**700,275**	**34.86**	**1,088,012**	**39.98**	**946,832**	**41.05**
Debt								
Financial charges and monetary/ exchange variations	292,106	11.86	119,134	5.93	343,427	12.62	167,084	7.24
Rentals	11,586	0.47	7,334	0.37	11,961	0.44	7,907	0.34
Other financial expenses	6,739	0.27	6,028	0.30	13,052	0.48	6,764	0.29
	310,431	**12.60**	**132,496**	**6.60**	**368,440**	**13.54**	**181,755**	**7.87**
Capital								
Legal reserve	55,758	2.26	52,282	2.60	55,758	2.05	52,282	2.27
Interest on capital	176,000	7.15	176,000	8.76	176,000	6.47	176,000	7.63
Dividends	580,299	23.56	817,345	40.68	580,299	21.32	817,345	35.42
Retained earnings	303,096	12.31	-	-	303,096	11.14	-	-
	1,115,153	**45.28**	**1,045,627**	**52.04**	**1,115,153**	**40.98**	**1,045,627**	**45.32**
	2,462,831	**100.00**	**2,009,274**	**100.00**	**2,721,538**	**100.00**	**2,307,130**	**100.00**

The accompanying notes are an integral part of these financial statements.

TRACTEBEL ENERGIA S.A.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

1 – OPERATIONS

Tractebel Energia S.A (the "Company") is an independent utility concessionaire with its registered head office in the city of Florianopolis, State of Santa Catarina, engaged in the generation and sale of electricity, regulated by the ANEEL (National Electric Power Agency), which is linked to the Ministry of Mines and Energy.

The Company's installed capacity, including the interest in the consortium Itá and Machadinho is 6,152 MW, approximately 79% of which is derived from hydroelectric plants and 19% from thermoelectric power plants and 2% in alternative energy. The Company's electricity supply capacity, including the long-term purchase agreement entered into with subsidiary Itá Energética S.A. – (ITASA), is 6,189 MW.

With São Salvador Hydroelectric Power Plant coming into operation, expected for the first half of 2009, the Company's Installed Capacity will be 6,432 MW. Additionally, the Company has, through its subsidiary Gama Participações Ltda (Gama), two new projects under construction, which will add 38MW to its generating facilities, still in 2009.

In July 2008, the merger of Tractebel Energia's indirect parent company Suez S.A. (Suez), a publicly-held French company, and Gaz de France S.A. (GDF), a company incorporated under the laws of France, was concluded, resulting into a single company named GDF Suez. The operation did not change or adversely affect Tractebel Energia's operations.

Seeking to adapt to the Group's new world identity, resulting from the merger of the companies aforementioned, at the end of 2008, the Company's parent company, Suez Energy South America Participações Ltda, had its company name changed to GDF Suez Energy Latin America Participações Ltda.

As per in note 34, on March 6, 2009, the Company issued R$300,000 in promissory notes that will be allocated for the payment of debts and to finance working capital. Furthermore, the Board of Directors approved the issue of debentures in the amount of R$600,000, which will be used for the full payment of the aforementioned promissory notes and the partial payment of the debt represented by the promissory notes issued on May 20, 2008, with maturity scheduled for May 15, 2009.

The main corporate events related to acquisitions and merger of companies occurred in 2008 are summarized as follows:

Acquisition of Tupan Energia Elétrica S.A. and Hidropower Energia S.A.

In December 2008, the Company, by means of its wholly-owned subsidiary Gama, concluded the acquisition process of the total capital stock of Tupan Energia Elétrica S.A. (Tupan) and of Hidropower Energia S.A. (Hidropower), for the amount of R$240,859. See additional information about the companies in note 10.

Acquisition of Eólica Beberibe S.A. Wind Farm, Eólica Pedra do Sal S.A. Wind Farm, Hidrelétrica Areia Branca S.A. Hydroelectric Power Plant and Econergy Brasil Serviços Corporativos Ltda.

In December 2008, the Company also acquired the total capital stock of Eólica Beberibe S.A. (Beberibe) for the amount of R$100,800, of Eólica Pedra do Sal S.A. (Pedra do Sal) for R$52,200, of Hidrelétrica Areia Branca S.A. (Areia Branca) for R$46,800 and of Econergy Brasil Serviços Corporativos Ltda. (Econergy Serviços) for R$200, totaling R$200,000 (R$194,356 net of taxes).

These investments were acquired from SESA BidCo Ltd., company incorporated and operating under the Isle of Man laws and whose control is exercised by the GDF-Suez Group, of which Tractebel Energia is part.

Previously, in October 2008, SESA BidCo Ltd. concluded the public offering process at the London Stock Exchange for the acquisition of 100% of Econergy International PLC's shares (Econergy), which indirectly controlled the companies above mentioned, among other companies.

The acquisition price was determined based on a financial-economic appraisal of a Bank renowned for this type of appraisals and the process of acquisition observed the best corporate governance practices related to transactions among related parties. Additional information on the transaction and the companies are detailed in note 10.

Incorporation of Ibitiúva Bioenergética S.A.

In August 2008, Andrade Consortium, comprised of Company's indirect subsidiary Ibitiúva Bioenergética S.A. (Ibitiúva) and Andrade Açúcar e Álcool S.A., subsidiary of Açúcar Guarani S.A., sold an average of 20 MW of electric energy in the 1st Reserve Energy Auction promoted by ANEEL for R$158.11/MWh. The company holds an indirect interest of 76.0% in Ibitiúva and 71.17% in the Consortium. The investment estimated for the Plant construction is R$120,000. Further information on the company can be found in note 10.

Acquisition of Ponte de Pedra Energética S.A.

As per in note 10, in April 2008, the Company, by means of its wholly-owned subsidiary Energia América do Sul Ltda (EAS), acquired all the shares of Ponte de Pedra Energética S.A. (PPESA) for the amount of R$644,919.

Merger of the Subsidiary Companhia Energética Meridional

As per in note 10, the merger by Tractebel Energia, of its wholly-owned subsidiary Companhia Energética Meridional (CEM) was performed in March 2008, through the assignment of its net assets, based on a specialists appraisal.

The merger is intended to streamline the group's corporate structure, through a corporate and equity restructuring mainly involving the merger of CEM into Tractebel Energia, which not only would reduce the current organizational structure, reducing costs, increasing shareholders' value, streamlining and optimizing investments, but facilitated the unification, standardization and enhancement of general business management of the companies, and allowed the elimination of negotiation costs from maintaining two companies.

Non-financial information such as average MW, installed power and number of employees are not reviewed by the independent auditors.

2 – PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in conformity with Brazilian accounting practices, in conjunction with the regulation of the Brazilian Securities Commission (CVM) and, when applicable, the regulation of the Brazilian Electricity Regulatory Agency (ANEEL), and they are presented with amounts expressed in thousands of reais, except when otherwise indicated.
On December 28, 2007, Law No. 11638 was enacted, altering, revoking and adding new provisions to the Brazilian Corporation Law (Law No. 6404 of December 15, 1976), especially with respect to chapter XV, Fiscal Year and Financial Statements, which came into force on January 1, 2008 and applies to the financial statements for the year started on January 1, 2008. Law No. 11638/07 was designed primarily to update accounting practices as contemplated in Brazilian corporate law, so as to enable the convergence of Brazilian accounting practices with accounting standards generally accepted in the international capital markets, and contemplates broad changes to accounting practices generally accepted in Brazil, as they related to statutory accounting practices and procedures. The Law also allows the Brazilian Securities Commission (CVM) to issue new accounting standards and procedures, applicable to public companies in Brazil, in conformity with such international accounting standards. Some of these changes shall be applied as of the beginning of the Company's fiscal year, while others are subject to regulation by regulatory agencies.

On December 3, 2008, Provisional Measure No. 449/08 was issued, introducing some changes to the corporate law, Law 6404/76, and creating the Transition Tax Regime (RTT) for determining the taxable income. The RTT established, for the years 2008-2009, the possibility of tax neutrality on the accounting adjustments resulting from the adoption of the changes brought by Law 11638/07 for the companies which haven't adhered to the RTT.

Preliminary adoption of Law 11638/07 and of Provisional Measure 449/08

The Company adopted the provisions of Law 11638/07 and of Provisional Measure 449/08 for the preparation and presentation of its financial statements, based on CVM's guidelines and/or the standards issued by the International Accounting Standards Board (IASB), establishing January 1, 2008 (or December 31, 2007) as the transition date, as per the option included in the CVM Resolution No. 565/08.

The changes introduced by said legislation are characterized as a change in the accounting practice, however, as allowed by the referred to CVM resolution, the adjustments affecting the results were made against retained earnings on the transition date, with no retroactive effects on the accounting statements.

Relevant options related to the preliminary adoption of Law 11638/07 and of Provisional Measure 449/08

a) Option which resulted in adjustment to retained earnings account on the transition date

Deferred assets

Law 11638/07 restricted the recording of expenses in deferred assets and the Provisional Measure 449/08 extinguished this group of accounts. Therefore, the Company opted for recording write-offs of deferred expenses in the amount of R$6,689 (R$4,919 net of tax effects) in the consolidated, which could not be reclassified into another group of assets (property, plant and equipment and intangible assets).

b) Options which resulted in reclassifications in the consolidated balance sheet as of December 31, 2007.

	Published	Reclassifications	Reclassified
Investments	113,407	(82,595)	30,812
Property, plant and equipment	4,612,826	111,785	4,724,611
Intangible Assets	75,492	(3,411)	72,081
Deferred Assets	32,468	(25,779)	6,689

b.1) Transfer of investments to intangible assets

Intangible assets have been introduced by Law 11638/07 and are related to rights the purposes of which are intangible assets. Since 2006, the Company, pursuant to CVM's guidelines, was already recording certain intangible asset rights in this group of accounts.

The goodwill paid in the acquisitions of ITASA, CEM and Seival Participações S.A., in the total amount of R$47,538, which on the transition date were recorded in investments have been transferred to intangible assets.

b.2) Transfer of intangible assets to property, plant and equipment

The concession rights of Cana Brava plant, in the amount of R$73,176 in the consolidated, was presented in intangible assets on the transition date. However, bearing in mind that said concession may not be sold or transferred to third parties independently of the plant, due to the interpretation of this specific rule, this asset has been transferred to property, plant and equipment, being presented together with other assets of the plant.

b.3) Transfer of investments to property, plant and equipment

The goodwill paid in the acquisition of Companhia Energética São Salvador (CESS), in the amount of R$ 35,057, on the transition date, was transferred from investments to property, plant and equipment.

b.4) Transfer of deferred assets to property, plant and equipment and to intangible assets

As mentioned before, because said legislation extinguished deferred assets, the deferred expenses that could not be transferred to other assets have been written-off. The expenses transferred to property, plant and equipment and intangible assets on the transition date amounted to R$3,552 and R$22,227, respectively.

c) Comments regarding the other possible options

c.1) Adjustment to present value

According to the new accounting practices, the assets and liabilities items arising from long- or short-term operations, in the event of material effects, have to be adjusted to present value. This accounting practice was already being adopted by the Company on the transition date.

c.2) Cash Flow and Value Added Statements

The new accounting practices made mandatory the Cash Flow and Value Added statements and discontinued the presentation of the Statement of Changes in Financial Position. On the transition date, the Company already presented said mandatory statements, which were required as supplementary information to the accounting statements.

c.3) Other transactions

The Company did not carry out any derivative transactions and share-based payments, nor any relevant transactions involving leasing that justified the adoption of accounting practice pursuant to the new legislation.

Effects on the net income for year ended December 31, 2008 and on shareholders' equity as of December 31, 2008, arising from the preliminary adoption of Law 11638/07 and of Provisional Measure 449/08

	Net Income	Shareholders' Equity
Balance according to financial statement at 12/31/2008	**1,115,153**	**3,170,788**
Effects from application of Law 11638/07 and Prov. Measure 449/08:		
Write-off of deferred asset	1,064	7,753
Amortization of deferred asset	(410)	(410)
Deferred income and social contribution on the adjustments	(222)	(1,992)
Balance excluding effects of Law 11638/07 and Prov. Measure 449/08	**1,115,585**	**3,176,139**

The shareholders' equity and the Company's net income have not changed with the effects of the preliminary adoption of Law 11638/07 and Provisional Measure 449/08.

The authorization for completion of the Company's financial statements was given on March 9, 2009 at a meeting of the Company's Board of Executive Officers.

3 – SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

a) Cash Investments – are classified as held for trading, held to maturity and available for sale, depending on the purpose of said investments. When held for trading, they are stated at fair value, with their effects recognized in income. When held to maturity, they are measured at the acquisition cost plus income earned, less provision for adjusting to recoverable value, when applicable. When held for sale, they are stated at fair value, with their effects recognized in the assets valuation adjustment account, when applicable.

b) Deferred income and social contribution taxes (deferred tax assets) – are calculated at the rate of 25% and 9%, respectively, valid on the balance sheet date, and they are recognized based on temporary differences. The segregation between current and non-current takes place according to the prospects for realization of the amounts that originate them. The subsidiary PPESA is partly exempt from income tax for the period of 10 years as from 2006, as it is located in an incentive area of SUDAM (Amazon Development Superintendence).

c) Allowance for doubtful accounts – was recorded at an amount deemed sufficient by the Company's management to offset eventual losses in the realization of receivables from consumers, concessionaires and permittees and from other credits, based on individual analysis of existing credits. **Inventories – stated at weighted average cost of acquisition, which does not exceed market value.**

e) Indexed assets – adjusted to the balance sheet date.

f) Investments – investments in subsidiaries and in jointly-owned subsidiaries are accounted for under the equity method and other investments are stated at cost, which does not exceed market value.

g) Property, plant and equipment – stated at acquisition or construction cost, less depreciation, calculated under the straight-line method, based on annual rates established by ANEEL, limited to the Plants' term of concession, when applicable, based on the accounting balances recorded at the Registration Units (UC) comprising the projects. The average annual depreciation rates ascertained by the Company and its subsidiaries are shown in note 11-a.

Interest and other financial charges plus inflation effects from third-party financings effectively used in construction in progress are computed as cost of said property, plant and equipment. Up to December 31, 1998, interest on own capital related to construction in progress was capitalized, pursuant to the electric energy sector specific legislation.

h) Loans, financing and debentures – are adjusted by the exchange rates or contractual indexes and by interest incurred until the balance sheet date, adjusted for the costs incurred in fund raising (refer to note 15 and note 16).

i) Other obligations – stated at known or estimated amounts, plus, when applicable, charges and monetary variations incurred.

j) Reserve for contingencies – are created through the evaluation and quantification of the risks related to tax, civil, labor matters, whose likelihood of loss is deemed probable. Said reserves are stated net of escrow deposits related to them. Said reserves are adjusted by the indexes or rates established by tax authorities, and legal counsel fees related to such reserves are recorded.

k) Post-employment benefits – are recorded based on actuarial evaluation by the Projected Unit Credit Method, complemented by amounts projected by actuarial evaluation and adjusted monthly according to contractual indexes for agreed to obligations (see note 21).

l) Discount to present value – assets and liabilities from long- or short-term operations, in the event of material effects, are adjusted to present value based on market discount rates.

m) Income for the year – income and expenses are recorded in accordance with the accrual basis of accounting.

n) Recognition of inflation effects – reflects only the effects of monetary variations on assets and liabilities indexed due to legal or contractual provisions. In compliance with Law No. 9249, of December 26, 1995, the monetary adjustment system was discontinued beginning January 1996. Accordingly, the amounts of permanent assets and shareholders' equity are monetarily adjusted only through December 31, 1995.

o) Use of estimates – the preparation of financial statements in conformity with Brazilian accounting practices requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The main estimates for the financial statements refer to the allowance for doubtful accounts, reserve for contingencies and post-employment benefits, and the presentation of the payment profile and the realization of the realization of the related deferred tax assets.

p) Consolidated financial statements

Intercompany balances and transactions and investments in investees are eliminated in consolidation.

The components of assets and liabilities, revenues and expenses of the jointlyowned subsidiary ITASA were consolidated in proportion to the Company’s interest in this investee’s capital (see note 10-b).

Since the interest of the Company in the other subsidiaries is 99.99%, no minority interest was disclosed in the consolidated finacial statements.

4 – TEMPORARY CASH INVESTMENTS

	Company		Consolidated	
	2008	2007	2008	2007
Citibank - Exclusive Investment Fund				
Repurchase agreement with federal government and private sector securities [1]				
National Treasury notes (NTN)	258,434	424,512	313,385	535,435
Debentures	-	30,092	-	37,955
Financial Treasury Bill (LFT)	25,473	-	30,890	-
National Treasury Bill (LTN)	13,201	241	16,008	303
	297,108	454,845	360,283	573,693
Bank Certificates of Deposit (CDB)	-	20,473	-	25,823
National Treasury Bills (LTN)	-	40,410	-	50,969
Treasury Bills (LFT)	12,751	49,333	15,463	62,224
	309,859	565,061	375,746	712,709
Financial Institutions [2]				
Bank Certificates of Deposit (CDB)	-	-	8,373	31,657
National Treasury notes (NTN – D)	-	-	-	3,634
Debentures	-	-	10,497	20,921
	-	-	18,870	56,212
	309,859	**565,061**	**394,616**	**768,921**
Banco Santos				
Bank Certificates of Deposit (CDB)	2,603	1,777	2,603	2,603
(-) Provision for losses	(2,603)	(1,777)	(2,603)	(2,603)
	309,859	**565,061**	**394,616**	**768,921**

[1] Sale of securities with repurchase commitments assumed by the seller, concurrent with the resale commitment assumed by the buyer. These transactions have immediate liquidity, yield fixed interest and are backed by federal government and private securities.

[2] Banco Safra, Banco Bradesco, Banco Itaú, Banco Santander, Banco HSBC, Banco do Brasil, Banco Votorantin, Banco ABN AMRO, Banco UNIBANCO and Caixa Econômica Federal (CEF).

The Company structured its temporary cash investments to concentrate its funds in an exclusive, balanced investment fund, the shares of which can be redeemed at any time without impairing its yield. Said financial instrument is classified as held for trading, being measured at its fair value.

Exclusive funds do not entail significant financial obligations, which are limited to the asset management, investment transaction and audit fees, in addition to immaterial general and administrative expenses.

The provision for losses on temporary cash investments was recognized to cover possible losses on investments in CDB that the Company had in Banco Santos, whose bankruptcy was declared in 2005.

5 – CONSUMERS, CONCESSIONAIRES AND PERMITTEES

	Company				
	2008				2007
		Past-due			
	Current	Up to 90 days	Over 90 days	Total	Total
Current assets					
Concessionaries	179,973	-	-	179,973	192,569
Sellers	83,231	47,137	14,922	145,290	82,232
Free Consumers	35,255	1,593	-	36,848	28,383
Exports	-	-	740	740	740
Transactions within CCEE/MAE					
- Current	2,191	1,081	537	3,809	6,312
- Installments	3,952	-	-	3,952	11,350
- Extraordinary tariff adjustment	429	-	-	429	1,585
- Agents with lawsuits or in default	110,498	-	12,076	122,574	121,820
	117,070	1,081	12,613	130,764	141,067
	415,529	**49,811**	**28,275**	**493,615**	**444,991**
(-) Allowance for doubtful accounts	(110,498)	-	(12,076)	(122,574)	(121,820)
	305,031	**49,811**	**16,199**	**371,041**	**323,171**

	Consolidated				
	2008				2007
		Past-due			
	Current	Up to 90 days	Over 90 days	Total	Total
Current Assets					
Concessionaries	212,305	-	-	212,305	195,483
Sellers	62,226	72	-	62,298	42,999
Free Consumers	98,809	2,316	-	101,125	88,352
Exports	-	-	740	740	740
Transactions within CCEE/MAE					
- Current	3,039	1,094	729	4,862	7,529
- Installments	3,952	-	-	3,952	11,350
- Extraordinary tariff adjustment	429	-	-	429	1,585
- Agents with lawsuits or in default	110,498	-	13,944	124,442	124,442
	117,918	1,094	14,673	133,685	144,906
	491,258	**3,482**	**15,413**	**510,153**	**472,480**
(-) Allowance for doubtful accounts	(110,498)	-	(12,076)	(122,574)	(122,574)
	380,760	**3,482**	**3,337**	**387,579**	**349,906**

The term for collecting amounts related to electricity invoices is up to 45 days.

The allowance for doubtful debtors related to outstanding amounts was recognized due to the uncertainties as to the realization of receivables arising from transactions made within the Wholesale Energy Market - MAE (current, Electric Power Trade Chamber - CCEE) in the period September 2000-September 2002, whose debtor agents filed lawsuits because they disagreed with the interpretation adopted by MAE in connection with the Overall Agreement for the Electric Energy Sector.

Amounts past-due for more than 90 days refers substantially to transactions within Wholesale Energy Market (MAE), currently named CCEE, related to debts of agents in default during the 1st settlement of the MAE, on December 30, 2002. Such amounts are under bilateral negotiations. However, due to uncertainties as to their credit, the Company maintains an allowance for doubtful accounts, regardless of the actions applicable to the case.

6 – RECOVERABLE TAXES

	Company		Consolidated	
	2008	2007	2008	2007
Current				
ICMS (state VAT)	15,973	42,764	16,027	44,894
Income Tax	-	-	3,292	681
Social Contribution tax	-	-	1,226	-
COFINS (tax on revenue)	3,568	2,256	6,392	2,316
PIS (tax on revenue)	769	490	1,730	503
INSS (social security contribution)	2,419	2,913	4,028	2,913
	22,729	**48,423**	**32,695**	**51,307**
(-) Allowance for losses on ICMS credits	(5,660)	(40,138)	(5,660)	(40,138)
	17,069	**8,285**	**27,035**	**11,169**
Non-current				
ICMS (state VAT)	6,392	3,934	9,944	6,897
COFINS (tax on revenue)	8,215	8,762	74,370	8,772
PIS (tax on revenue)	1,809	1,902	16,171	1,904
INSS (social security contribution)	6,197	6,610	6,197	6,610
	22,613	**21,208**	**106,682**	**24,183**

The provision for losses on the realization of accrued ICMS credit was recognized due to the difficulties to offset all the ICMS on the purchase of fuel for production of electricity in William Arjona Thermoelectric Power Plant, in the State of Mato Grosso do Sul, since the substantial part of the sale of electricity in that State occurred with deferred ICMS.

In 2008, the Company received a tax assessment notice from the Mato Grosso do Sul State Finance Department, informing that the Company had no right to keep the accrued credits of ICMS, stating that the sales of electric energy with deferral or exemption of ICMS extinguish the right of keeping the credits. Based on this decision, the Company decided to write off said credit, in the amount of R$34,478, and revert the respective provision for recovery of the credit.

CESS, wholly-owned subsidiary of the Company, transferred from property, plant and equipment to this account, as of December 31, 2008, PIS and COFINS recoverable amounts, due to the option for using the right to credits on the acquisition of machines and equipment and buildings, pursuant to specific laws. The credits related to buildings will be amortized in 24 months and the ones related to machines and equipment in 48 months.

7 – DEFERRED TAX ASSETS

Type of credit	Company				
	2008				2007
	Tax basis	Income tax	Social contribution tax	Total	Total
Interest on property, plant and equipment in progress	146,550	36,637	-	36,637	36,637
Post-employment benefits	212,514	53,129	19,126	72,255	64,876
Allowance for doubtful accounts	122,574	30,643	11,032	41,675	41,419
Reserve for contingencies	110,789	27,697	9,971	37,668	36,212
Provision for losses on ICMS credits	5,660	1,415	509	1,924	13,647
Supplementary depreciation of W. Arjona Thermoelectric Power Plant	21,849	5,462	1,967	7,429	8,565
Discount to present value of receivables	18,071	4,518	1,626	6,144	6,861
Incorporated goodwill	19,193	4,798	1,728	6,526	-
Other	14,874	3,719	1,338	5,057	5,245
		168,018	**47,297**	**215,315**	**213,462**
Classification of deferred tax assets:					
Current		11,001	2,641	13,642	12,091
Non-current		157,017	44,656	201,673	201,371
		168,018	**47,297**	**215,315**	**213,462**

Type of credit	Consolidated				
	2008				2007
	Tax basis	Income tax	Social contribution tax	Total	Total
Interest on property, plant and equipment in progress	146,550	36,637	-	36,637	36,637
Post-employment benefits	212,514	53,129	19,126	72,255	64,876
Allowance for doubtful accounts	122,574	30,643	11,032	41,675	41,675
Reserve for contingencies	130,436	29,027	11,739	40,766	37,488
Provision for losses on ICMS credits	5,660	1,415	509	1,924	13,647
Supplementary depreciation of W. Arjona Thermoelectric Power Plant	21,849	5,462	1,967	7,429	8,565
Discount to present value of receivables	18,071	4,518	1,626	6,144	6,861
Incorporated goodwill	19,193	4,798	1,728	6,526	-
Other	36,419	6,286	3,277	9,563	6,426
		171,915	**51,004**	**222,919**	**216,175**
Classification of deferred tax assets:					
Current		11,601	2,887	14,488	12,160
Non-current		160,314	48,117	208,431	204,015
		171,915	**51,004**	**222,919**	**216,175**

Deferred tax assets deriving from temporary differences will be realized upon the payment of the provisions recognized or, where applicable, upon realization of accrued losses.

The estimated realization of deferred tax assets through the generation of future taxable income is as follows:

	Company	Consolidated
Recorded deferred tax assets		
2009	13,642	14,488
2010	18,243	23,091
2011	24,405	24,759
2012	30,899	31,223
2013	58,420	58,674
2014 to 2015	30,256	30,754
2016 to 2018	39,450	39,930
	215,315	**222,919**
Unrecorded deferred tax assets		
2019	3,492	3,492
2020	734	734
2021	734	734
2022	734	734
2023 to 2025	2,202	2,202
2026 to 2028	2,202	2,202
2029 and thereafter	1,686	1,686
	11,784	**11,784**
	227,099	**234,703**

The unrecorded deferred tax assets refer to an adjustmen on property, plant and equipment and its realization is made proportionally to the depreciation of the underlying assets, which currently exceeds 10 years, resulting in unrecorded deferred tax assets, in compliance with CVM Instrution No, 371/02, of June 27, 2002.

8 – TAX RECONCILIATION

	Company			
	2008		2007	
	Income tax	Social Contribution tax	Income tax	Social Contribution tax
Income before taxes	**1,555,302**	**1,555,302**	**1,390,065**	**1,390,065**
Permanent differences				
Additions				
Goodwill amortization	3,031	-	6,747	-
Management bonuses and 13th salary	2,389	-	3,178	-
Donations	3,715	3,715	2,242	2,242
Other non-deductible expenses	1,613	414	354	354
Deductions				
Equity in subsidiaries	(54,698)	(54,698)	(185,838)	(185,838)
Interest on own capital	(176,000)	(176,000)	(176,000)	(176,000)
Reversal of amortized goodwill in the merger of subsidiary	(23,032)	-	-	-
RIC (*)	(14,655)	-	(14,636)	-
Tax basis	**1,297,665**	**1,328,733**	**1,026,112**	**1,030,823**
Tax rates	25%	9%	25%	9%
Income and social contribution taxes	**(324,416)**	**(119,586)**	**(256,528)**	**(92,774)**
Complement to deferred income tax of interest on (*)	-	-	2,471	-
Tax Incentives	3,872	-	2,369	-
Other	2	(21)	24	-
Income and social contribution taxes - statement of income	**(320,542)**	**(119,607)**	**(251,664)**	**(92,774)**
Breakdown of taxes in the statement of income:				
Current	(320,699)	(119,663)	(257,095)	(93,840)
Deferred	157	56	5,431	1,066
	(320,542)	**(119,607)**	**(251,664)**	**(92,774)**

	Consolidated			
	2008		2007	
	Income tax	Social Contribution tax	Income tax	Social Contribution tax
Income before taxes	**1,589,520**	**1,589,520**	**1,485,338**	**1,485,338**
Permanent Differences				
Additions				
Management bonuses and 13th salary	2,537	-	3,509	-
Donations	3,855	3,855	2,490	2,490
Other nondeductible expenses	24,631	15,144	7,019	272
Deductions				
Interest on capital	(176,000)	(176,000)	(176,000)	(176,000)
Reversal of amortized goodwill in the merger of subsidiary	(23,032)	-	-	-
Interest on property, plant and equipment in progress	(14,655)	-	(14,636)	-
Adjustment in subsidiary taxed based on deemed income	(4,835)	(3,263)	(5,508)	(3,995)
Tax basis	**1,402,021**	**1,429,256**	**1,302,212**	**1,308,105**
Tax rates	25%	9%	25%	9%
Income and social contribution taxes	**(350,505)**	**(128,634)**	**(325,553)**	**(117,729)**
Adjustments to income tax and social contribution of previous year	(1,695)	172	(1,195)	(430)
Addition to deferred income tax on interest on property, plant and equipment in progress	-	-	2,471	-
Tax Incentives	4,481	-	2,617	-
Other	796	1,018	108	-
Income and social contribution taxes - statement of income	**(346,923)**	**(127,444)**	**(321,552)**	**(118,159)**
Breakdown of taxes in the statement of income:				
Current	(348,875)	(130,409)	(326,894)	(119,151)
Deferred	1,952	2,965	5,342	992
	(346,923)	**(127,444)**	**(321,552)**	**(118,159)**

The subsidiary PPESA has a reduction of income tax and surcharges equivalent to 75% on exploration profits for the period of 10 years as from 2006, as it is located in an incentive area of SUDAM (Amazon Development Superintendence). This reduction, in the amount of R$3,894, is shown in the tax incentive group, in the table above.

9 – SALES OF ASSETS AND RIGHTS

	Company and Consolidated	
	2008	2007
Restated original value	103.988	101.496
(-) Discount to present value	(18.071)	(20.181)
	85.917	**81.315**
Classification in balance sheet:		
Current	17.448	-
Non-current	68.469	81.315
	85.917	**81.315**

The aforementioned balances correspond to receivables from Elétrica Jacuí S.A. – ELEJA for the sale of Jacuí thermoelectric project. ELEJA is a special purpose entity controlled by an owner of exploration rights of coal mines in the Jacuí project's region, which, pursuant to the agreement, assumed the responsibility for completing the project.

As a guarantee for the fulfillment of the contractual obligations, including the payment of the purchase price, ELEJA granted Tractebel Energia liens on the rights, goods and machinery and mortgage on the properties and related accessories sold under the agreement entered into by the parties.

According to terms of the agreement, the sale amounts are adjusted based on the IGP-DI (general price index – domestic supply) and will be received in 36 installments beginning with the commencement of operations of Jacuí Thermoelectric Power Plant or four years after the sale date. As contractual amounts are at future prices, the Company discounted the price to present value based on the discount rate of 10% p.a.

First installment maturity took place in June 2008, and the Company has been receiving the amounts contracted on a monthly basis.

The Company started a negotiation sales process of said credit to a company prospect interested in investing in ELEJA. However, due to the current status of negotiations and uncertainties as to its conclusion, no adjustment to the realization amount of the asset was recognized by the Company.

10 – INVESTMENTS

a) Breakdown

	Company		Consolidated	
	2008	2007	2008	2007
Investments in subsidiaries:				
Accounted for under the equity method				
Equity in subsidiaries	1,535,327	1,062,602	-	-
Goodwill	38,490	63,067	-	-
Accounted for at acquisition cost	28,796	28,796	28,796	28,796
Assets and rights for future use	1,895	1,895	1,895	1,895
Other Investments	121	121	121	121
	1,604,629	**1,156,481**	**30,812**	**30,812**

In accordance with the accounting practices adopted in Brazil, assets and liabilities recorded in the opening balance sheet of the entity acquired are acknowledged as an investment by the acquiring company, and goodwill ascertained in acquisitions correspond to the amount paid which exceeds the book value of the shareholders' equity of the entity acquired. This procedure was adopted by the Company in the individual balance sheets of Tractebel Energia and its subsidiaries, used as a vehicle to acquire companies.

In order to prepare the consolidated balance sheet, the Company considered that the goodwill paid in acquisitions is based on the property, plant and equipment, jointly with the amount of each concession as part of these assets, when applicable.

b) Investments in subsidiaries

b.1) Accounted for under the equity method

Companies	2008					2007	
	Thousand shares	Advance for future capital increase	Ownership interest (%)	Net income (loss)	Shareholders ' equity	Net income (loss)	Shareholders ' equity
Itá Energética S.A. (ITASA)	253,607	-	48.75	35,160	598,059	29,617	583,424
Companhia Energética Meridional (CEM) [1]	-	-	-	11,122[*]	-	99,436	443,744
Companhia Energética São Salvador (CESS) [2]	271,943	-	99.99	(185)	270,474	-	268,943
Lages Bioenergética Ltda. (Lages)	30,530	-	99.99	7,187	47,225	7,929	40,345
Tractebel Energia Comercializadora Ltda.	4,200	-	99.99	27,599	31,799	64,066	4,200
Delta Energética S.A. [3]	20,960	-	99.99	(68)	20,007	(31)	20,898
Energia América do Sul Ltda[4]	645,270	-	99.99	(6,445)	638,826	-	1
Gama Participações Ltda. [5]	1	236,821	99.90	(1,652)	235,170	-	1
Lagoa Formosa Bioenergética Ltda.	270	-	99.99	-	270	-	50

[*] *Net Income on February 29, 2008.*
[1] *The subsidiary CEM was incorporated by Tractebel Energia on February 29, 2008, as mentioned in note 1.*
[2] *Under pre-operational phase.*
[3] *Special Purpose Entity used as vehicle to acquire Seival Participações S.A..*
[4] *Special Purpose Entity used as vehicle to acquire PPESA.*
[5] *Special Purpose Entity used as vehicle to acquire Tupan, Hidropower, Beberibe, Pedra do Sal, Areia Branca, Econergy Serviços and to build Ibitiúva.*

Changes in investments

Equity in subsidiaries

Subsidiaries	Balances as of 12.31.2007	Merger of subsidiary	Capital increase	Equity in subsidiaries	Dividends	Adjustments Law 11,638	Balances as of 12.31.2008
ITASA	284,419	-	-	17,140	(7,500)	(2,505)	291,554
CEM	443,744	(454,866)	-	11,122	-	-	-
CESS	268,943	-	3,000	(185)	-	(1,284)	270,474
Lages	40,345	-	-	7,187	-	(307)	47,225
Tractebel Energia Comercializadora	4,200	-	-	27,599	-	-	31,799
Delta Energética	20,898	-	-	(68)	-	(823)	20,007
Energia América do Sul	1	-	645,270	(6,445)	-	-	638,826
Gama Participações	1	-	236,821	(1,652)	-	-	235,170
Lagoa Formosa	50	-	220	-	-	-	270
Other	1	-	1	-	-	-	2
	1,062,602	**(454,866)**	**885,312**	**54,698**	**(7,500)**	**(4,919)**	**1,535,327**

Goodwill – Company

Subsidiaries	Balances as of 12.31.2007	Merger of subsidiary	Amortization	Balances as of 12.31.2008
ITASA	5,721	-	(2,288)	3,433
CEM	22,289	(21,546)	(743)	-
CESS	35,057	-	-	35,057
Company	**63,067**	**(21,546)**	**(3,031)**	**38,490**

Information on the subsidiaries

Itá Energética S.A. (ITASA) (jointly-owned subsidiary)

ITASA is held by Tractebel Energia, Companhia Siderúrgica Nacional (CSN) and Companhia de Cimento Itambé, proportionally to 48.75%, 48.75% and 2.50%, respectively.

ITASA is engaged in operating the Itá Hydroelectric Power Plant, by means of a consortium, upon a concession granted by the Federal Government through ANEEL, for a 35 year period starting on December 28, 1995. The plant is located on the Uruguay River, on the border of Santa Catarina and Rio Grande do Sul States and has an installed capacity of 1,450 MW and an average 720MW of guaranteed energy. Under the Consortium Agreement, ITASA is entitled to 60.5% of average 668 MW.

The amount paid, which exceeds the book value of the acquired company, is being amortized in a 10-year period.

The main assets, liabilities, income and expenses of the jointly-owned subsidiary are stated below and have been consolidated in proportion to the Company's interest in the subsidiary:

ASSETS	**2008**	**2007**
Current assets	60,077	69,220
Non-current assets		
Long-term assets	5,657	4,177
Permanent assets	929,883	976,714
	935,540	980,891
TOTAL ASSETS	**995,617**	**1,050,111**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	117,628	115,277
Non-current liabilities		
Long-term liabilities	279,930	351,410
Shareholders' equity	598,059	583,424
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**995,617**	**1,050,111**
STATEMENT OF INCOME		
Gross operating revenues	233,150	220,442
Deductions	(23,659)	(22,314)
Net sales revenue	**209,491**	**198,128**
ELECTRICITY PRODUCTION COST	**(58,726)**	**(58,934)**
GROSS PROFIT	**150,765**	**139,194**
OPERATING REVENUES (EXPENSES)		
Sales expenses	(32,392)	(24,296)
General and administrative expenses	(20,447)	(20,236)
Other	174	93
	(52,665)	**(44,439)**
Services income	**98,100**	**94,755**
Financial expenses, net	**(45,030)**	**(50,006)**
INCOME BEFORE TAXES	**53,070**	**44,749**
Income and social contribution taxes	(17,910)	(15,132)
NET INCOME	**35,160**	**29,617**

Merger of Subsidiary Companhia Energética Meridional – CEM

On March 28, 2008, Tractebel Energia merged its wholly-owned subsidiary CEM, through the assignment of its net assets, on base date February 29, 2008, based on a specialists appraisal, as shown below:

ASSETS		LIABILITIES AND SHAREHOLDERS' EQUITY	
CURRENT ASSETS		**CURRENT LIABILITIES**	
Cash and cash equivalents	28,344	Trade accounts payable	5,811
Concessionaire – Parent Company	31,962	Proposed dividends	25,104
Transactions within CCEE	187	Financing and debentures	29,053
Collaterals and restricted deposits	1,643	Taxes	4,445
Other	1,072	Accounts payable – Parent Company	13,988
		Other obligations	9,578
TOTAL CURRENT ASSETS	**63,208**	**TOTAL CURRENT LIABILITIES**	**87,979**
NON-CURRENT ASSETS		**NON-CURRENT LIABILITIES**	
Long-term assets		**Long-term liabilities**	
Escrow deposits	24,487	Financing and debentures	125,845
Deferred tax assets	1,613	Concession fees payable	244,614
Other	798	Reserve for contingencies	3,165
	26,898	**TOTAL NON-CURRENT LIABILITIES**	**373,624**
Permanent assets			
Property, plant and equipment	753,618		
Intangible assets	72,745		
	826,363		
TOTAL NON-CURRENT ASSETS	**853,261**	**NET ASSETS**	**454,866**
TOTAL ASSETS	**916,469**	**TOTAL LIABILITIES**	**916,469**

CEM held the concession of Cana Brava Hydroelectric Power Plant, located on the Tocantins River, in the north of the State of Goiás, with an installed capacity of 450 MW and average 273.4 MW of guaranteed energy. The concession to build and operate the business venture is effective for a 35 years period, starting on August 27, 1998, and it was transferred to the Company after completion of the merger transaction.

Companhia Energética São Salvador (CESS)

CESS holds the concession to operate São Salvador Hydroelectric Power Plant, which has an installed capacity of 243.2 MW and average 148.5 MW of guaranteed energy. In October 2006, CESS sold in the Third New Power Auction, for a 30 years period starting in January 2011, average 148 MW to electricity distributors that operate in the Regulated Contracting Environment (ACR).

The amount paid, which exceeds the net book value of CESS, in the amount of R$35,057, in the consolidated balance sheet is shown in property, plant and equipment. Said amount may be increased by R$18,000, if the start date of the payments for Use of Public Asset (UBP) coincides with the start of electricity supply under the Electric Power Purchase Contracts (CCEARs), scheduled for 2011, or under the Free Trade Environment at prices and amounts compatible to those contracted within the CCEARs and for the term that supplements the supply term set forth in the CCEARs.

For the remunerated concession of São Salvador hydroelectric power plant, CESS will pay the Federal Government, through ANEEL, the original amount of R$555,000, in monthly installments proportional to the adjusted annual amount. Under the Second Amendment to the Concession Agreement, dated July 18, 2007, payments will begin upon startup of the first generating unit of São Salvador Hydroelectric Power Plant or the beginning of the delivery of energy under the Regulated Environment Electric Power Purchase Contracts, whichever occurs first, through the end of the concession in April 2037.

Also under said Amendment, this amount was adjusted annually based on the IGP-M (Market General Price Index) variation, up to the Amendment date, on July 18, 2007, and from this date on, based on the IPCA (Extended Consumer Price Index) variation.

The adjusted contractual amounts are as follows:

	2008	2007
Annual amount	33,168	33,009
Monthly installments (1/12)	2,764	2,751
Total nominal value	995,029	935,264
Total present value	326,659	286,317

Total present value was calculated based on a 10% p.a. discount rate, usually used by the Brazilian electricity industry, considering the payments in the period from March 1, 2009 to April 23, 2037. Recognition of the concession to pay, at its present value, as contra entry to property, plant and equipment, will take place at the start of the Plant's commercial operations, scheduled for the first half of 2009.

Lages Bioenergética Ltda. (Lages)

Lages holds the authorization to operate the Lages thermoelectric generation unit, located in the city of Lages, State of Santa Catarina. It has a 28-MW steam turbo generator, using wood waste as fuel. The authorization to build and operate the project is effective for 30 years, starting on October 30, 2002.

In 2006, the Cogeneration Plant was registered with the Executive Committee of the United Nations Clean Development Mechanism (CDM) for using wood waste to trade carbon credits.

Tractebel Energia Comercializadora Ltda.

The company's corporate purpose is the sale of electric energy in the free trading market, including the purchase, sale, import and export of electricity, as well as intermediation of any of these operations and entering into business transactions arising from these activities.

Delta Energética S.A. (Delta)

In 2008, the Company did not engage in operating activities. Delta is the parent company of Seival Participações S.A. (Seival). Seival is a special purpose holding company that owns 99.99% of the capital stock of Seival Ltda. A Thermoelectric Power Plant, headquartered in the city of Porto Alegre, State of Rio Grande do Sul.

The acquisition of Seival primarily seeks to add benefits to the development of the project for exporting electricity to Uruguay, since this company holds the rights (including ANEEL's permit, preliminary authorization and property purchase option) to build and operate a coal-fired thermoelectric power plant in Candiota, State of Rio Grande do Sul, with installed power of up to 540 MW.

The acquisition price was R$23,813 and the difference between the amount paid and the book value of Seival was R$19,528, which will be amortized from the start of the company's commercial operations.

Energia América do Sul Ltda (EAS)

In 2008, EAS, the Company's wholly-owned subsidiary, became the controlling shareholder of Ponte de Pedra Energética S.A. (PPESA), for the amount of R$644,919, after complying with certain conditions of the share purchase and sale agreement entered into on December 13, 2007, among which, obtaining the preliminary authorization by ANEEL and the approval by the BNDES (Brazilian Development Bank).

The amount paid by the Company exceeding the book value of PPESA's shareholders' equity, R$ 359,948 is based on the property, plant and equipment, and it is allocated as part of these assets, in the consolidated balance sheet, and is being amortized over the remaining term of the concession, which ends in September 2034. The net amortization balance, as of December 31, 2008, is R$351,110.

PPESA holds the concession of Ponte de Pedra Hydroelectric Power Plant, a hydroelectric plant with installed capacity of 176.1 MW and average guaranteed energy of 131.6 MW, in commercial operation since September 2005, located on the Correntes River in the State of Mato Grosso, and also is partly exempt from income tax for a 10-year period as from 2006, for it is located in an incentive area of SUDAM – Amazon Development Superintendence.

Gama Participações Ltda (Gama)

Gama is a wholly-owned subsidiary of the Company that acquired and incorporated some companies during 2008 . Some information on Gama's subsidiaries follows.

Tupan Energia Elétrica S.A. (Tupan) and Hidropower Energia S.A. (Hidropower)

In December 2008, Gama completed the process of acquisition of the total capital stock of Tupan and Hidropower for the amount of R$240,859.

The amount paid by Gama, which exceeds the book value of Tupan and Hidropower, in the amounts of R$91,436 and R$83,544, respectively, is based on the property, plant and equipment and is being allocated in the consolidated balance sheet as part of these assets, being amortized over the remaining term of the concession, which ends in December 2032.

Tupan holds an authorization granted by ANEEL to explore Rondonópolis Small Hydroelectric Power Plant, with installed capacity of 26.6 MW, in commercial operation since December 2007. The small hydroelectric plant is located in Rondonópolis, State of Mato Grosso, on the Ponte de Pedra River and has average guaranteed energy of 14 MW. Tupan has 118.36 GWh/year of energy contracted with Centrais Elétricas do Brasil S.A. (ELETROBRAS), by means of the Incentive Program to Alternative Sources of Electric Energy (PROINFA), until 2027 at the price of R$ 153.61/MWh.

Hidropower is authorized by ANEEL to explore Engenheiro José Gelazio da Rocha Small Hydroelectric Power Plant, with installed capacity of 23.7 MW, in commercial operation since February 2007. The small hydroelectric plant is located in Rondonópolis, State of Mato Grosso, on the Ponte de Pedra River and has average guaranteed energy of 11.9 MW. Hidropower has 100.49 GWh/year of energy contracted until 2027 with ELETROBRAS, through PROINFA, at the price of R$ 153.61/MWh.

Eólica Beberibe S.A. (Beberibe) Wind Farm, Eólica Pedra do Sal S.A. (Pedra do Sal) Wind Farm, Hidrelétrica Areia Branca S.A. (Areia Branca) Hydroelectric Power Plant and Econergy Brasil Serviços Corporativos Ltda. (Econergy Serviços)

In December 2008, the Company acquired the total capital stock of Eólica Beberibe S.A. (Beberibe) for the amount of R$100,800, of Eólica Pedra do Sal S.A. (Pedra do Sal) for R$52,200, of Hidrelétrica Areia Branca S.A. (Areia Branca) for R$46,800 and of Econergy Brasil Serviços Corporativos Ltda. (Econergy Serviços) for R$200, totaling R$200,000 (R$194,356 net of taxes).

The amount paid by Gama, which exceeds the book value of Beberibe, Pedra do Sal and Areia Branca, in the amounts of R$50,965, R$19,319 and R$8,054, respectively, is based on the property, plant and equipment and is being allocated in the consolidated balance sheet as part of these assets. The amortization starts from the beginning of the commercial operation and will be carried out during the term of the concession, which ends within the period from 2030 to 2033.

Beberibe S.A. holds an authorization granted by ANEEL to explore Beberibe Wind Farm, with installed capacity of 25.60 MW and average guaranteed energy of 8 MW. It is located in Beberibe, State of Ceará, and has 85.07 GWh/year of energy contracted for 20 years with ELETROBRAS, through PROINFA, at the price of R$247.81/MWh. The company started its commercial operation in September 2008.

Pedra do Sal S.A. holds an authorization granted by ANEEL to explore Pedra do Sal Wind Farm, with installed capacity of 17.85 MW and average guaranteed energy of 8 MW. It is located in Parnaíba, State of Piauí, and has 66.29 GWh/year of energy contracted for 20 years with ELETROBRAS, through PROINFA, at the price of R$241.20/MWh. The company's commercial operation started in December 2008.

Areia Branca S.A. holds an authorization granted by ANEEL to explore Areia Branca Small Hydroelectric Power Plant, with installed capacity of 19.80 MW. It is located in Caratinga, State of Minas Gerais, and has 90.84 GWh/year of energy contracted for 20 years with ELETROBRAS, through PROINFA, at the price of R$153.91/MWh. The Small Hydroelectric Power Plant is scheduled to start its operations in the first half of 2009.

Econergy Serviços is a company that provides administrative and technology services to the aforementioned companies.

Ibitiúva Bioenergética S.A. (Ibitiúva)

Ibitiúva was created in 2008 to take part, through the Andrade Consortium, in the 1st Reserve Energy Auction promoted by ANEEL.

Andrade Consortium, which is comprised of Ibitiúva and Andrade Açúcar e Álcool S.A., subsidiary of Açúcar Guarani S.A., sold 20 average MW of electric energy in said Auction for R$158.11/MWh, to be supplied for 15 years, as from 2010.

The electric energy sold will be produced by Destilaria Andrade Thermoelectric Power Plant, being built in the city of Pitangueiras, State of São Paulo. Destilaria Andrade will have an installed capacity of 33 MW and average guaranteed energy of 20 MW, and will use as fuel the bagasse resulting from sugarcane processing at the sugar and alcohol producing plant Andrade of Guarani Group. The estimated investment to build the Plant is R$120,000 with own funds and funding by BNDES or by BRDE (Banco Regional de Desenvolvimento do Extremo Sul), and the start of construction is scheduled for March 2009.

Lagoa Formosa Bioenergética Ltda.

The company is a wholly-owned subsidiary of Tractebel Energia and was established to build São João Cogeneration Plant, a sugarcane biomass-fired plant in a consortium with company Dedini Açúcar e Álcool Ltda. from the Dedini Agro Group.

In September 2007, Dedini was acquired by the Spanish group Abengoa, which decided to discontinue said partnership. However, Tractebel Energia will be entitled to a financial compensation for the breach of the agreement entered into by the parties. The project had sold 23 average MW, starting as from 2010, in the First Auction of Alternative Power Sources conducted by ANEEL in June 2007, and the commitment to build and deliver lies with Dedini.

In 2008, the Company received part of the undisputed amount of the lawsuit related to a contractual fine, and the amount that the Company considers indemnifiable remains in dispute.

b.2) Stated at acquisition cost

Machadinho Energética S.A. (MAESA)

In March 2007, the Company acquired a 2.82% interest in MAESA for R$28,793. MAESA operates, by means of a consortium, Machadinho Hydroelectric Power Plant. The Machadinho Consortium is composed of Tractebel Energia S.A., in which Tractebel has an interest of 19.28%, and other consortium member companies, which altogether hold an interest of 80.72%.

11 – PROPERTY, PLANT AND EQUIPMENT

a) Breakdown

	Company				
	2008				2007
	Average depreciation rates	Adjusted cost	Accumulated depreciation/ amortization	Net	Net
In service					
Hydroelectric generation					
Salto Santiago plant	2.5	641,188	(520,565)	120,623	135.231
Salto Osório plant	2.7	332,545	(239,351)	93,194	75.201
Passo Fundo plant	2.4	120,159	(94,074)	26,085	28.186
Itá plant (consortium)	3.6	1,233,683	(265,073)	968,610	1.012.729
Cana Brava plant	3.2	180,618	(31,470)	149,148	154.336
Machadinho plant (consortium)	3.0	964,194	(158,386)	805,808	-
		3,472,387	**(1,308,919)**	**2,163,468**	**1.405.683**
Thermoelectric generation					
Jorge Lacerda Complex	4.4	2,521,171	(1,447,070)	1,074,101	1.131.510
Charqueadas plant	6.4	59,398	(51,398)	8,000	8.304
Alegrete plant	3.6	8,289	(7,356)	933	979
William Arjona plant	4.3	174,706	(79,446)	95,260	99.343
		2,763,564	**(1,585,270)**	**1,178,294**	**1.240.136**
General and other equipment	10.0	**52,436**	**(27,006)**	**25,430**	**24.852**
		6,288,387	**(2,921,195)**	**3,367,192**	**2.670.671**
Property, plant and equipment in progress					
Hydroelectric generation		**9.395**	**-**	**9,395**	**20,452**
Thermoelectric generation		**43.681**	**-**	**43,681**	**41,375**
General and other equipment		**3.824**	**-**	**3,824**	**2,200**
		56.900	**-**	**56,900**	**64,027**
Total property, plant and equipment		**6.345.287**	**(2,921,195)**	**3,424,092**	**2,734,698**
Special obligations		**(9.755)**	**-**	**(9,755)**	**(9,480)**
		6.335.532	**(2,921,195)**	**3,414,337**	**2,725,218**

	Consolidated				
		2008			2007
	Average depreciation rates	Adjusted cost	Accumulated depreciation/ amortization	Net	Net
In service					
Hydroelectric generation					
Salto Santiago plant	2.5	641,188	(520,565)	120,623	135,231
Salto Osório plant	2.7	332,545	(239,351)	93,194	75,201
Passo Fundo plant	2.4	120,159	(94,074)	26,085	28,186
Itá plant (consortium)	3.6	1,777,842	(372,510)	1,405,332	1,460,709
Machadinho plant (consortium)	3.2	180,618	(31,470)	149,148	154,336
Cana Brava plant	3.0	964,194	(158,386)	805,808	828,710
Ponte de Pedra plant	3.7	1,180,542	(58,900)	1,121,642	-
Rondonólis plant	3.3	185,341	(3,723)	181,618	-
Engenheiro José Gelázio da Rocha plant	3.3	156,511	(5,151)	151,360	-
		5,538,940	**(1,484,130)**	**4,054,810**	**2,682,373**
Thermoelectric generation					
Jorge Lacerda Complex	4.4	2,521,171	(1,447,070)	1,074,101	1,131,510
Charqueadas plant	6.4	59,398	(51,398)	8,000	8,304
Alegrete plant	3.6	8,289	(7,356)	933	979
William Arjona plant	4.3	174,706	(79,446)	95,260	99,343
Lages cogeneration unit	4.4	75,724	(14,887)	60,837	62,613
		2,839,288	**(1,600,157)**	**1,239,131**	**1,302,749**
Aeolian generation					
Beberibe wind farm	5.1	**184,617**	**(2,007)**	**182,610**	-
General and other equipment	10.0	**52,839**	**(27,174)**	**25,665**	**24,916**
		8,615,684	**(3,113,468)**	**5,502,216**	**4,010,038**
Property, plant and equipment in progress					
São Salvador plant		870,081	-	870,081	653,738
Areia Branca plant		98,586	-	98,586	-
Other plants (construction works)		10,919	-	10,919	24,861
Hydraulic generation		**979,586**	**-**	**979,586**	**678,599**
Thermoelectric generation		**54,695**	**-**	**54,695**	**43,379**
Aeolian generation – Pedra do Sal		**107,792**	**-**	**107,792**	**-**
General and other equipment		**3,854**	**-**	**3,854**	**2,200**
		1,145,927	**-**	**1,145,927**	**724,178**
Total property, plant and equipment		**9,761,611**	**(3,113,468)**	**6,648,143**	**4,734,216**
Special obligations		**(9,880)**	**-**	**(9,880)**	**(9,605)**
		9,751,731	**(3,113,468)**	**6,638,263**	**4,724,611**

b) Changes in property, plant and equipment

	Company			Consolidated		
	In Service	In progress	Total	In Service	In progress	Total
Balance as of 12.31.2006	**2,791,039**	**54,890**	**2,845,929**	**4,173,802**	**60,737**	**4,234,539**
Additions						
São Salvador plant	-	-	-	-	650,634	650,634
Other plants	-	67,586	67,586	-	71,401	71,401
Transfers	58,196	(58,196)	-	59,000	(59,000)	-
Deferred charges transfers	-	-	-	-	3,552	3,552
Depreciation	(176,066)	-	(176,066)	(220,266)	-	(220,266)
Write-offs	(2,498)	(253)	(2,751)	(2,498)	(3,146)	(5,644)
Balance as of 12.31.2007	**2,670,671**	**64,027**	**2,734,698**	**4,010,038**	**724,178**	**4,734,216**
Additions						
São Salvador plant	-	-	-	-	288,516	288,516
Cana Brava plant	825,608	476	826,084	-	-	-
Ponte de Pedra plant	-	-	-	1,129,404	7,374	1,136,778
Eng. José Gelázio da Rocha plant	-	-	-	151,626	-	151,626
Rondonópolis plant	-	-	-	181,923	-	181,923
Areia Branca plant	-	-	-	-	98,586	98,586
Destilaria Andrade plant	-	-	-	-	10,180	10,180
Beberibe wind farm	-	-	-	197,490	-	197,490
Pedra do Sal wind farm	-	-	-	-	107,815	107,815
Other plants	472	73,322	73,794	598	74,509	75,107
Transfer of deferred assets and intangible assets	-	-	-	3,196	255	3,451
Transfers of PIS and COFINS credit(*)	-	-	-	(13,459)	(72,427)	(85,886)
Transfers	80,925	(80,925)	-	93,059	(93,059)	-
Depreciation	(207,467)	-	(207,467)	(248,627)	-	(248,627)
Write-offs	(3,017)	-	(3,017)	(3,032)	-	(3,032)
	3,367,192	**56,900**	**3,424,092**	**5,502,216**	**1,145,927**	**6,648,143**
Special obligations	(9,755)	-	(9,755)	(9,880)	-	(9,880)
Balance as of 12.31.2008	**3,357,437**	**56,900**	**3,414,337**	**5,492,336**	**1,145,927**	**6,638,263**

(*) Transfer to current and non-current assets of PIS and COFINS credits on the acquisition of machines and equipment and buildings by CESS.

c) Depreciation of assets comprising the Plants' Original Project.

Law No. 8987/95, of February 13, 2005, which provides for the concession and authorization regime for the rendering of public services, sets forth in its Article 36 that "*The reversion, upon completion of the contractual term, shall take place with compensation of the installments of the investments related to revertible assets, not yet amortized or depreciated, which have been realized seeking to guarantee the continuity and updating of the service provided*".

Decree No. 2003, of September 10, 1996, which provides for the production of electric energy by independent producers and self-producers, sets forth in its Article 20 that "*At the end of the concession or authorization term, the assets and facilities related to the independent production and the self-production of electric energy through hydroelectric plants shall become part of the Federal equity, by means of compensation of the investments not yet amortized*".

Paragraph 1. For determining the compensation to be paid, the amount of subsequent investments, approved and realized, not established in the original project, and the depreciation ascertained through audit by the Concession Grantor, shall be taken into account.

Paragraph 2. In the case of thermoelectric power plants, compensation for realized investments shall not be payable; however, the independent producer or the self-producer is entitled to remove the facilities .

Taking into consideration the interpretation of the aforementioned laws (i.e., at the end of the concession term, a compensation of the residual value established in the Original Project shall not be granted by the Concession Grantor), the Company, as from January 1, 2007, started to depreciate said assets at the rates determined by ANEEL, limited to the concession term.

d) Allocation of financial charges

Financial charges linked to CESS's financings, which amounted to R$44,890 in 2008 (R$14,559 in 2007), are being capitalized in property, plant and equipment in progress.

e) Special Obligations

They refer to obligations linked to the electric power utility service and represent amounts invested in the projects under concession, with Federal Government funds and donations not contingent any return for the benefit of the donor. Such obligations will be settled at the end of the related concessions, established by the Concession Grantor.

f) Regulatory Body concessions and authorizations

The Company and its subsidiaries hold the following electricity concessions and authorizations:

	Holder of Concession or Authorization	Installed capacity MW	Granting date	Expiration
I – Concessions				
Salto Santiago plant	Company	1,420	09.28.1998	09.27.2028
Salto Osório plant	Company	1,078	09.28.1998	09.27.2028
Passo Fundo plant	Company	226	09.28.1998	09.27.2028
Itá plant	Company/ITASA	1,450	12.28.1995	10.16.2030
Machadinho plant	Company	1,140	07.15.1997	07.14.2032
Cana Brava plant	Company	450	08.27.1998	08.26.2033
Ponte de Pedra plant	PPESA	176	10.01.1999	09.30.2034
São Salvador plant	CESS	243	04.23.2002	04.22.2037
II–Authorizations				
Jorge Lacerda Complex	Company	857	09.28.1998	09.27.2028
Charqueadas plant	Company	72	09.28.1998	09.27.2028
Alegrete plant	Company	66	09.28.1998	09.27.2028
William Arjona plant	Company	190	06.02.2000	04.28.2029
Lages cogeneration unit	Lages Bioenergética	28	10.30.2002	10.29.2032
Rondonópolis plant	Tupan	27	12.19.2002	12.18.2032
Eng. José Gelazio da Rocha plant	Hidropower	24	12.19.2002	12.18.2032
Areia Branca plant	Areia Branca Hydroelectric Power Plant	20	05.03.2000	05.02.2030
Pedra do Sal wind farm	Eólica Pedra do Sal S.A.	18	10.02.2002	10.01.2032
Beberibe wind farm	Eólica Beberibe S.A.	26	08.04.2003	08.03.2033

The concession of Itá Hydroelectric Power Plant is shared with the jointly-owned subsidiary ITASA (see note 10-b.1) and the concession of Machadinho Hydroelectric Power Plant is shared with other concessionaires taking part in the Machadinho Consortium (see note 10-b.2).

g) Restriction on assets

According to Articles 63 and 64 of Decree No. 41019, of February 26, 1957, assets and facilities used in the generation, transmission, distribution and sale of electric power are attached to such services and cannot be removed, disposed of or pledged as mortgage guarantees without the prior and express authorization of the Regulatory Agency. Resolution 20/99 of ANEEL regulates the removal of restriction on assets of Electric Power Public Service concessions, granting previous authorization for the removal of restrictions on assets unserviceable to the concession, when meant for disposal, and further sets forth that the proceeds of disposals be deposited in a blocked bank account for investing in the concession.

h) Federal Government assets used by the Company

The Company holds and operates Alegrete Thermoelectric Power Plant, composed of two generation units with a total capacity of 66 MW and a residential village with 15 houses, located in the city of Alegrete, State of Rio Grande do Sul, owned by the Federal Government and granted under special use.

12 – INTANGIBLE ASSETS

	Company				
	2008				2007
	Average amortization rates	Adjusted cost	Accumulated amortization	Net	Net
License	20.0	11,110	(9,225)	1,885	2,185
Goodwill merged from CEM	10.0	44,578	(26,623)	17,955	-
		55,688	**(35,848)**	**19,840**	**2,185**

	Consolidated				
	2008				2007
	Average amortization rates	Adjusted cost	Accumulated amortization	Net	Net
License	20.0	15,741	(9,475)	6,266	2,316
Electricity purchase right	10.0	64,561	-	64,561	-
Goodwill coming from CEM	10.0	44,578	(26,623)	17,955	22,289
Goodwill coming from ITASA	10.0	72,793	(54,388)	18,405	27,948
Acquired rights (Seival plant)	-	19,528	-	19,528	19,528
		217,201	**(90,486)**	**126,715**	**72,081**

The right for purchasing energy will be amortized during the effectiveness of the purchase agreement from 2013 to 2023. The amortization of the rights acquired from Seival Thermoelectric Power Plant will take place from the start of the plant's commercial operation, whose date may not be estimated yet due to the phase of the project.

13 – UNITS 4 AND 5 OF WILLIAM ARJONA THERMOELECTRIC POWER PLANT

Generation units 4 and 5 of William Arjona Thermoelectric Power Plant, with a total power of 70 MW, use natural gas to generate electricity and have been built for the specific purpose of meeting the needs of the CBEE (Brazilian Emergency Electric Energy Trader), governed by the Electric Energy Supply Agreement entered into on January 10, 2002, effective until December 31, 2004.

The Company's Management has been studying the possibility of discontinuing said generation units at the end of the agreement with the CBEE. In accordance with this possibility, the Company amortized the equity value of such assets over the period they were used, reaching a residual amount consistent with the estimated sale price.

On October 26, 2004, the Company's Management notified the Advisory Department of the Ministry of Mines and Energy that, after the end of the agreement with the CBEE, these generation units would be maintained and remain available for centralized operation, according to the standards and procedures of the ONS (National Electric System Operator), beginning on January 1, 2005, under the same conditions as units 1, 2 and 3.
Accordingly, the process of depreciation of these units was not discontinued. Concurrently with depreciation, the Company is reversing the accelerated amortization recognized over the agreement period with the CBEE.

The residual value of generation units 4 and 5, as of December 31, 2008 and 2007, is R$33,134.

14 – TRADE ACCOUNTS PAYABLE

	Company		Consolidated	
	2008	2007	2008	2007
Electricity purchase	46,492	79,012	78,579	70,428
Transactions within CCEE	2,002	17,631	3,851	19,536
Electric network usage charges	64,196	49,747	67,852	54,167
Fossil fuels/biomass	-	40,195	145	39,148
Material and services	36,339	43,123	61,940	90,632
	149,029	**229,708**	**212,367**	**273,911**

15 – LOANS AND FINANCING

a) Breakdown

	Company					
	2008			2007		
	Current	Non-current	Total	Current	Non-current	Total
Foreign currency						
National Treasury, net of deposited guarantees	24,173	175,841	200,014	20,545	160,504	181,049
BNP Paribas (Floating Rate Note)	-	129,526	129,526	-	104,343	104,343
Deutsche Bank	4,490	-	4,490	3,403	3,403	6,806
ABN AMRO Bank	-	-	-	2,498	-	2,498
Charges	4,568	-	4,568	4,501	-	4,501
	33,231	**305,367**	**338,598**	**30,947**	**268,250**	**299,197**
Local currency						
ELETROBRÁS	27,445	41,114	68,559	34,005	66,464	100,469
BNDES	14,947	49,823	64,770	1,790	-	1,790
Banco do Brasil	3,529	7,059	10,588	3,529	10,588	14,117
Promissory Notes	400,000	-	400,000	-	-	-
Charges	33,367	-	33,367	984	-	984
	479,288	**97,996**	**577,284**	**40,308**	**77,052**	**117,360**
	512,519	**403,363**	**915,882**	**71,255**	**345,302**	**416,557**

	Consolidated					
	2008			2007		
	Current	Non-current	Total	Current	Non-current	Total
Foreign currency						
National Treasury, net of deposited guarantees	24,173	175,841	200,014	20,545	160,504	181,049
BNP Paribas (Floating Rate Note)	-	129,526	129,526	-	104,343	104,343
Deutsche Bank	4,490	-	4,490	3,403	3,403	6,806
ABN AMRO Bank	-	-	-	2,498	-	2,498
Charges	4,568	-	4,568	4,501	-	4,501
	33,231	**305,367**	**338,598**	**30,947**	**268,250**	**299,197**
Local currency						
ELETROBRÁS	27,445	41,114	68,559	34,005	66,464	100,469
BNDES	47,816	389,259	437,075	28,793	255,545	284,338
Financing agents (BNDES)	52,650	725,722	778,372	14,990	338,409	353,399
Banco do Brasil	7,495	38,125	45,620	3,529	10,588	14,117
BRDE	6,826	18,203	25,029	6,810	24,969	31,779
Caixa Econômica Federal (CEF)	5,157	51,574	56,731	-	-	-
Promissory Notes	400,000	-	400,000	-	-	-
ABN AMRO Real	55,026	-	55,026	-	-	-
Bradesco	829	-	829	-	-	-
Charges	35,438	10,961	46,399	1,950	6,506	8,456
	638,682	**1,274,958**	**1,913,640**	**90,077**	**702,481**	**792,558**
	671,913	**1,580,325**	**2,252,238**	**121,024**	**970,731**	**1,091,755**

In May 2008, the Company completed the public offering process of the Third Issue of Commercial Promissory Notes, issuing forty (40) promissory notes in the total amount of R$400,000, with maturity in May 2009. The underwriters of the Notes were the Coordinators and the Financial Institutions linked to the Issuer and the Coordinators.

b) Changes in loans and financing

	Company			Consolidated		
	Current	Non-current	Total	Current	Non-current	Total
Balance as of 12.31.2006	**256,152**	**344,197**	**600,349**	**306,079**	**610,251**	**916,330**
Additions	-	-	-	-	392,651	392,651
Transfers	61,311	(61,311)	-	110,139	(110,139)	-
Maturity postdating	(101,289)	101,289	-	(101,289)	101,289	-
Charges	54,075	-	54,075	82,687	15,552	98,239
Exchange variations	(21,067)	(33,465)	(54,532)	(21,067)	(33,465)	(54,532)
Interest on deposited guarantees	-	(5,408)	(5,408)	-	(5,408)	(5,408)
Amortizations	(177,927)	-	(177,927)	(255,525)	-	(255,525)
Balance as of 12.31.2007	**71,255**	**345,302**	**416,557**	**121,024**	**970,731**	**1,091,755**
Additions	400,000	-	400,000	416,708	166,824	583,532
Merger of CEM	15,203	62,153	77,356	-	-	-
Acquisition of PPESA	-	-	-	42,023	252,135	294,158
Acquisitions by Gama (*)	-	-	-	54,488	225,025	279,513
Transfers	64,727	(64,727)	-	142,906	(142,906)	-
Charges	72,475	110	72,585	114,956	47,991	162,947
Exchange variation	10,879	69,364	80,243	11,275	69,364	80,639
Interest on deposited guarantees	-	(8,839)	(8,839)	-	(8,839)	(8,839)
Amortizations	(122,020)	-	(122,020)	(231,467)	-	(231,467)
Balance as of 12.31.2008	**512,519**	**403,363**	**915,882**	**671,913**	**1,580,325**	**2,252,238**

(*) Refer to entries related to loans of companies Tupan, Hidropower, Pedra do Sal , Beberibe and Areia Branca, purchased by Gama Participações Ltda, a wholly-owned subsidiary of the Company.

c) Breakdown by foreign currency and local indices

	Company					
	2008			2007		
	Currency - In thousands	Reais	%	Currency - In thousands	Reais	%
Foreign currency						
US dollar (USD)	89,076	208,169	22.73	109,411	193,800	46.52
Euro (EUR)	40,279	130,429	14.24	40,404	105,397	25.31
		338,598	**36.97**		**299,197**	**71.83**
Local currency						
CDI		433,011	47.28		-	-
TJLP		65,045	7.10		-	-
Not indexed		79,228	8.65		117,360	28.17
		577,284	**63.03**		**117,360**	**28.17**
		915,882	**100.00**		**416,557**	**100.00**

	Consolidated					
	2008			2007		
	Currency - In thousands	Reais	%	Currency - In thousands	Reais	%
Foreign currency						
US dollar (USD)	89,076	208,169	9.24	109,411	193,800	17.75
Euro (EUR)	40,279	130,429	5.79	40,404	105,397	9.66
		338,598	**15.03**		**299,197**	**27.41**
Local currency						
CDI		488,866	21.71			
TJLP		1,299,049	57.68		675,198	61.84
UMBNDES590 (*)		11,236	0.50			
Not indexed		114,489	5.08		117,360	10.75
		1,913,640	**84.97**		**792,558**	**72.59**
		2,252,238	**100.00**		**1,091,755**	**100.00**

(*) Rate related to the currency basket calculated by BNDES.

d) Changes in foreign currencies and indices

	(%)	
Currency – index	**2008**	**2007**
US dollar – USD	31.94	(17.15)
Euro – EUR	24.14	(7.50)
TJLP (long-term interest rate)	6.25	6.37
CDI	12.35	11.82
UMBNDES590	33.86	-

e) Contractual terms and conditions

	Company	Consolidated
Foreign Currency		
STN and Deutsche Bank	Libor + 0.55% p.a. to 1.075 % p.a.	Libor + 0.55% p.a. to 1.075 % p.a.
BNP Paribas (Floating Rate Note)	Euribor + 2.75% p.a.	Euribor + 2.75% p.a.
Local Currency		
ELETROBRAS	12% p.a.	12% p.a.
BNDES, financing agents of BNDES and BRDE	TJLP + 4% p.a.	TJLP + 2.5% p.a. to 5.0% p.a. and UMBNDES + 5% + Variable Rate. [(a)]
Commercial banks:		
Fixed rate	8.13% p.a.	8.13% p.a. to 9.5% p.a.
Linked to CDI (interbank deposit certificate)	-	100% to 102 % of CDI
Linked to TJLP (long-term interest rate)	-	TJLP + 3.5% p.a.
Promissory Notes – 3rd issue	103.5% of CDI	103.5% of CDI

[(a)] Average weighted cost of all rates and expenses incurred by BNDES in the collection of resources in foreign currency.

f) Loans and financing – Non-current liabilities

	Company			Consolidated		
	Foreign currency	Local currency	Total	Foreign currency	Local currency	Total
2010	21,239	48,795	70,034	21,239	188,711	209,950
2011	21,239	29,272	50,511	21,239	169,188	190,427
2012	15,718	14,947	30,665	15,718	152,588	168,306
2013	10,197	4,982	15,179	10,197	131,285	141,482
2014	4,929	-	4,929	4,929	105,943	110,872
2015	129,526	-	129,526	129,526	77,645	207,171
2016 to 2023	-	-	-	-	449,598	449,598
2024	102,519	-	102,519	102,519	-	102,519
	305,367	**97,996**	**403,363**	**305,367**	**1,274,958**	**1,580,325**

g) Guarantees

g.1) Tractebel Energia S.A.

Loans and financing in foreign currency

National Treasury: (a) Assignment and transfer to the Federal Government of the receivables, up to the limit sufficient to cover the payment of the installments and other charges at each maturity date; (b) pledged deposit amounting R$94,398, as of December 31, 2008, which is stated as an offsetting account of the underlying financing.

There are no guarantees granted for the other loans and financing in foreign currency.

Loans and financing in local currency

ELETROBRAS: (a) Powers of attorney granted to the creditor, in case of default, to transfer to its own name, the necessary amounts for the payment of the debt, from the bank account of the Company used to collect receivables; (b) Promissory notes in the amount of the financing, linked to the contractual terms.

Banco do Brasil: (a) Assignment and credit transfer of receivables amounting R$8,726, represented by sales of electricity or other funds with the same purpose; (b) Pledged promissory note in the amount corresponding to the financing.

BNDES: Credit Facility Agreement and Debenture Subscription and Payment Agreement: As a result of the incorporation of CEM by Tractebel Energia on March 28, 2008, existing guarantees in both Contracts, were replaced by a Letter of Guarantee from UNIBANCO, in the amount of R$131,966, up to October 15, 2013.

g.2) ITASA

BNDES and BNDES Financing Agents: (a) Pledge of Concession-Related Rights to operate Itá Hydroelectric Power Plant; (b) Pledge of Receivables resulting from the Electricity Purchase and Sale Agreements entered into with its shareholders; (c) reserve account in an amount equivalent to three months of the BNDES debt (substituted by bank guarantee), and three months of Itá plant's contractual operation and maintenance expenses. In addition to these guarantees, the shareholders pledged all the shares of ITASA to the BNDES and the Financing Agents.

g.3) Lages Bioenergética Ltda.

BRDE: (a) Assignment of receivables from the Electricity Purchase and Sale Agreement entered into with CELESC, intermediated by the Company; (b) assignment of the Compensation Rights arising from the Steam and Biomass Purchase and Sale Agreements entered into with the companies Sofia Industrial e Exportadora Ltda. and Battistella Ind. e Com. Ltda.; (c) assignment of Permit-Related Rights granted by ANEEL to establish as Independent Producer of electricity; (d) obligation to maintain a reserve account with a deposit equivalent to, on the average, four months of debt service.

g.4) Companhia Energética São Salvador – (CESS)

BNDES and BNDES Financing Agents: (a) Pledge of Rights Related to the Concession for the operation of São Salvador Hydroelectric Power Plant; (b) Centralized Receivables Account to receive CESS receivables; and (c) obligation to maintain a reserve account with a deposit equivalent to three months of debt service, plus an amount equivalent to three months of payment of the Project Operation and Maintenance Agreement.

g.5) Ponte de Pedra Energética S.A. – (PPESA)

BNDES and BNDES Financing Agents: (a) Pledge of Rights Related to the Concession for the operation of Ponte de Pedra Hydroelectric Power Plant; (b) Centralized Receivables Account to receive PPESA receivables; (c) obligation to maintain a reserve account with a deposit equivalent to three months of debt service, plus an amount equivalent to three months of payment of the Project Operation and Maintenance Agreement.

g.6) Tupan Energia Elétrica S.A. – (Tupan)

Caixa Econômica Federal (CEF): (a) Mortgage of land and properties; (b) Conditional sale of equipment; (c) all shares representing the Capital Stock; and (d) Receivables and Reserve Account. The Company is negotiating the substitution of personal guarantees issued by former partners, by means of a Corporate Guarantee Letter of Tractebel Energia S.A.

g.7) Hidropower Energia S.A. – (Hidropower)

Banco do Brasil: (a) All shares representing the Capital Stock; and (b) Receivables and Reserve Account. The Company is negotiating the substitution of personal guarantees issued by former partners, by means of a Corporate Guarantee Letter of Tractebel Energia S.A.

g.8) Eólica Beberibe S.A. and Areia Branca S.A.

BNDES: (a) Conditional sale of assets and equipment; (b) all shares representing the Capital Stock; and (c) and Reserve Account.

g.9) Eólica Pedra do Sal S.A.

ABN Amro Real S.A. – Pledge of quotas of financial investments of GDF Suez Energy Latin America Participações Ltda. The guarantee will be substituted, as from February 2009, for a Corporate Guarantee Letter of Tractebel Energia S.A.

h) Covenant agreements

The principal financial covenants established in loans and financing agreements are being complied with by the Company.

16 – DEBENTURES

a) Breakdown

	2008			2007		
	Current	Non-current	Total	Current	Non-current	Total
Tractebel Energia S.A.						
1st Issue (1st Series)	9,141	140,000	149,141	6,483	142,539	149,022
1st Issue (2nd Series)	-	60,000	60,000	-	60,000	60,000
2nd Issue (Single Series)	-	381,080	381,080	404	357,763	358,167
Cana Brava (Single Series)	11,917	51,904	63,821	-	-	-
Charges	29,053	-	29,053	25,251	-	25,251
Total Company	**50,111**	**632,984**	**683,095**	**32,138**	**560,302**	**592,440**
Cana Brava (Single Series)	-	-	-	**10,807**	**63,667**	**74,474**
ITASA (1st and 2nd Series)	**9,154**	**32,760**	**41,914**	**10,185**	**40,950**	**51,135**
Charges	1,326	-	1,326	3,430	-	3,430
Total Consolidated	**60,591**	**665,744**	**726,335**	**56,560**	**664,919**	**721,479**

b) Changes in debentures

	Parent Company			Consolidated		
	Current	Non current	Total	Current	Non current	Total
Balance at 12.31.2006	**15,004**	**200,000**	**215,004**	**37,834**	**323,344**	**361,178**
Issue	-	353,423	353,423	-	353,423	353,423
Transfers	9,167	(9,167)	-	28,150	(28,150)	-
Charges	33,487	-	33,487	46,930	256	47,186
Exchange variations	2,012	16,046	18,058	6,057	16,046	22,103
Amortization	(27,532)	-	(27,532)	(62,411)	-	(62,411)
Balance at 12.31.2007	**32,138**	**560,302**	**592,440**	**56,560**	**664,919**	**721,479**
CEM merger	13,850	63,692	77,542	-	-	-
Transfers	29,272	(29,272)	-	37,462	(37,462)	-
Charges	55,266	114	55,380	61,453	139	61,592
Exchange variations	(1,843)	38,148	36,305	2,879	38,148	41,027
Amortization	(78,572)	-	(78,572)	(97,763)	-	(97,763)
Balance at 12.31.2008	**50,111**	**632,984**	**683,095**	**60,591**	**665,744**	**726,335**

c) Contractual terms and conditions

The Company has debentures indexed to IGPM, IPCA and TJLP plus fixed interest rate and debentures paid by CDI percentage.

d) Changes in indices

	(%)	
Currency – index	**2008**	**2007**
TJLP	6.25	6.37
IGP-M	9.81	7.75
CDI	12.35	11.82
IPCA (in 2007, May to December)	5.89	2.33

e) Maturities of debentures stated in non-current liabilities

	Company	**Consolidated**
2010	73,108	81,298
2011	154,419	162,609
2012	142,875	151,065
2013	135,530	143,720
2014	127,052	127,052
	632,984	**665,744**

f) Covenant agreements

Financing covenants set forth in debenture agreements are being complied with by the Company.

17 – TAXES PAYABLE

	Company		**Consolidated**	
	2008	**2007**	**2008**	**2007**
Current				
Income tax	259,647	187,970	262,753	225,766
Social contribution tax	77,520	55,944	79,496	66,788
ICMS	15,567	11,376	33,456	30,002
PIS and COFINS	12,732	10,153	15,796	12,164
INSS	2,086	3,705	2,499	3,746
Other	2,996	2,576	10,108	2,930
	370,548	**271,724**	**404,108**	**341,396**

The Company has been paying income and social contribution taxes monthly based on the estimated taxable income, in accordance with current legislation.

18 – OBLIGATIONS WITH THE RESEARCH AND DEVELOPMENT PROGRAM

Tractebel Energia, as an electric energy generating company authorized for independent production, is obliged to annually apply the amount of at least 1% of its net operating revenue in research and development in the electric energy sector.

These resources have the following destination: (i) 40% to FNDCT (Brazilian Fund of Scientific and Technological Development); (ii) 40% to research and development projects, according to regulations established by ANEEL; and (iii) 20% to MME, so as to cost the studies and research for the expansion planning of the energy system, as well as of inventory and feasibility necessary to utilize the hydroelectric potential.

19 – RESERVES FOR CONTINGENCIES

The Company holds tax assessment notices and civil matters which are being challenged on an administrative basis, as well as legal proceedings, in which, according to the Company's legal counsel, the likelihood of loss is considered probable. All these proceedings are accrued in amounts considered sufficient to cover related contingencies, as follows:

a) Breakdown

	Company					
	2008			2007		
	Gross reserve	Escrow deposit	Net reserve	Gross reserve	Escrow deposit	Net reserve
Tax						
Social contribution tax	15,152	(3,914)	11,238	13,508	(3,489)	10,019
INSS	29,358	(13,022)	16,336	26,421	(11,609)	14,812
	44,510	**(16,936)**	**27,574**	**39,929**	**(15,098)**	**24,831**
Civil						
Agreements with suppliers	18,931	-	18,931	17,235	-	17,235
Occupational diseases and accidents	12,298	(1,272)	11,026	22,625	(491)	22,134
Environmental	3,472	-	3,472	-	-	-
Sundry lawsuits	10,179	(11)	10,168	6,698	(20)	6,678
	44,880	**(1,283)**	**43,597**	**46,558**	**(511)**	**46,047**
Labor	**21,399**	**(10,918)**	**10,481**	**20,018**	**(17,533)**	**2,485**
	110,789	**(29,137)**	**81,652**	**106,505**	**(33,142)**	**73,363**
Classification in balance sheet						
Current			10,140			10,134
Non-current			71,512			63,229
			81,652			**73,363**

	Consolidated					
	2008			2007		
	Gross reserve	Escrow deposit	Net reserve	Gross reserve	Escrow deposit	Net reserve
Tax						
Social contribution tax	15,152	(3,914)	11,238	13,508	(3,489)	10,019
INSS	29,358	(13,022)	16,336	26,421	(11,609)	14,812
	44,510	**(16,936)**	**27,574**	**39,929**	**(15,098)**	**24,831**
Civil						
Agreements with suppliers	18,931	-	18,931	17,235	-	17,235
Occupational diseases and accidents	12,298	(1,272)	11,026	22,625	(491)	22,134
Transmission System Usage Tariff	16,940	(16,771)	169	-	-	-
Environmental	3,472	-	3,472	2,089	-	2,089
Sundry lawsuits	15,389	(1,030)	14,359	10,745	(1,143)	9,602
	67,030	**(19,073)**	**47,957**	**52,694**	**(1,634)**	**51,060**
Labor	**21,399**	**(10,918)**	**10,481**	**20,018**	**(17,533)**	**2,485**
	132,939	**(46,927)**	**86,012**	**112,641**	**(34,265)**	**78,376**
Classification in balance sheet						
Current			10,262			10,336
Non-current			75,750			68,040
			86,012			**78,376**

Tax Contingencies

Social contribution tax on net income (CSLL)

Out of the amount abovementioned, R$15,054 refers to the tax assessment notice issued by the Brazilian Federal Revenue Service (RFB) as the Company offset tax loss carryforwards for the year 1989 and 1990 against CSLL payable in the 1996 and 1997 income tax returns. According to the summary of said tax assessment notice, the offset of social contribution tax loss carryforwards is permitted by law only beginning January 1, 1992. The Company understands that the provisions of regulatory instructions that prohibited the use of prior years' social contribution tax loss carryforwards are illegal, since there is no restriction to the offset in the Law.

Notwithstanding, the filing referring to 1996 was deemed unfavorable to the Company by the Taxpayers Council, with the respective write-off by the Brazilian Federal Revenue Office on January 26, 2009. Consequently, the provision in the amount of R$8,243 (R$7,349 on December 31, 2007), as well as the deposits related to the proceeding, will be written-off in the 1st quarter of 2009.

As to the filing of 1997, on February 3, 2009 the High Court of Appeal for Fiscal Matters declared the tax credit as unenforceable, definitively cancelling its entry in view of the loss of the constitutional right of the tax credit by the Brazilian Federal Revenue Office. The provision in the amount of R$6,811 (R$6,072 on December 31, 2007) will be reversed in the 1st quarter of 2009 and said deposit will be redeemed after the release by the Brazilian Federal Revenue Office.

The remaining R$98 refers to delay fines not collected as payment of CSLL (Social Contribution on Net Income), supported by Article 138 of the Brazilian National Tax Code (CTN), referring to spontaneous denouncement.

National Institute of Social Security (INSS)

Main contingencies related to INSS are the following:

The Company received a tax debt assessment notice for the nonpayment of the additional contribution (NFLD) for SAT (Occupational Accident Insurance) for the period from April 1999 to March 2004, due to the lack of evidence of the risk factor related to the work environment. The Company argues that there is no basis in the legislation referred to in the notice for the mentioned period, and that the additional contribution is payable if the employee is entitled to a special retirement benefit, which is not the case in said period. The Social Security Board of Appeals decided, based on the defense arguments filed by the Company, to convert the sentence into an inspection. The amount accrued as of December 31, 2008 is R$18,111 (R$16,146 on December 31, 2007).

The Company also received a notice from the INSS because of the alleged nonpayment of social security charges on compensation paid to employees. The subject matter of the notice was challenged by the Company, which argued that the amounts paid under collective labor agreements were paid as indemnities. The lower court decision was favorable to the Company, and declared the tax assessment notice null and void and the INSS was sentenced to refund the deposits converted into revenue. The INSS filed an appeal against this decision with the Federal Court (TRF). The amount accrued as of December 31, 2008 is R$8,308 (R$7,406 on December 31, 2007).

Civil contingencies

Agreements with suppliers

The main contingency basically refers to an indemnity lawsuit filed by Companhia de Interconexão Energética (CIEN), claiming the recognition of the right to receive the difference related to the exchange adjustment provided for in the electricity sale agreement, and the termination of such agreement due to an alleged breach of a clause by Tractebel Energia. The lawsuit was suspended on April 23, 2007 at the request of CIEN, after the Company filed its defense arguments. The amount accrued as of December 31, 2008 is R$15,045 (R$13,490 on December 31, 2007).

Occupational diseases and accidents

Refer to lawsuits filed by former employees, mainly related to repetitive strain injuries and possible damages to hearing capacity.

Transmission System Usage Tariff

Refers to the suit filed by PPESA, wholly-owned subsidiary of Energia América do Sul Ltda, aimed at reducing the amount payable for the Transmission System Usage Tariff (TUST) so as to pay the amount equivalent to the amount charged to Itiquira Hydroelectric Power Plant. From June 2006 to January 2007, PPESA started paying TUST with a reduction and providing and depositing in an escrow deposit the difference between the amount charged and the amount paid. As of February 2007, the Company substituted the escrow deposits for a letter of guarantee.

Environmental

The Company has provisioned the amount of R$3,472 related to four environmental proceedings where the main objects deal with reforestation of permanent preservation areas (APP) and damages caused by the construction of Cana Brava plant. Allcases shares are undergoing contestation.

Sundry lawsuits

Arise mainly from expropriations and indemnity lawsuits filed by individuals and legal entities whose properties were flooded by the plants' reservoirs.

Labor contingencies

Refer to ongoing labor lawsuits filed by former employees, unions and employees of outsourced companies mainly related to claims of recognition of employment relationships and reinstatement. Other labor lawsuits are related to claims of hazardous duty premium, overtime, salary equalization, commute hours, and FGTS (severance pay fund).

b) Change in provisions

	Company			
	Tax	**Civil**	**Labor**	**Gross reserve**
Balance at 12.31.2006	**35,697**	**39,037**	**23,990**	**98,724**
Additions	-	5,337	1,521	6,858
Adjustments	4,232	3,680	1,742	9,654
Payments	-	(355)	(6,801)	(7,156)
Reversals	-	(1,141)	(434)	(1,575)
Balance at 12.31.2007	**39,929**	**46,558**	**20,018**	**106,505**
Additions	-	2,576	7,110	9,686
Adjustments	4,850	6,785	3,016	14,651
Payments	-	(1,123)	(7,645)	(8,768)
Reversals	(269)	(13,161)	(1,100)	(14,530)
Merger of subsidiary	-	3,245	-	3,245
Balance at 12.31.2008	**44,510**	**44,880**	**21,399**	**110,789**

	Consolidated			
	Tax	**Civil**	**Labor**	**Gross reserve**
Balance at 12.31.2006	**35,697**	**42,491**	**23,990**	**102,178**
Additions	-	7,857	1,521	9,378
Adjustments	4,232	4,118	1,742	10,092
Payments	-	(362)	(6,801)	(7,163)
Reversals	-	(1,410)	(434)	(1,844)
Balance at 12.31.2007	**39,929**	**52,694**	**20,018**	**112,641**
Additions	-	7,232	7,110	14,342
Additions for the acquisition of PPESA	-	13,803	-	13,803
Adjustments	4,850	7,914	3,016	15,780
Payments	-	(1,123)	(7,645)	(8,768)
Reversals	(269)	(13,490)	(1,100)	(14,859)
Balance at 12.31.2008	**44,510**	**67,030**	**21,399**	**132,939**

c) Contingencies of possible or remote risk

The Company is also a party to other lawsuits that, in the opinion of the legal counsel, based on their experience in similar cases, do not represent a probable risk and, therefore, have not been accrued but only disclosed in the explanatory notes. The amounts involved are detailed below:

	Company					
	2008					2007
	Possible risk	**Remote risk**	**Total gross**	**Escrow deposit**	**Total net**	**Total net**
Tax	359,909	28,165	388,074	(154,387)	233,687	141,009
Civil	26,459	10,600	37,059	(4,021)	33,038	9,289
Labor	11,962	11,774	23,736	(1,498)	22,238	17,982
	398,330	**50,539**	**448,869**	**(159,906)**	**288,963**	**168,280**

	Consolidated					
	2008					2007
	Possible risk	Remote risk	Total gross	Escrow deposit	Total net	Total net
Tax	360,004	28,165	388,169	(154,482)	233,687	156,690
Civil	41,431	11,356	52,787	(5,025)	47,762	40,977
Labor	11,962	11,774	23,736	(1,498)	22,238	17,982
	413,397	**51,295**	**464,692**	**(161,005)**	**303,687**	**215,649**

The Company has escrow deposits linked to reserves for possible and remote risks that are mostly required to guarantee sentence execution or appeals. These amounts are monetarily adjusted and stated in non-current assets.

Tax contingencies

The main subjects of tax contingencies with possible risk are as follows:

PIS and COFINS

In July 2005, the Company filed for an Injunction against the Federal Revenue Service Director, since it understands that Federal Revenue Service Regulatory Instruction No. 468/2004 overrun the jurisdiction of the Legislative Power by giving a new concept to the term "predetermined price", provided for by article 10 of Law No. 10833/03. The Company understands that the acceptance of said term is already a common practice in the Brazilian Tax System and has been in use since the enactment of Decree Law No. 1598/1977, meaning said Regulatory Instruction is illegal.

As a result, the Company paid PIS and COFINS on revenue from agreements entered into before October 31, 2003 for periods longer than one year and at a predetermined price, based on the cumulative taxation system provided for by the previous law for the period November 2004 – May 2005 in the amount of R$41,692, restated up to December 31, 2008. In the period June 2005 – October 2006, the Company deposited the amounts it understands not to be due in an escrow deposit, amounting to R$130,759, restated up to December 31, 2008.

Due to the estimated favorable outcome at the 4th Region Federal Court, the Company suspended the deposits in November 2006. On April 11, 2007, the 4th Region Federal Court concluded the judgment of said injunction and unanimously recognized the illegality and unconstitutionality of Regulatory Instructions No. 468 and 658, both as regards the monetary adjustment clause and the economic and financial balance clauses in the agreements of the Company.

On July 6, 2007, the Company received a tax delinquency notice for not having paid or reported in a Declaration of Federal Tax Debits and Credits (DCTF) the PIS and COFINS amounts related to November and December 2006. According to the Federal Revenue Service Office, the nonpayment or deposit of the amounts, even if challenged in courts, is not supported by the law. On August 7, 2007, the Company challenged the tax delinquency notice, arguing that the amounts are not payable, based on the same grounds of the injunction granted in July 2005.

According to the Company's legal counsel, the risk of an unfavorable outcome in the lawsuit is lower that the likelihood of a favorable outcome, and thus the Company is not accruing the unpaid amount since June 2005. The adjusted contingency of the Company and consolidated as of December 31, 2008, is R$294,315, R$163,556, net of the aforementioned escrow deposits (R$93,146 on December 31, 2007).

Income and social contribution taxes

The main tax assessment notices assessed as possible risks result from assessment notices issued by the Federal Revenue Service Office, because the Company offset credits against income and social contribution taxes payable by means of voluntary reporting, through a Electronic Refund or Reimbursement Request and Offset Declaration (PER/DCOMP), not subject to fines. Accordingly, the Federal Revenue Service partially approved the offset requests and the Company filed noncompliance notices, which are awaiting judgment. The Company argues that tax authorities cannot impose a penalty against a company that held tax credits and voluntarily reported its debts. The adjusted amount of the tax assessment as of December 31, 2008 is R$39,654, Company and consolidated (R$32,917 on December 31, 2007);

INSS

The main notices classified as possible risks are as follows:

- Assessment notice related to the social security contribution collection notices on indemnities. The Company was partially acquitted at the administrative level and filed a lawsuit, in which it obtained a favorable decision at the lower court. Currently, the Company is awaiting judgment of the INSS appeal. As of December 31, 2008, the adjusted amount is R$3,186 (R$2,841 on December 31, 2007).
- Tax assessment notices resulting from the alleged joint liability of and transfer of liability from Eletrosul Centrais Elétricas S.A. (ELETROSUL) to Tractebel Energia, in questionings related to the levy of social security charges on labor services provided by outsourced companies, until the spin-off of ELETROSUL, and resulting establishment of Centrais Geradoras do Sul do Brasil S.A. (GERASUL), currently Tractebel Energia. In 2008, the Taxpayers Council collected the loss of contributions for certain notices, and the Company performed the write-off of said proceedings. Other notices with the same purpose are also pending judgment by the Council. On December 31, 2008, the adjusted amount is R$1,627 (R$3,639 on December 31, 2007).

Civil contingencies

Possible risk civil lawsuits refer basically to expropriations and indemnity lawsuits filed by individuals and legal entities that allege that their properties were flooded by the power plants' reservoirs.

PPESA is a party in a tax assessment notice, in the administrative scope, issued by Brazilian Institute of Renewable Resources (IBAMA) in the amount of R$10,800, referring to supposed environmental damages caused by the Company. PPESA presented an administrative defense which is under analysis by the Institute.

Labor contingencies

Possible risk labor contingencies refer mainly to lawsuits filed by former employees claiming recognition of employment relationship and additional pension benefits.

20 – CONCESSION FEES PAYABLE

	Company		Consolidated	
	12.31.2008	12.31.2007	12.31.2008	12.31.2007
Cana Brava power plant	287,655	-	287,655	235,827
Ponte de Pedra power plant	-	-	271,371	-
	287,655	-	**559,026**	**235,827**
Classification in balance sheet				
Current (*)	1,873	-	2,343	1,639
Non-current	285,782	-	556,683	234,188
	287,655	-	**559,026**	**235,827**

(*) Included in the caption "Other".

The Company has undertaken the obligation to pay the Federal Government the amounts shown below for the concession granted to operate Cana Brava and Ponte de Pedra Hydroelectric Power Plants, in monthly installments equivalent to one-twelfth (1/12) of the corresponding annual fees, adjusted based on the annual variation of the IGP-M. The historical and adjusted amounts as of December 31, 2008 are as follows:

Cana Brava Powerplant

	Historical amount		Adjusted amount	
Year	Annual	Total	Annual	Total
1.1.2009 – 7.30.2023	680	9,917	1,873	27,322
8.1.2023 – 7.30.2033	61,280	612,800	168,833	1,688,332
		622,717		**1,715,654**

Ponte de Pedra Powerplant

	Historical amount		Adjusted amount	
Year	Annual	Total	Annual	Total
1.1.2009 – 9.30.2019	200	2,150	485	5,214
10.1.2019 – 9.30.2020	16,200	16,200	39,688	39,688
10.1.2020 – 9.30.2034	31,109	435,526	76,215	1,067,010
		453,876		**1,111,912**

In order to accurately reflect, in shareholders' equity, the concession fee and the related obligation to the Federal Government, the amount of the concession was registered in assets as a contra entry to current and long-term liabilities.

Considering that contractual amounts are stated at future prices, the Company discounted them to present value based on a discount rate of 10% p.a. for the Cana Brava Power plant, as provided in the bid notice for the concession, and 8.28% p.a. for the Ponte de Pedra Power plant, market rate on the date of the company acquisition. Until startup of the Powerplants, the adjustment of liabilities based on the discount rate and variation of IGP-M was capitalized in assets and, thereafter, directly recognized in the Income Statement.

a) Change

	Company			Consolidated		
	Current	Non-current	Total	Current	Non-current	Total
Balance at 12.31.2006	-	-	-	**1,559**	**201,546**	**203,105**
Transfers	-	-	-	1,660	(1,660)	-
Charges	-	-	-	-	20,187	20,187
Monetary variations	-	-	-	-	14,115	14,115
Amortization	-	-	-	(1,580)	-	(1,580)
Balance at 12.31.2007	-	-	-	**1,639**	**234,188**	**235,827**
Acquisition PPESA	-	-	-	462	241,277	241,739
CEM merger	1,670	244,614	246,284	-	-	-
Transfers	1,617	(1,617)	-	2,153	(2,153)	-
Charges	-	20,305	20,305	-	37,854	37,854
Monetary variations	-	22,480	22,480	-	45,517	45,517
Amortization	(1,414)	-	(1,414)	(1,911)	-	(1,911)
Balance at 12.31.2008	**1,873**	**285,782**	**287,655**	**2,343**	**556,683**	**559,026**

b) Maturities of concession fees payable stated in non-current liabilities

	Company	Consolidated
2010	1,873	2,307
2011	1,873	2,273
2012	1,873	2,243
2013	1,873	2,214
2014	1,873	2,188
After 2015	276,417	545,458
	285,782	**556,683**

21 – POST-EMPLOYMENT BENEFITS

Post-employment benefits granted by the Company are as follows:

a) Pension plan

The Company, through PREVIG – Sociedade de Previdência Complementar, provides pension plans for its employees. PREVIG is a nonprofit closed pension entity governed by private law, sponsored by the Company, as Founder, and by other GDF-Suez Group companies.

The benefit plans managed by PREVIG are Defined Benefit and Defined Contribution plans. The Defined Benefit Plan is closed to new participants.

a.1) Defined Benefit Plan

The Defined Benefit plan has a capitalization system for pensions, survivors' pensions, and other benefits.

The Benefit Plan is funded by the contributions of participants and the sponsor. The Company's contribution corresponds to twice the contribution of its employees.

- Supplementation of pension for time of service, disability and age;
- Supplementation of special pension and pension for former combatant;
- Supplementation of pension;
- Supplementation of assistance in commitment to an institution; and
- Bereavement pay.

Prior to the constitution of PREVIG, the Defined Benefit Plan was managed by Fundação Eletrosul de Previdência e Assistência Social (ELOS), sponsored by the Company and by ELETROSUL, without solidarity between the sponsors. In October 2002, the SPC (Supplementary Pension Office) approved the termination of the Adherence Agreement with ELOS and the total transfer of management of the benefit plan to PREVIG. In spite of said termination, in view of injunctions obtained by unions and Associação dos Aposentados da ELETROSUL (ELETROSUL's Pensioners Association), the participants entitled to benefits up to December 23, 1997, date of spin-off of ELETROSUL, as well as for the participants who chose the Deferred Proportional Benefit up to that date, remained in the Benefit Plan managed by ELOS, under the Company's responsibility, which pays 57% of the amount of ELOS's administrative expenses (the remaining portion, of 43%, is financed by ELETROSUL's Benefit Plan). The expenses are limited to 15% of said pension revenues of ELOS bound to these participants, and the amount for which the Company is responsible in 2008 was R$1,770 (R$1,558 in 2007).

The Company, on May 15, 2007, executed agreements with ELOS, ELETROSUL, PREVIG and Associação de Aposentados da ELETROSUL aiming at reestablishing the adherence with ELOS, allowing participants to chose to stay in the Foundation or transfer to PREVIG. In both options the Company should sponsor the Plan. In January 2008, the transfer of 29 participants who chose to migrate to PREVIG became effective.

The Company is also responsible for 100% of the amount of PREVIG's administrative expenses bound to this Benefit Plan, which are limited at 15% of the total of respective pension revenues. The amount of these expenses in 2008 was R$1,273 (R$966 in 2007).

Actuarial premises and assumptions used in the assessment of benefits are described as follows:

Premises	**2008 and 2007**
Discount rate (p.a.)	10.25%
Rate of Return expected from assets (p.a.)	10.50%
Future salary increase of active and self-sponsored participant (p.a.)	5.00%
Growth of social security benefits and Plan sponsored by the Company (p.a.)	5.00%
Inflation	5.00%
Capacity factor (Payroll and Benefits)	100%

Assumptions	**2008 and 2007**
Mortality Table (active)	AT 2000 (per gender)
Disabled Persons Mortality Table	RP 2000 Disabled
Disabled Persons Entry Table	Watson Wyatt 1985 Disability Class 1
Rotation Table	T-1 Service Table
Retirement Age	First date when all grace periods are completed
% of married active participants on retirement date	90
Age difference between participant and spouse	Wives are 4 years younger than husbands

Other Assumptions	**2008 and 2007**
Participants entitled to the conversion of special pension into pension for time of service (SB-40), who will chose the conversion	100%
SB-40 conversion factor	140%

The actuarial liability results from post-employment benefits recognized in the Company's balance sheet and is as follows:

	Parent Company and Consolidated					
	2008			2007		
	Pension Plan	Confidentiality Benefit	Total	Pension Plan	Confidentiality Benefit	Total
Present value of total actuarial liabilities, totally or partially secured	1,307,226	-	1,307,226	1,249,541	-	1,249,541
Fair value of assets	(808,818)	-	(808,818)	(796,910)	-	(796,910)
Present value of actuarial liabilities totally secured	-	1,737	1737	-	1,632	1,632
Subtotal	498,408	1,737	500,145	452,631	1,632	454,263
Net value of actuarial losses not recognized in the balance sheet	(155,690)	(1,013)	(156,703)	(124,867)	(613)	(125,480)
Liabilities recognized in the balance sheet	**342,718**	**724**	**343,442**	**327,764**	**1,019**	**328,783**
Classification in the balance sheet						
Current			21,642			18,450
Non-current			321,800			310,333
			343,442			**328,783**

The amount of actuarial losses exceeding 10% of the present value of actuarial obligations will be annually amortized, on a straight-line-basis, for the period of approximately 7.73 years, which corresponds to the average period of future contributions for employees participating in the plan.

Part of the actuarial liabilities recognized in the balance sheet is covered by obligations contracted/recognized through a debt acknowledgement agreement and an agreement entered into by the Company and the pension plan entities. The breakdown of liabilities recognized in the financial statements is as follows:

	Company and Consolidated			
	12.31.2008			12.31.2007
	Current	Non-current	Total	Total
Contracted/recognized obligations				
Agreement of acknowledgement of past debts	17,756	112,861	130,617	137,898
Coverage of costs relating to conversion of special retirement into retirement for length of service (SB-40) and extraordinary contributions	1,912	2,226	4,138	4,764
Actuarial liabilities not subject to contract	1,974	206,713	208,687	186,121
Recorded actuarial liability	**21,642**	**321,800**	**343,442**	**328,783**

Contracted debts are adjusted based on the INPC disclosed by the Brazilian Geography and Statistics Institute (IBGE) and bear interest of 6% p.a. The contracted amounts stated in non-current liabilities are expected to be paid as follows:

	ELOS	PREVIG	Total
2010	16,571	2,069	18,640
2011	15,121	2,045	17,166
2012	12,499	2,091	14,590
2013	13,268	2,217	15,485
2014	14,084	1,755	15,839
2015 and thereafter	16,131	15,010	31,141
	87,674	**25,187**	**112,861**

Changes in post-employment benefits are summarized below:

	Pension plan	Confidentiality bonus	Total
Liabilities as of 12.31.2006	**313,173**	**921**	**314,094**
2007 expenses	45,445	262	45,707
Contributions	(30,854)	-	(30,854)
Benefits paid	-	(164)	(164)
Liabilities as of 12.31.2007	**327,764**	**1,019**	**328,783**
2008 expenses	45,120	230	45,350
Contributions	(30,166)	-	(30,166)
Benefits paid	-	(525)	(525)
Liabilities as of 12.31.2008	**342,718**	**724**	**343,442**

The amounts to be recognized in the income statement from January to December 2009, related to the Defined Benefit Plan and the Confidentiality bonus, are as follows:

	Pension plan	Confidentiality bonus	Total
Cost of current service	594	55	649
Cost of interest	129,318	146	129,464
Expected return on plan assets	(81,667)	-	(81,667)
Amortization of actuarial losses	23,923	75	23,998
Employees' contributions	(185)	-	(185)
	71,983	**276**	**72,259**

a.2) Defined contribution plan

In addition to the above-mentioned benefit plan, PREVIG started managing another plan, a Defined Contribution plan, closing the initial plan to new participants on October 5, 2004, the date when the new plan approval was communicated by the SPC.

In the Defined Contribution plan, in which 93% of the Company's employees participate (872 participants), plan funding consists of basic contributions by the participants and the sponsor. The Company's basic contribution is equal to the basic contribution of its employees.

b) Confidentiality bonus

Consists of the payment of a bonus to managers when their employment relationship is terminated.

22 – DEFERRED TAX LIABILITIES

In the Parent Company, refer to income tax and social contribution, calculated on the provision for sale of electricity within MAE, in the amount of R$107,456, corresponding to the period from September 2000 to September 2002. Considering that the amount of revenue is being challenged in court by agents that disagree with the interpretation adopted by MAE in the application of certain accounting rules, as provided for by an ANEEL Resolution, in the event of a favorable outcome for these agents, both the revenue and the corresponding asset will no longer exist, and therefore it is being treated as a provision and deemed as temporary difference for tax purposes. The consolidated, on December 31, 2008, includes an additional amount of R$1,600.

23 – SHAREHOLDERS' EQUITY

a) Authorized capital

The Company is authorized to increase its capital up to the limit of R$5,000,000, regardless of any amendment to its bylaws. Under the New Market Listing Regulations, the Company cannot issue preferred shares or founder shares. The Company does not hold treasury shares.

b) Subscribed and paid-up capital

The Company is a publicly-traded company incorporated in accordance with the Brazilian laws and listed in the New Market of the São Paulo Stock Exchange and the Futures and Commodities Exchange (BM&FBOVESPA S.A.).

As of December 31, 2008, the Company's fully subscribed and paid-up capital is R$2,445,766, represented by 652,742,192 registered common shares without par value. The book value per share as of December 31, 2008 is R$4.86 (R$4.32 per share as of December 31, 2007).

The Company's capital structure is as follows:

	% of Capital	
Shareholders	**2008**	**2007**
GDF Suez Energy Latin America Participações Ltda.	68.71	68.71
Banco Clássico S.A.	10.00	10.00
BNDES Participações S.A. (BNDESPAR)	2.13	2.80
Federal Government	1.90	1.90
Other	17.09	16.59
	100.00	**100.00**

c) Breakdown of reserves

	2008	**2007**
Capital Reserve		
Remuneration of assets and rights constituted with own capital	**91,695**	**91,695**
Profit Reserve		
Legal reserve	305,254	249,496
Profit retention reserve	328,073	29,896
	633,327	**279,392**

The Company's Management, based on capital budget to be submitted to the Annual General Meeting, is proposing the constitution of a profit retention reserve in the amount of R$303,096, with no prejudice to dividend distribution, to be invested in the payment of projects acquired for energy generation.

24 – DIVIDENDS

The Board of Directors, at a meeting held on August 13, 2008, approved the distribution of periodical dividends, based on the accounting statements as of June 30, 2008, in the amount of R$580,299, corresponding to R$0.8890167318 per share, which were paid on October 27, 2008.

On November 7, 2008, the Company's Board of Directors approved the credit of interest on own capital at the amount of R$176,000, corresponding to R$0.2696317201 per share, based on the shareholding position of November 18, 2008 with payment date to be defined by the Company's Board of Executive Officers.

The amounts mentioned above, net of withholding income tax, are being imputed to dividends referring to 2008.

Interest on own capital was recorded in financial expenses and reverted in the same item, not being presented in the income statement for the year, in view of the fact they do not produce effects in the operating income, but only in income tax and social contribution items.

Tractebel Energia's dividend policy establishes a minimum mandatory dividend of 30% of the net income for the year, adjusted pursuant to Law 6,404/76 and, in addition, determines the intention to pay, in each calendar year, dividends and/or interest on own capital at an amount not lower than 55% of net income, adjusted in semiannual distributions.

	2008	2007
a) Calculation of minimum mandatory dividends		
Net income for the year	1,115,153	1,045,627
Constitution of legal reserve (5%)	(55,758)	(52,282)
Calculation basis	1,059,395	993,345
Minimum mandatory dividends (30%)	**317,819**	**298,004**
b) Dividends/interest on own capital proposed		
Interest on own capital, net of IRRF (withholding income tax)	151,402	151,301
Periodical dividends	580,299	360,066
Additional proposed dividends	-	457,279
Subtotal	731,701	968,646
IRRF of interest on own capital	24,598	24,699
Total	**756,299**	**993,345**
Dividends/interest on own capital before income tax withholding, per common share **(in R$1.00)**:	1.1586484519	1.5218031188

The allocation of net income for the year was reflected in the accounting statements in the presupposition of its approval by the Annual General Meeting.

25 – OPERATING EXPENSES DETAILED BY TYPE

	Company					
	2008					2007
	Cost		Expenses			
	Production and sale	Services provided	Selling	General and administrative	Total	Total
Personnel	98,644	8,242	7,785	42,847	157,518	141,410
Management	-	-	-	10,513	10,513	10,878
Materials	18,640	190	28	2,184	21,042	21,271
Third parties services	51,988	2,048	1,073	43,044	98,153	75,045
Fuel for electricity production	92,456	-	-		92,456	118,684
Compensation for use of water resources	80,442	-	-	-	80,442	71,127
Electric network usage charges	-	-	205,160	-	205,160	169,161
Depreciation and amortization	203,067	-	2	5,306	208,375	176,521
Insurance	7,349	350	-	207	7,906	6,798
Sector contributions	-	-	2,349	165	2,514	2,196
Inspection fee	-	-	-	7,783	7,783	6,782
Contributions and donations	363	106	-	8,979	9,448	7,181
Other	5,974	141	230	24,489	30,834	22,902
	558,923	**11,077**	**216,627**	**145,517**	**932,144**	**829,956**

	Consolidated					
	2008					2007
	Cost		Expenses			
	Production and sale	Services provided	Selling	General and administrative	Total	Total
Personnel	101,784	8,242	7,785	43,520	161,331	142,319
Management	-	-	-	11,336	11,336	12,356
Materials	20,283	190	28	2,232	22,733	23,300
Third parties services	62,317	2,048	1,287	45,565	111,217	87,539
Fuel for electricity production	103,968	-	-	-	103,968	126,960
Compensation for use of water resources	93,551	-	-	-	93,551	89,756
Electric network usage charges	-	-	235,556	-	235,556	205,762
Depreciation and amortization	253,420	-	2	12,961	266,383	235,866
Insurance	8,602	350	-	207	9,159	7,924
Sector contributions	-	-	3,265	174	3,439	3,008
Inspection fee	-	-	-	8,778	8,778	8,117
Contributions and donations	603	106	-	12,656	13,365	7,785
Other	6,420	141	2,160	24,890	33,611	23,392
	650,948	**11,077**	**250,083**	**162,319**	**1,074,427**	**974,084**

26 – REVERSAL (RECORDING) OF OPERATING PROVISIONS, NET

	Parent Company		Consolidated	
	2008	2007	2008	2007
Post-employment benefits	1,876	818	1,876	818
Civil contingencies	3,717	(4,644)	(627)	(6,746)
Tax contingencies	212	1,213	212	1,213
Labor contingencies	(2,411)	1,653	(2,411)	1,653
Other	-	702	1,430	833
	3,394	**(258)**	**480**	**(2,229)**

27 – RECOVERY OF PIS AND COFINS

The Company recognized in the first quarter of 2008, in the "Other Operating Revenue" caption, non-operating revenue of R$76,431, mainly related to the paid PIS and COFINS recovery on amounts related to the recovery of fossil fuel consumption acquired with CCC/CDE (fuel usage quota) funds which, as provided for by an ANEEL Resolution, are no longer recorded as revenue and are now stated as an offsetting account of the electricity production cost, as from November 2005.

28 – FINANCIAL INCOME AND EXPENSES

	Consolidated			
	2008		2007	
Financial income				
Income from temporary cash investments	65,315	44,591	76,839	60,358
Interest on receivables	9,964	10,943	10,731	11,175
Monetary variation on escrow deposits	19,081	14,421	19,518	16,621
Monetary variation on receivables and other	7,802	5,756	7,823	5,756
Other	7,933	6,314	8,225	6,692
	110,095	**82,025**	**123,136**	**100,602**
Financial expenses				
Loan charges	119,632	82,539	169,171	124,841
Charges on ANEEL concession	20,305	-	37,854	20,187
Charges on actuarial liabilities	43,341	44,206	43,341	44,206
Charges on taxes and social contribution	2,623	2,856	3,254	4,906
Monetary variation on financing and debentures	36,305	18,058	41,027	22,103
Monetary variation on ANEEL concession	22,480	-	45,517	14,115
Monetary variation – other	9,605	3,665	10,905	3,966
Exchange variation on loans and financing	80,243	(54,532)	80,243	(54,532)
Losses on foreign exchange swap transactions	-	21,551	-	21,551
CPMF (tax on banking transactions)	324	14,483	517	19,947
Other	13,176	11,701	15,557	13,965
	348,034	**144,527**	**447,386**	**235,255**
Financial Expenses, net	**237,939**	**62,502**	**324,250**	**134,653**

29 – FINANCIAL INSTRUMENTS

a) Risk management

a.1) Market risk

The Company and its subsidiaries use financial instruments to hedge its assets and liabilities, minimizing exposure to market risks, especially in connection with interest rate, price indices and currency fluctuations. The Company did not enter in any derivative contracts to hedge these risks; however, they are monitored by the Financial Management Committee, which periodically assesses the Company's exposure and proposes operating strategies, control systems, position limits and credit limits with other partners in the market. The Company does not practice speculative investments in derivatives or any other risk assets.

Main market risks to which the Company is exposed are the following:

Risks related to investments

The Company adopts a conservative fund investment policy, and the majority is appropriated in government securities or purchase and sale commitment pegged to government securities. The minority is appropriated in private securities in prime banks, with a rating higher than AA+(bra) ascribed by international risk rating agencies, indexed to CDI and with daily liquidity.

Exposure to exchange risk

Loan installment related to foreign currency, in the amount of R$338,598, on December 31, 2008, corresponds to 11.4% of the Company's debt, of which 7.0% related to U.S. dollar and 4.4% to Euro, and debt maturities are distributed on a long term basis, focusing on the years of 2015 and 2024. Considering that the effect arising from the debt maturity is minimum on short and medium term basis and, due to the impossibility of making an effective hedge for the balance sheet since there is no forward curve on long term basis, the Company did not hold on December 31, 2008 any derivative instrument to protect its liabilities. For more details on the composition of foreign currency debt, refer to Note 15.

Exposure to the risk of interest rates and fluctuating indices

The Company and its subsidiaries are exposed to interests rates and fluctuating indices related to LIBOR, EURIBOR, TJLP, DI rate, UMBNDES, IGP-M and IPCA variations. The debt composition by interest rates and index is as follows:

Interest rates and fluctuating indices	Amount	%
TJLP	1,364,426	47.64
CDI	550,155	19.21
IPCA	398,021	13.90
IGP-M	201,648	7.04
LIBOR	208,169	7.27
EURIBOR	130,429	4.55
UMBNDES	11,236	0.39
	2,864,084	**100.00**

a.2) Credit risk

In long-term bilateral agreements entered into with distributors, the Company tries to minimize its credit risk with the use of a collateral mechanism involving receivables from its customers.

In transactions with industrial customers, also known as Free Consumers, in order to minimize the credit risk related to those business partners, the Company, through its credit area, carries out a credit analysis and establishes, together with the Credit Committee, the credit limits and collaterals to be required from the other parties.

In financial market transactions, the Company also has credit limits with financial institutions, which are regularly reviewed by its Financial Management Committee, based on in-house evaluation and ratings disclosed by risk rating agencies.

As mentioned in Note 4, the Company has investments in an Exclusive Investment Fund. The amount of investments by financial institution is within the limits defined by the Company in its credit policies for financial institutions.

a.3) Hydrological Risks

According to ONS data, on December 31, 2008, most of the energy supply of SIN (Brazilian National Integrated System) was generated by Hydroelectric Powerplants (UHE). Since SIN operates in optimized dispatch system centralized by the ONS, each UHE, including the Company's UHEs, is subject to variations in the hydrological conditions verified, both in the geographical region in which they operate as in other regions in the Country. On December 31, 2008, the hydroelectric generation represented approximately 80% of the total Installed Capacity of the Company's plants, which is equivalent to 4,932 MW. The occurrence of unfavorable hydrological conditions, jointly with the obligation of delivery of Guaranteed energy, may result on the Company's exposure to the short-term energy market, the prices of which tend to be high, and they may affect the Company's future financial results.

a.4) Environmental Risks

The activities in the energy sector may cause negative impacts and damages to the environment. Federal legislation imposes on those who directly or indirectly cause environmental degradation the duty to repair or indemnify the damages caused to the environment and third-parties affected, regardless of guilt. The federal legislation also sets forth the disregard of the polluting company's corporate entity, as well as personal liability of managers, in order to make the refund of losses caused to the quality of the environment feasible. As a consequence, partners and managers of the polluting company may be obliged to pay for environmental reparation costs. The Environmental Risks are mitigated by the Company by means of its environmental policy focused on the sustainable development of its business.

b) Fair Value

In transactions involving financial instruments, only in loans, financing and debentures significant differences between fair values and carrying amounts were found, mainly due to the fact that such financial instruments have quite extended repayment terms and differentiated costs as compared to the rates currently in force for similar agreements. To measure fair values, the Company's management used discounted future cash flows at rates deemed adequate for similar transactions or international market rates, when available.

	Company			
	2008		2007	
	Carrying amount	Fair value	Carrying amount	Fair value
Loan and financing in foreign currency	338,598	358,279	299,197	322,316
Loans and financing in local currency	577,284	579,271	117,360	116,564
Debentures	683,095	572,924	592,440	483,202
	1,598,977	**1,510,474**	**1,008,997**	**922,082**

	Consolidated			
	2008		2007	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and financing in foreign currency	338,598	358,279	299,197	322,316
Loans and financing in local currency	1,913,640	1,921,091	792,558	721,916
Debentures	726,335	616,164	721,479	601,958
	2,978,573	**2,895,534**	**1,813,234**	**1,646,190**

The Company has no derivative financial instruments. As a result of the history of the Real volatility against foreign currencies, below is a detailed analysis of the Company's foreign currency debt sensitivity, taking into consideration a basic scenario projected to December 31, 2009 and another two taking into consideration a 25% and 50% depreciation in relation to the basis scenario. The projection of the effects resulting from the application of these scenarios to the Company's financial result in 2009 would be as follows:

	Accounting value	Scenario Projected	Scenario I 25% variation	Scenario II 50% variation
STN	203,639	(2,405)	47,968	98,290
BNP Paribas	130,429	(9,540)	20,617	50,826
Deutsche Bank (*)	4,530	(52)	1,068	2,188
	338,598	**(11,997)**	**69,653**	**151,304**

30 – RELATED-PARTY TRANSACTIONS

The Company has agreements with its subsidiaries, explained as follows:

ITASA

Electric Energy Purchase and Sale Agreement, with the purpose to regulate the purchase, by the Company, of 167 average MW and 61 average MW of energy owned by ITASA at Itá Powerplant, ruled by the applicable legislation and the market rules, effective up to October 16, 2030, annually restated by the IGP-M (General Market Price Index) and the Dollar variation plus the US inflation, respectively.

Agreement of Itá Plant Operation and Maintenance Service Provision, executed by the Company, within the scope of Itá Consortium, effective up to October 16, 2030, the amounts of which are annually restated by the IGP-M.

Lages Bioenergética Ltda.

Electric Energy Purchase and Sale Agreement, with the purpose to regulate the purchase, by the subsidiary, of up to 26 monthly average MW of electric energy owned by the Company, effective up to March 31, 2017.

Agreement effective for an undetermined period, the purpose of which is the provision of operating administration services, in view of Lages not having its own staff. The contractual amount is annually restated by the IGP-M.

Lages Cogeneration Unit Operation and Maintenance Agreement, to terminate on March 3, 2012, by means of which the Company undertakes to operate and perform the maintenance at the undertaking. The contractual amount is annually restated based on the variation of compensation defined at the Collective Bargaining Agreement of the Company's employees.

Tractebel Energia Comercializadora Ltda.

Agreement effective for an undetermined period, the purpose of which is the provision, by the Company, of management, planning, control and economic, accounting, tax, legal and financial management services of the subsidiary. The contractual amount is annually restated by the IGP-M variation.

Energy Purchase and Sale Agreements with the purpose to supply energy for TBLC to comply with its energy sales agreements, with the following characteristics:

a) 150 monthly average MW effective between March 1, 2008 and March 1, 2015
b) 190 monthly average MW effective between January 1, 2009 and December 31, 2016
c) 540 monthly average MW effective between January 1, 2009 and December 31, 2016

Companhia Energética São Salvador

Agreement effective for an undetermined period, the purpose of which is the provision, by the Company, of management, planning, control and economic, accounting, tax, legal and financial management services of the subsidiary. The contractual amount is annually restated by the IGP-M variation.

Operation and Maintenance Agreement of São Salvador Hydroelectric Power Plant (UHSA), with termination on the financing end-date (October 15, 2023), by means of which the Company undertakes to operate and perform the maintenance of the undertaking. The contractual amount is annually restated by the IGP-M variation.

Loan Agreement executed on December 18, 2008, with the purpose to finance the working capital to comply with suppliers' liabilities to conclude São Salvador Plant, balance of which on December 31, 2008 is R$8,700.

Suez-Tractebel S.A. (Indirect Subsidiary)

On April 17, 2007, the Company executed an agreement with Suez-Tractebel S.A., its indirect parent company, headquartered in Brussels, Belgium, the purpose of which is the provision of services of advisory in specific matters by that company. Contracting was approved by unanimous vote of the Company's minority shareholders, at the Extraordinary General Meeting held on April 17, 2007, and the controlling shareholders resigned the voting right. The term of the agreement is 36 months, subject to revalidation, by minority shareholders, every 12 months, at a Meeting called for such a purpose, as occurred at the Extraordinary General Meeting held on April 8, 2008. The value of fees during the effectiveness of the agreement is limited to the annual non-cumulative amount of 1,500,000 EUROS. Services shall be executed and respective fees shall be submitted to the Company's Fiscal Council, which has a member elected by the minority shareholders.

The amounts recorded in the balance sheet and income statement accounts are as follows:

	2008										2007
	GDF SELA (a)	ITASA	LAGES	TBLC (b)	CESS	SUEZ ENERGY BRASIL	SUEZ (c)	LEME (d)	SESA BidCO Ltd.	Total	Total
Assets											
Accounts receivable	52	2,244	640	99,528	43	6	4	-	-	**102,517**	**56,051**
Dividends	-	4,071	4,929	-	-	-	-	-	-	**9,000**	**91,006**
Loan	-	-	-	-	9,966	-	-	-	-	**9,966**	**-**
Liabilities											
Suppliers	-	10,811	-	53	-	145	-	526	-	**11,535**	**49,712**
Dividends / JCP (*)	102,793	-	-	-	-	-	-	-	-	**102,793**	**365,602**
Related parties	-	-	-	-	-	-	-	-	194,356	**194,356**	**-**
Other	-	524	-	-	-	137	-	-	-	**661**	**-**

(*) Interest on own capital.

	2008										2007
	CEM	ITASA	LAGES	TBLC [b]	DELTA	EAS	CESS	GAMA	SUEZ [c]	Total	Total
Result											
Income from Energy Supply	-	-	4,561	408,616	-	-	-	-	-	**413,177**	**329,394**
Income from Services											
Management	121	-	115	27	-	-	422	-	-	**685**	**1,203**
Operation and maintenance	304	11,013	1,565	-	-	-	-	-	-	**12,882**	**13,441**
Cost of Electric Energy											
Energy purchase	46,652	119,727	-	-	-	-	-	-	-	**166,379**	**393,153**
Other	-	-	-	10,654	-	-	-	-	-	**10,654**	**31**
General and administrative expenses	-	-	-	-	-	-	-	-	5,389	**5,389**	**2,540**
Financial revenue	-	-	-	-	-	-	-	-	-	**-**	**-**
Income from Corporate Interest	11,122	17,140	7,187	27,599	(68)	(6,445)	(185)	(1,652)	-	**54,698**	**179,091**

[a] GDF Suez Energy Latin America Participações Ltda

[b] Tractebel Energia Comercializadora

[c] Suez-Tractebel S.A.

[d] Leme Engenharia Ltda

Compensation of Management's key people

The compensation, the charges and benefits related to the Management's key people are presented as follows. The only long-term benefit is the pension (post-employment).

	Parent Company		Consolidated	
	2008	2007	2008	2007
Short-term benefits and fees	5,911	5,706	6,595	6,803
Social charges	1,731	1,802	1,870	2,009
Managers' bonus and charges	2,284	2,767	2,284	2,910
Post-employment benefits	587	603	587	634
	10,513	**10,878**	**11,336**	**12,356**

31 – GUARANTEES TO THIRD PARTIES

ITASA

The Company and other shareholders of ITASA are intermediating parties to the agreements entered into by this investee, the BNDES and other financing agents, linked to the construction of Itá Hydroelectric Power Plant. The intermediating parties have pledged as collateral the total amount of shares issued by ITASA and held by them, until the final settlement of all obligations undertaken under these agreements. As of December 31, 2008, the debt is R$172,731 (R$209,041 on December 31, 2007).

Lages Bioenergética Ltda.

The Company is the intermediating guarantor of the Fixed Credit Facility Agreement entered into by Lages and BRDE, and pledged as collateral, its shares of the subsidiary, until the final settlement of all obligations undertaken under the agreement. As of December 31, 2008, the debt is R$25,117 (R$31,877 as of December 31, 2007).

CESS

The Company is an intermediating party to the agreements entered into by this investee and the BNDES and other financing agents, linked to the construction of São Salvador Hydroelectric Power Plant. The intermediating party granted as collateral the total amount of shares issued by CESS, that it holds, until the final settlement of all obligations undertaken under these agreements. As of December 31, 2008, the debt is R$612,678 (R$407,210 on December 31, 2007).

PPESA

Energia América do Sul Ltda, a wholly-owned subsidiary and parent company of PPESA is an intervening party in agreements executed between the investee and BNDES and other financing agents, related to the construction of Ponte de Pedra Hydroelectric Power Plant. The intervening party gave as collateral all shares issued by PPESA held by it, and the rights emerging from the concession and the electric energy purchase and sale agreement with Companhia Energética de Minas Gerais (CEMIG), until final settlement of all obligations undertaken in said agreements. The debt on December 31, 2008 is R$270,043.

Companies recently acquired

The Company shall be intervening in the financing agreements of recently-acquired companies Tupan, Hidropower, Beberibe, Pedra do Sal and Areia Branca as the exchange of guarantees are being effectuated.

32 – INSURANCE

The Company has a comprehensive operating risk insurance policy with a declared amount for property damages of US$5,247,606, equivalent to R$12,263,655 on December 31, 2008 and with a declared amount for short-term loss of profits of US$331,994, equivalent to R$775,870 on December 31, 2008 and long-term loss of profits of US$196,846 equivalent to R$460,029 on December 31, 2008. The maximum combined material damage and loss of profits claim limit is US$250,000, equivalent to R$584,250 on December 31, 2008, per event.

In addition to this coverage, the Company has civil liability insurance policies with coverage of US$50,000, equivalent to R$116,850 as of December 31, 2008. Such policies include Itá Hydroelectric Power Plant, built and operated by means of a consortium with the jointly-owned subsidiary ITASA.

Insurances contracted related to the subsidiaries, on December 31, 2008, have the following main characteristics:

Lages: operating risk insurance with coverage of US$44,481 equivalent to R$103,952 as of December 31, 2008, and civil liability insurance with coverage of US$50,000, equivalent to R$116,850 as of December 31, 2008.

CESS: engineering risk policy with twelve-month comprehensive maintenance coverage, and maximum claim limit of R$701,880 and two civil liability policies with R$22,200 coverage for both policies.

Ponte de Pedra: operating risk insurance with a US$193,600 coverage equivalent to R$452,443 on December 31, 2008, and also has two civil liability policies with a R$5,325 coverage for both policies.

Tupan and Hidropower: operating risk insurances with amount for material damages of R$65,000 and long-term loss of profit of R$8,000, for each of the companies.

Beberibe, Pedra do Sal and Areia Branca: engineering risk insurance with coverage of up to R$114,000, R$67,183, R$63,799, respectively, and of civil liability with amount of R$10,000, R$6,718 and R$2,000, respectively.

In addition to these strategic insurance policies, the Company has insurance to cover national and international transportation risks, civil liability of the directors and management, extended to its subsidiaries, as well as group life insurance for its officers and employees.

33 – LONG-TERM AGREEMENTS

The Company has long-term commitments, the principal of which are as follows:

a) Connection agreement

The Company entered into a Connection Agreement with ELETROSUL and Furnas Centrais Elétricas S.A. (FURNAS), effective until the concession termination date of the Company's generation units or the liquidation of the transmission company.

Regarding the companies acquired in 2008, the Connection Usage Agreements are the following:

- PPESA: Centrais Elétricas do Norte do Brasil S.A. (ELETRONORTE)
- Tupan and Hidropower: Centrais Elétricas Matogrossenses S.A. (CEMAT)
- Eólica Beberibe: Companhia Energética do Ceará (COELCE)
- Eólica Pedra do Sal: Companhia Energética do Piauí (CEPISA)

b) Transmission and distribution network usage agreement

In order to use the transmission system, basic network, the Company has agreements with the ONS, and for powerplants which are nor directly connected to the basic network, Distribution Usage Agreements are maintained, as follows:

- UTE Willian Arjona: Empresa Energética do Mato Grosso do Sul S.A. (ENERSUL)
- UTE Alegrete: AES Sul Distribuidora Gaúcha de Energia (AES Sul)
- UTE Jorge Lacerda A : Centrais Elétricas de Santa Catarina (CELESC)
- PPESA: Centrais Elétricas do Norte do Brasil S.A. (ELETRONORTE)
- Tupan and Hidropower: Centrais Elétricas Matogrossenses S.A. (CEMAT)
- Beberibe: Companhia Energética do Ceará (COELCE)
- Pedra do Sal: Companhia Energética do Piauí. (CEPISA)

Most agreements are effective up to the date of expiry of concessions or authorizations of the Company's generation units, or expiry of transmitting and distributing companies, whichever occurs first.

c) Electricity purchase and sale of bilateral agreements

According to guaranteed energy and purchase and sale agreements, the Company's energy balance sheet shows that current capacity has the following contracting levels:

Year	Average MW (*)				
	Own Resources	Purchases for Resale	Total Availability	Contracted Availability	% Contracted
2009	3,311	387	3,698	3,653	98.8%
2010	3,393	622	4,015	3,917	97.6%
2011	3,580	289	3,869	3,448	89.1%
2012	3,617	177	3,794	3,446	90.8%
2013	3,617	278	3,895	3,273	84.0%
2014	3,617	249	3,866	2,791	72.2%

(*) Information on average MW is not revised by the independent auditors.

The Company's gross operating revenue, on December 31, 2008, comprised by nature of customers, is as follows:

	Amount	%
Distributors	1,763,889	46.01
Free consumers	1,059,455	27.63
Sellers	659,986	17.21
CCEE	295,972	7.72
Exports	34,394	0.90
Other	20,421	0.53
	3,834,117	**100.00**

Customers that on December 31, 2008 participated on a percentage higher than 5% of the Company's gross operating revenue were CELESC, Rio Grande Energia S.A., CPFL Comercialização Brasil S.A. and Companhia Paulista de Força e Luz.

d) Purchase of electricity from Argentina

The Company entered into an agreement with CIEN, for a 20-year period starting on June 21, 2000, to purchase 300 MW of firm power with associated energy, to be made available at the substation of Itá, of ELETROSUL. In the month of March 2005, ANEEL conducted an inspection to check the physical power delivery guarantee conditions at Uruguaiana Thermoelectric Power Plant and at the Garabi Interconnections, where it verified the non-availability of actual electricity generation and transmission at the contracted volumes. As a result, the MME (Ministry of Mines and Energy) issued an Administrative Rule, defining new physical guarantee volumes for the respective generation and interconnection facilities.

On April 1, 2005, an ANEEL Regulatory Instruction was published establishing the criteria to be used by the ONS and the CCEE to determine the power generation and physical guarantee availability limits at Uruguaiana Thermoelectric Power Plant and for the Garabi interconnections. Based on these regulations, the physical guarantee volume originally attributed to CIEN to meet the 300 MW agreement was reduced to approximately 72 MW.

Due to the way the agreement is registered with the CCEE, that reduction would subject the Company to the penalties provided for by industry legislation, for lack of physical guarantee, and exposure to the spot market of the CCEE, which led the Company to enter into an agreement for the purchase of the corresponding electricity from another agent. As a result, the Company understands that a contract breach by CIEN was characterized and that the fines and indemnities provided for by the agreement should be paid to the Company. Thus, based on the contract mechanisms that determine that the amounts included in the invoices issued by CIEN should be net of all amounts owed to the Company as fine and indemnities (which CIEN has not paid in relation to any issued invoices in relation to that agreement, since the reduction of the physical assurance), the Company has not been paying said invoices since March 2005, as they are considered incorrect.

ANEEL, through Regulatory Resolution, on June 20, 2006, reduced to zero the amounts of physical guarantee of electricity generated from CIEN imports, due to CIEN's impossibility to supply electricity. This reduction will be maintained until CIEN proves the existence of available electricity.

Up to the closing of the referred balance sheet, the situation remains unchanged.

e) Purchase of natural gas

The Company entered into a gas purchase agreement with Companhia de Gás do Mato Grosso do Sul (MSGÁS), effective for five years, starting 2001, the startup of William Arjona Thermoelectric Power Plant (UTWA), located in Campo Grande, State of Mato Grosso do Sul (MS), renewable for an additional five years.

With the expiration of the contract period, on May 22, 2006, the Company showed its interest to renew the agreement, however, MSGÁS communicated that the renewal would depend on the adjustment of the product price, as determined by Petróleo Brasileiro S.A. (PETROBRAS), the seller of the gas to MSGÁS and the consenting party in the contract.

In view of PETROBRAS' threat to cut gas supply to the plant, the Company filed for an injunction against MSGÁS and PETROBRAS, with request for temporary restraining order, which was granted to assure the gas supply according to the terms of the agreement.

The Company also filed a lawsuit to ensure the renewal of the agreement, which is awaiting judgment by Campo Grande (MS) courts.

In a recent appeal filed with the Superior Court of Justice (STJ), PETROBRAS was granted the stay of the lawsuit, authorizing it, in November 2007, to suspend gas supply to the plant.

As a result, the Company has bought power in the CCEE to supply the UTWA. When convenient and necessary, the Company has been operating with diesel oil as fuel, since the plant has this flexibility.

Recently, the lawsuit was judged valid for the purpose of setting forth that purchase and sale agreements of natural gas entered into between the Company and MSGÁS, and between MSGÁS and PETROBRAS and its respective addendum may be renewed for a 5-year term, beginning on May 23, 2006. The period in which the gas supply was interrupted as a result of this litigation shall be added to the end of the agreement, which shall be ending proportionally to the term extended. Gas price and quantity shall be the ones contracted and restated as per Thermoelectric Power Plant Priority Program (PPT). PETROBRAS filed requests for clarification of this judgment, which were deemed groundless, and filed an Appeal with the Legal Court of Mato Grosso do Sul.

f) Lease Agreements

f.1) Beberibe Wind Farm has four land lease agreements used for the installation and edification of towers of wind turbines, substation and transmission stations associated. The effectiveness of agreements ranges from May 17, 2027 to September 28, 2032, and amounts are comprised of fixed and variable installments, corresponding to a percentage over gross revenue. Fixed installments are restated by IGPM, by the US dollar variation and the inflation rate in the United States of America (USA), depending on each agreement.

f.2) Pedra do Sal Wind Farm has two lease agreements of the land where the generating complex is located, with maturity in 2029. The monthly amount paid corresponds to a percentage over gross operating revenue.

g) Agreements for Destilaria Andrade Thermoelectric Power Plant construction

Indirect subsidiary Ibitiúva executed an agreement with Areva Koblitz for engineering services, acquisition of equipment and construction of Destilaria Andrade Thermoelectric Power Plant, at the amount of R$87,830. Out of this total, R$9,188 had been paid up to December 31, 2008. The agreement shall be effective up to June 1, 2010.

Ibitiúva has also executed an agreement with Leme Engenharia Ltda, company belonging to the Suez Group, for the quality control of Ibitiúva Bioenergética Thermoelectric Power Plant project, at the amount of R$1,845, effective up to April 1, 2010.

34 – SUBSEQUENT EVENTS

The Company's Board of Directors, at meeting held on February 16, 2009, approved the 4th issue of the Company's Promissory Notes, in the total amount of up to R$300,000, by means of a Restricted Offer pursuant to CVM Rule no. 476/09. The main characteristics of the issue are presented as follows:

Number of Tranches:	Single Tranche.
Number:	300 Promissory Notes.
Unit Par Value:	R$1,000.
Issue Date:	Date of effective subscription and payment.
Form:	Shall be physically issued and deposited with financial institution of custody service provision.
Term and Maturity:	360 days as of the issue date, and it shall be considered as the 360th day as the maturity date.
Place of Trading and Payment:	Organized over-the-counter market, jointly with the Promissory Note System operated by CETIP (Brazilian Custody and Settlement Chamber).
Remuneration:	125% of daily average rate of one-day Interfinancial Deposits, expressed as percentage per year, basis 252 days, calculated and disclosed by CETIP daily.
Anticipated Redemption:	It shall be made by means of the payment of the Unit Par Value plus Remuneration, calculated pro rate temporis since the Date of Issue up to the date of effective redemption.
Guarantee:	Not entitled to any type of guarantee.
Allocation of Resources:	Shall be allocated to the payment of the Company's debts and working capital financing.

On March 6, 2009, the Company received the resources referring to said issue at the amount of R$300,000, which shall be partly allocated to the payment of the debt represented by the promissory notes issued on May 20, 2008 with maturity on May 15, 2009.

At the same meeting, there was also the approval of the 3rd Issue of Simple Debentures non-convertible into shares issued by the Company, unsecured (without guarantee or preference), at the amount of up to R$600,000, observing that such an amount may be subject to increase in view of the demand observed in the bookbuilding procedure, which shall be subject to public distribution within the scope of the Distribution Program, pursuant to CVM Rule 400/03, and the main characteristics and conditions are as follows:

Number of Tranches:	Single Tranche
Number:	60,000 Debentures, and the number may eventually increase, in up to 35% in view of the demand ascertained in the bookbuilding procedure.
Unit Par Value:	R$ 10
Issue Date:	April 1, 2009
Form:	Debentures shall be registered and book-entry;
Type and Convertibility:	Unsecured, non-convertible into shares issued by the Company.
Term and Maturity:	The term shall be 2 years as of the Date of Issue, maturing, therefore, on April 1, 2011.
Place of Trading and Payment:	(a) distribution in the primary market, by means of the SDT (Security Distribution Module), managed by CETIP, based on policies and guidelines determined by ANDIMA (Brazilian Association of Institutions in the Financial Market), (b) trading in the secondary market, by means of SND (National Module of Debentures), managed by CETIP, based on the policies and guidelines determined by ANDIMA. The Debentures shall submit to the controls of CETIP or CBLC, as the case may be.
Remuneration:	Equivalent to the accumulation of a maximum of 125% of the DI Rate, calculated exponentially and cumulatively, pro rata temporis per business days, levied on the Unit Par Value since the Issue Date up to the Maturity Date of Debentures, observing that the applicable final rate shall be ascertained by means of Bookbuilding. Remuneration shall be semiannually due, on the following dates: October 1, 2009, April 1, 2010, October 1, 2010 and April 1, 2011.
Allocation of Resources:	(a) full payment of the debt represented by the Promissory Notes and (b) the payment of part of the debt represented by the commercial promissory notes of the Company's 3rd issue, issued on May 20, 2008, with maturity for May 15, 2009.

35 – RECONCILIATION TO THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

a) Introduction

The Company prepared its financial statements according to the standards issued by the Brazilian Securities and Exchange Commission (CVM) including CVM Resolution number 565/08. The reconciliation note comparing net income and shareholder's equity under CVM standards with IFRS, as required by the São Paulo Stock Exchange (BOVESPA), does not constitute a complete presentation of the financial statements comprising, comparatively, the Balance Sheet, the Income Statements, the Statements of Changes in Shareholders' Equity and Cash Flows, and the explanatory notes as required by the International Financial Reporting Standards (IFRS).

The Company adopted IFRS 1 - "First Time Adoption of International Financial Reporting Standards" in order to determine the adjustments to the opening balances; the basis and options applied may change when the Company prepares its complete financial statements according to IFRS.

b) Reconciliation Procedures

December 31, 2007 is the first financial year end for which the IFRS reconciliation and accompanying notes was presented.

As required by IFRS 1, the opening balance reflects all of the pronouncements and interpretations of IFRS effective on December 31, 2007, except for the exemptions and exceptions allowed in the application of IFRS 1 for determining the measurement of the impacts on the opening balance.

The reconciliation of the differences between the shareholders' equity and the net income determined in accordance with the accounting practices adopted in Brazil and those determined by IFRS were drawn up based on the financial statements of the Company, prepared in accordance with accounting practices adopted in Brazil, as described in Note 3. The reconciliation of the shareholders' equity and the net income, as required by the São Paulo Stock Exchange (BOVESPA) in order to meet the Novo Mercado (New Market) listing requirements, does not represent a complete set of financial statements comprising a balance sheet, income statement, statement of changes in shareholders' equity and cash flow statement, presented on a comparative basis and with the respective explanatory notes, as required by IFRS.

	Shareholders' equity		Net income	
	12.31.2008	12.31.2007	2008	2007
Brazilian accounting practices	3,170,788	2,816,853	1,115,153	1,045,627
Monetary adjustment	203,037	223,755	(20,718)	(20,733)
Post-employment benefits	(156,703)	(125,480)	1,537	1,160
Foreign exchange variation	(66,136)	(68,361)	2,225	2,303
Capitalized financial charges	53,033	34,304	18,729	13,590
Borrowing costs	(12,584)	(12,965)	381	396
Pre-operating expenses	-	(2,636)	(4,053)	(1,688)
Capitalization on investment acquisition	13,974	12,519	1,455	1,451
Deferred income and social contribution taxes	658	(4,742)	(3,968)	(4,671)
Proposed dividends	-	457,279	-	-
	3,206,067	**3,330,526**	**1,110,741**	**1,037,435**

Monetary adjustment

In accordance with the standards issued by CVM, the Company did not recognize the Brazilian inflationary effects subsequent to December 31, 1995. On January 1, 1996, the net amount accounted for in respect of all non-monetary assets and liabilities became their historic cost. In accordance with IFRS (IAS 29 - Financial Reporting in Hyperinflationary Economies), Brazil was considered as being a hyperinflationary economy until 1997, and accordingly, for IFRS purposes, the Company continued to recognize inflation effects based on the IGPM index (general market price index).

The adjustment presented in the line item "Monetary adjustment" represents the inflationary effects on property, plant and equipment recognized in 1996 and 1997 for IFRS purposes, net of the effect of depreciation and write-offs on such monetary adjustment.

Post-employment benefits

As disclosed in Note 21, the Company accounts for post-employment benefits in accordance with CVM Resolution No. 371/2001, since December 31, 2001. Specifically, for the actuarial liability related to the defined benefit plan, the Company opted for the corridor methodology to recognize actuarial gains and losses.

For IFRS purposes, the Company adopted the exemption prescribed by IFRS 1 (First Time Adoption of International Financial Reporting Standards), under which all actuarial gains and losses related to the defined benefit plan, sponsored by the Company, were recognized on the IFRS transition date. Furthermore, the Company is adopting the option prescribed by IAS19 paragraph 93 to recognize actuarial gains and losses directly into shareholder's equity.

Consequently, the shareholders' equity adjustment shown in the line item "Post-employment benefits" represents the actuarial expenses not recognized for CVM standards purposes, and recognized for IFRS purposes.

Foreign exchange variation

Based on CVM standards, foreign exchange differences arising from foreign currency-denominated loans and financing were fully capitalized in the cost of property, plant and equipment under construction. For IFRS purposes, these exchange differences were capitalized up to the amount equivalent to the cost of a loan, if raised in Brazil (as required by IAS 23 – Borrowing costs).

Capitalized financial charges

According to IFRS, the Company's own capital used to finance subsidiaries' construction in progress was capitalized in subsidiaries' property, plant and equipment; such capitalization is based on the interest rates of the loans and financing obtained.

Borrowing costs

Under CVM standards, the borrowing costs of certain financing assumed for the construction of a hydroelectric project were capitalized in the underlying asset.

Under IFRS, these costs are considered financing costs and are amortized over the period of the financing.

Pre-operating expenses

Under the IFRS, pre-operating expenses not capitalized in property, plant and equipment are recognized directly in results when incurred.

Under CVM standards, the Company and its subsidiaries used to allocate to deferred charges pre-operating expenses that are not eligible for capitalization in property, plant and equipment.

As informed in the note 2 of the financial statements, the changes introduced by the Law 11.638/08 and the Provisional Measure 449/08 are characterized as a change in the accounting practice, however, as allowed by the CVM resolution 565/08, the adjustments affecting the results were made against retained earnings on the transition date (January 1, 2008). The only adjustment made by the Company as of that date was the write-offs of deferred expenses which eliminated this difference between the CVM and IFRS standards in the shareholders´ equity.

Capitalization on investment acquisition

The amount of deferred charges (goodwill) accounted for in respect of an investment acquired in 2001 was, as of January 1, 2008, reclassified to intangibles and was maintained under this caption for CVM standards. Under IFRS, the Company performed a purchase price valuation at the date of acquisition and included the amount in property, plant and equipment; the deferred charges' (up to December 31, 2007) and intangibles' amortization rates are higher than that of the depreciation rate of property, plant and equipment.

Deferred income and social contribution taxes

Represented by the effect of income and social contribution taxes on the accounting adjustments required to reconcile net income and shareholders' equity according to the standards issued by CVM to the IFRS. This amount includes the recognition of deferred tax credits for IFRS purposes on temporary differences in permanent assets which are realizable over a period in excess of 10 years and which were not recognized according to CVM standards purposes. The amounts of each adjustment are shown in the chart below:

	Shareholders' equity		Net income	
	12.31.2008	12.31.2007	2008	2007
Deferred taxes from reconciliation adjustments	(11,126)	(20,190)	(304)	1,175
Deferred taxes from temporary differences in permanent assets	11,784	15,448	(3,664)	(5,846)
	658	**(4,742)**	**(3,968)**	**(4,671)**

(Nominate of signatures of the Accounting Statements as of December 31, 2008 on the following page)

(Nominate of signatures of the Accounting Statements as of December 31, 2008 of Tractebel Energia S.A.)

BOARD OF DIRECTORS

Maurício Stolle Bähr
Chairman

Jan Franciscus María Flachet
Vice-Chairman

Manoel Arlindo Zaroni Torres
Board Member

Victor-Frank de Paula Rosa Paranhos
Board Member

Dirk Beeuwsaert
Board Member

José Carlos Cauduro Minuzzo
Board Member

Luiz Antônio Barbosa
Board Member

José Pais Rangel
Board Member

Luiz Leonardo Cantidiano Varnieri Ribeiro
Board Member

EXECUTIVE BOARD

Manoel Arlindo Zaroni Torres
Chief Executive Officer and Financial and Investor Relations Director, acting

José Luiz Jansson Laydner
Business Development and Sales Director

Miroel Makiolke Wolowski
Project Implementation Director

José Carlos Cauduro Minuzzo
Energy Production Director

Marco Antonio Amaral Sureck
Planning and Control Director

Luciano Flávio Andriani
Administrative Director

ACCOUNTING DEPARTMENT

Marcelo Cardoso Malta
Manager of the Accounting Department
Accountant - CRC RJ 072259/O-5 T-SC

Tractebel Energia
GDF SUEZ

Deloitte.

Deloitte Touche Tohmatsu
Av. Pres. Wilson, 231
22°, 25° e 26° andares
20030-905 - Rio de Janeiro - RJ
Brasil

Tel.: +55 (21) 3981-0500
Fax: +55 (21) 3981-0600
www.deloitte.com.br

INDEPENDENT AUDITOR'S REPORT

To the Board of Administration, Directors and Shareholders of
Tractebel Energia S.A.
Florianópolis – SC

1. We have audited the accompanying individual (Holding Company) and consolidated balance sheets of Tractebel Energia S.A. ("Company") and subsidiaries as of December 31, 2008 and the related statements of income, changes in shareholders' equity (Holding Company), cash flows and value added, for the year then ended, all expressed in Brazilian reais and prepared under the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.

2. Our audit was conducted in accordance with auditing standards in Brazil and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions and the accounting and internal control systems of the Company and its subsidiaries; (b) checking, on a test basis, of the evidence and records that support the amounts and accounting information disclosed, (c) evaluating the significant accounting practices and estimates adopted by Management, as well as the presentation of the financial statements taken as a whole.

3. In our opinion, the financial statements referred to in paragraph 1 represent fairly, in all material respects, the individual and consolidated financial positions of Tractebel Energia S.A. and subsidiaries as of December 31, 2008, and the results of their operations, the changes in shareholders' equity, the cash flows and value added for the year then ended in conformity with accounting practices adopted in Brazil.

4. Previously, we audited the financial statements (individual and consolidated) in respect of the year ended as of December 31, 2007, composed of the balance sheet, the related statements of income, changes in shareholders' equity, cash flows and value added and we issued an opinion without exceptions, dated February 1, 2008. As mentioned in Note 2, the accounting practices adopted in Brazil were altered as from January 1, 2008. The financial statements in respect of the year ended on December 31, 2007, presented together with the financial statements of 2008, were prepared in accordance with the accounting practices adopted in Brazil and applicable as of December 31, 2007 and, as permitted by the technical ruling CPC 13 on the initial application of law 11.638/07 and the provisional measure number 449/08, are not being represented with the adjustments required to make both years comparable.

5. Accounting practices adopted in Brazil vary in certain significant respects from International Financial Reporting Standards ("IFRS"). The Company has disclosed a reconciliation of the consolidated net income and shareholders´ equity from accounting practices adopted in Brazil to IFRS as applied by the Company based on the standards and interpretations effective as of the date of these financial statements. The accounting practices and policies adopted by the Company for the purpose of these reconciliations are described in note 35. Without qualifying our opinion, we draw attention to the fact that, under IFRSs, only a complete set of financial statements comprising a balance sheet, income statement, statement of changes in shareholders´ equity and cash flow statement, together with comparative financial information and explanatory notes, can provide a fair presentation of the Company´s financial position, results of operations, and cash flows in accordance with IFRSs. We also draw attention to the fact that note 35 explains why there is a possibility that the opening balance sheet may require adjustments when the Company presents a complete set of financial statements under IFRS.

6. The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Rio de Janeiro, March 12, 2009 (except for note 35, for which the date is April 29, 2009)

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Antônio Carlos Brandão de Sousa
Accountant

FISCAL COUNCIL REPORT

Fiscal Council members of Company Tractebel Energia S.A., Newton de Lima Azevedo Junior, Paulo de Resende Salgado and Manoel Eduardo Lima Lopes, signed below, after having examined the Management's Annual Report, including Accounting statements and Management Report related to 2008, and based on the report of independent auditors firm Deloitte Touche Tohmatsu issued on March 9, 2009, stated that the Management's Annual Report properly represent, in all material aspects, the shareholding and financial position of Tractebel Energia S/A on December 31, 2008, subject to the appraisal of the Company's Shareholders' General Meeting.