Tractebel Energia
GDF SUEZ





Management Report and Financial Statements
12.31.2011

Financial and Investor Relations Area

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ISE Índice de Sustentabilidade Empresarial

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Dear Shareholders,

The Management of Tractebel Energia S.A. ("Tractebel Energia" or the "Company") is pleased to present for your examination the Management Report and corresponding Financial Statements, together with the opinions of the Independent Auditors and Fiscal Council for the fiscal year ending December 31, 2011. 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

In 2011, Tractebel Energia maintained its track record of achievement despite a background of global crisis, changes and political and economic uncertainty. The Company posted a net income of R$ 1.45 billion, 19.5% more than reported in 2010 while its EBITDA (earnings before interest, taxes, depreciation and amortization) reported an increase of 11.4%, once more indicative of its operational efficiency. In the midst of the volatility which characterized the stock exchanges throughout the year, Tractebel Energia's shares registered an increase of 16.2%, against a decline of 18.1% in the Ibovespa.

The consolidation of the assets combination of International Power and GDF SUEZ enhanced the international projection of the Group and Tractebel Energia and brought improvements to our systems and internal controls.

Today we operate 22 plants in 12 states in the five regions of the country. In 2011, we reported an overall uptime of 98.3% at the plants which we operate, excluding scheduled maintenance stoppages. With the startup of the fourth generating unit at the Estreito Hydroelectric Plant in December, our total proprietary installed capacity has already reached 6,690 MW, of which 82% originating from renewable sources: water, wind and biomass. For the 14th consecutive year, we are the largest private sector generator in the country, accounting for about 7% of Brazilian electricity consumption.

More than 90% of the installed capacity which we operate is certified according to NBR ISO 9001, NBR ISO 14001 and OHSAS 18001 standards - respectively, Quality, the Environment and Occupational Health and Safety. To further enhance our commitment to sustainable development, during the year, the Company launched the Tractebel Energia Policy for Climate Change, which incorporates commitments for effective actions against these changes and their impacts.

The focus on sustainability, the size the Company has reached and its growth prospects were responsible for another important event in 2011: we moved to new head offices which, like the previous offices, are located in Florianópolis in the state of Santa Catarina. Modern and equipped with more technology, the new headquarters adhere to the principles of a sustainable construction, rationalizing the use of natural resources.

As to our commercial activities, it is important to note that rainfall volumes in 2011 were among the largest ever registered in Brazil. This increased the supply of energy at the same time that the world crisis saw a dip in consumption. These two factors were instrumental in depressing spot prices below those recorded for previous years. However, the strategy of maintaining high levels of contracted energy over the medium term ensured that Tractebel Energia was able to protect its revenues during the year.

The year was a special one for our relationship with the communities in which our plants and head office are inserted thanks to a project which is a concrete result of our practices of social responsibility. On July 7, 2011, we inaugurated the Cultural Center in Entre Rios do Sul, the municipality in which the Passo Fundo Hydroelectric Power Plant is located in the state of Rio Grande do Sul. Built with the support of Tractebel Energia, the Center is managed on an autonomous basis by a community association. It offers an auditorium for 150 people, a library, a room for promoting digital inclusion and professional training workshops. The expectation is that this enterprise will represent a milestone in the region's cultural development.

As with previous years, 2011 proved to be an important one in the number of accolades which the Company received. Tractebel Energia featured for the first time in the ranking of *Você S.A.* and *Exame* magazines and was elected one of the best 150 companies to work for in Brazil. The account statements and the relationship with investors were once more recognized for their outstanding transparency and quality. And for the seventh consecutive time, the Company was included in BM&FBovespa's ISE – Corporate Sustainability Index.

Among the challenges facing the Brazilian electricity sector in 2012, the renewal of concession contracts which are to expire in the next few years is a question which demands responsibility. Clarification of this process that takes into account the need for expansion and equilibrium over the long term is of prime importance. Also critical is the need to ensure responsible competition in auctions of new projects conducive to the sustainability of the electricity sector, principally in its economic dimension, without adversely affecting the social and environmental dimensions.

The New Year will bring many opportunities. Brazil has a plenitude of hydraulic resources and has unquestionable experience in the implementation and operation of hydroelectric projects. The hydraulic base of its energy matrix permits incomparable operational flexibility through the use of renewable sources. This fact prompts us to recommend that consideration again be given to implementing plants with reservoirs as a complement to the run-of-river installations, a move which would reduce the need to dispatch energy from fossil fuel-fired plants. The wide-spread availability of biomass, wind and sunlight and the complementary nature that these similarly renewable resources represent for hydroelectricity are also privileges which Brazil enjoys. Events such as Rio+20 and the World Water Forum, both of which to be held in 2012, are opportunities for Brazil to explore these themes and show that it can plan, implement and operate its energy matrix in a sustainable manner.

From the specific point of view of Tractebel Energia, it is our intention to expand our generating complex in large part through the use of these sources. The Company has a diversified and complementary nature which is similar to that of Brazil as a whole and this also allows us to innovate in our commercial strategy. Our plans include the enlargement of our client portfolio as well as ramping up our trading activities.

The year brings two key challenges in the implementation of projects which are already integral to the Company's portfolio. One is the conclusion of new wind farms in the states of Piauí and Ceará with a total capacity of 145.4 MW. This project has brought with it an important innovation: the energy generated will be offered to the promising market of special clients – those where demand exceeds 500 kW. The other challenge involves the startup of all the generating units at the Estreito Hydroelectric Power Plant. Both projects enshrine initiatives for sustainable regional development additional to the commitments which the Company assumes under its licensing agreements.

In addition, three new cultural centers are to be installed with Tractebel Energia's support: one in Quedas do Iguaçu in the state of Paraná, where the Salto Osório Hydroelectric Power Plant is located, another at Alto Bela Vista in the state of Santa Catarina in the region of the Itá Hydroelectric Power Plant and the third in Capivari de Baixo, also in Santa Catarina. The latter is part of the Jorge Lacerda Environmental Park, which has an area of 50 hectares and in addition to the cultural center, includes cycle paths, walking trails, a museum and an acoustic shell, among other leisure, cultural and environmental education attractions for the region.

As is the case every year, we would like to make a point of sharing our success in 2011 with our stakeholders. We conclude by expressing our optimism in our ability to overcome the challenges and the commitment to ensuring that 2012 will be one more year of success for Tractebel Energia.

Manoel Arlindo Zaroni Torres	**Maurício Stolle Bähr**
Chief Executive Officer	Chairman of the Board of Directors

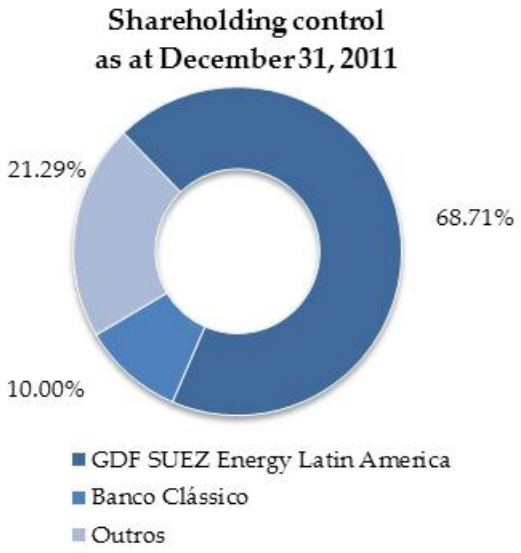
1_ Institutional Profile

Tractebel Energia operates in the generation and commercialization of electric energy through the installation and operation of power plants and is the largest private sector generating company in Brazil.

With its headquarters in Florianópolis, State of Santa Catarina, and operations in the sector since 1998, the Company has a capital stock of R$ 2,445.8 million, made up of 652,742,192 common shares which trade regularly on the Novo Mercado of BM&FBovespa S.A. – Securities, Commodities and Futures Exchange under the TBLE3 symbol.

The Company has a Level I ADR (American Depositary Receipts) Program, trading on the United States over-the-counter market under the TBLEY symbol at the ratio of one ADR for each common share.

The Company is controlled by GDF SUEZ Energy Latin America Participações Ltda. (GSELA), a company in turn indirectly controlled by International Power - GDF SUEZ, which holds 68.7% of the shares. The latter is controlled by the Franco-Belgian group, GDF SUEZ, one of the world leaders in energy, water and waste management. In the electricity sector, the group has a participation in assets which total 114.5 GW of installed capacity, being the largest independent energy producer in the world. It operates along the entire energy value chain in electricity and natural gas, both in exploration and production as well as transportation, distribution and commercialization.



1.1_Generating Complex

Tractebel Energia's generating complex is made up of 22 plants located in 12 states in the five regions of the country. Once all the generating units of the Estreito Hydroelectric Power Plant (Estreito HPP) come on stream, the Company will have a proprietary installed capacity of 6,908 MW. At the end of 2011, four of the eight generating units of the Estreito HPP had gone into operation and the complete motorization of the plant is scheduled to take place before the end of 2012. All the plants in the generating complex are operated by Tractebel Energia, the Company having full control of 18 with a participation in the operation via consortium in four others – the hydroelectric plants of Itá, Machadinho and Estreito, and the biomass-fired plant of Ibitiúva Bioenergética, representing a total installed capacity of 8,630 MW.

Generating complex and installed capacity of Tractebel Energia in 2011

Plant	Type	Location	Installed Capacity (MW)
Salto Santiago	Hydroelectric	Rio Iguaçu (PR)	1,420.0
Itá *	Hydroelectric	Rio Uruguai (SC and RS)	1,126.9
Salto Osório	Hydroelectric	Rio Iguaçu (PR)	1,078.0
Cana Brava	Hydroelectric	Rio Tocantins (GO)	450.0
Estreito *	Hydroelectric	Rio Tocantins (TO/MA)	435.6
Machadinho *	Hydroelectric	Rio Uruguai (SC e RS)	403.9
São Salvador	Hydroelectric	Rio Tocantins (TO)	243.2
Passo Fundo	Hydroelectric	Rio Passo Fundo (RS)	226.0
Ponte de Pedra	Hydroelectric	Rio Correntes (MT)	176.1
Total from hydroelectric sources			**5,559.7**
Jorge Lacerda Thermoelectric Complex **	Thermoelectric	Capivari de Baixo (SC)	857.0
William Arjona	Thermoelectric	Campo Grande (MS)	190.0
Charqueadas	Thermoelectric	Charqueadas (RS)	72.0
Alegrete	Thermoelectric	Alegrete (RS)	66.0
Total from thermoelectric sources			**1,185.0**
Lages	Biomass	Lages (SC)	28.0
Rondonópolis	SHP	Ribeirão Ponte de Pedra (MT)	26.6
Beberibe	Wind	Beberibe (CE)	25.6
José Gelazio da Rocha	SHP	Ribeirão Ponte de Pedra (MT)	23.7
Ibitiúva Bioenergética *	Biomass	Pitangueiras (SP)	21.2
Areia Branca	SHP	Rio Manhuaçu (MG)	19.8
Pedra do Sal	Wind	Parnaíba (PI)	18.0
Total from complementary sources			**162.9**
Total			**6,907.6**

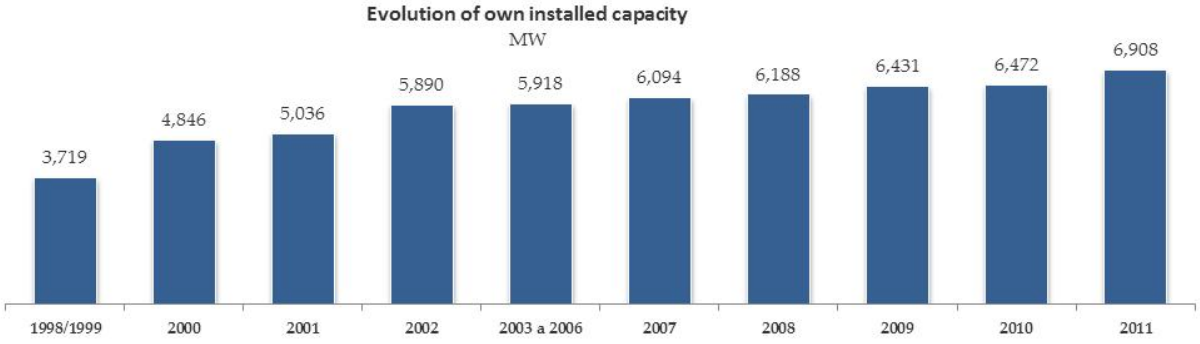
(*) Share of Tractebel Energia.

(**) Thermoelectric Complex made up of 3 plants.

1.2_Expansion of the Generating Complex

During 2011, four generating units of the Estreito Hydroelectric Power Plant came on stream. Estreito HPP is one of the largest generation projects in Brazil and is located on the boundary of the municipalities of Estreito (MA), Palmeiras do Tocantins (TO) and Aguiarnópolis (TO).

The Plant's installed capacity at the end of 2011 therefore reached 543.5 MW, 217.8 MW representing Tractebel Energia's stake in the consortium which operates the plant. The four remaining generating units are scheduled to begin operations before the end of 2012, increasing the total installed capacity of the plant to 1,087 MW, and ramping up the Company's overall proprietary capacity to 6,908 MW.

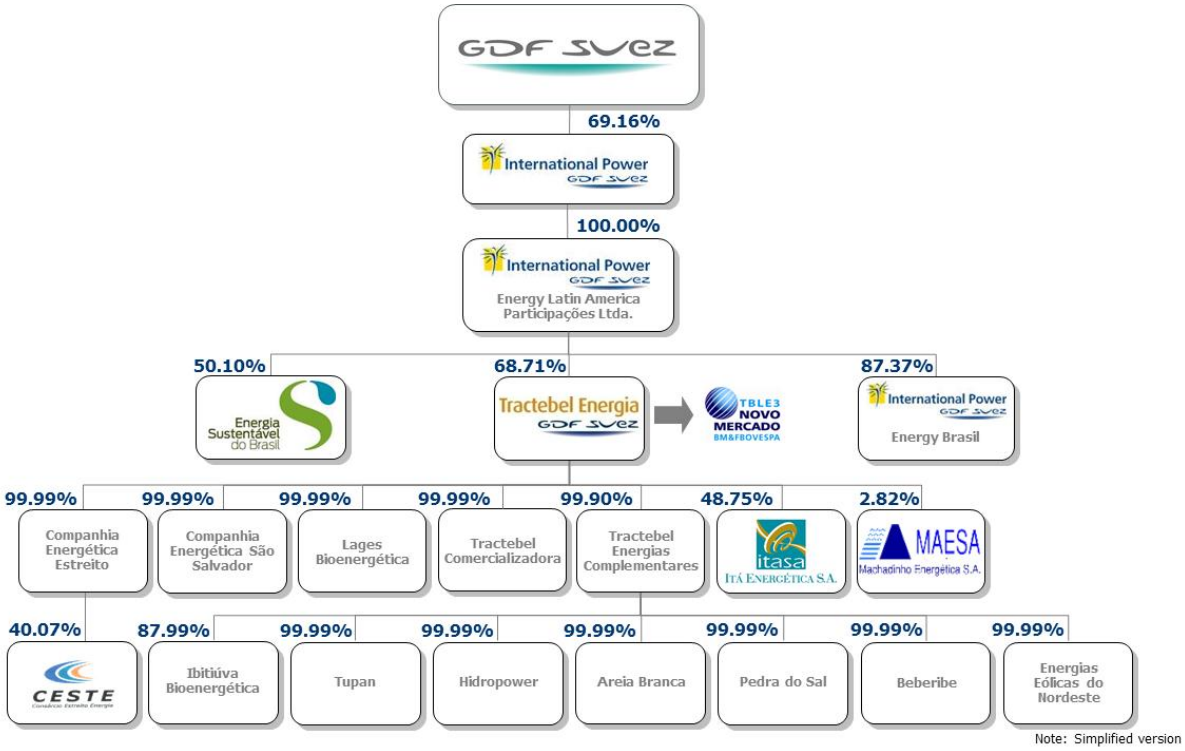


2_Corporate Structure

Tractebel Energia has direct control of the following companies: Companhia Energética Estreito, Companhia Energética São Salvador, Lages Bioenergética Ltda., Tractebel Energias Complementares Participações Ltda., and Tractebel Energia Comercializadora Ltda., the latter intermediating and operating purchases, sales, imports and exports of electricity in the free trading market.

The Company also holds the following stakes: (i) 2.82% in Machadinho Energética S.A. (Maesa) and 19.28% in the Machadinho Consortium, both responsible for operating the Machadinho Hydroelectric Plant; (ii) 40.07% in the Estreito Energia Consortium (Ceste), through the stake held by Companhia Energética Estreito, responsible for operating Estreito HPP; (iii) 72.90% in the Andrade Consortium, responsible for operating Ibitiúva Bioenergética Thermoelectric Power Plant through the indirectly controlled company, Ibitiúva Bioenergética S.A., in which Tractebel Energias Complementares Participações Ltda. holds 87.99% in the capital stock.

Simplified Corporate Organization Chart as at 12/31/2011



In addition, with a stake of 48.75%, Tractebel Energia has joint control of Itá Energética S.A. (Itasa), a company which owns the concession through a consortium with Tractebel Energia itself for operating the Itá Hydroelectric Power Plant and which in turn has 60.50% of the Itá Consortium, responsible for the construction of the project. Together with the direct stake of 39.50% which it has in the Consortium, the Company holds 68.99% of Itá Hydroelectric Power Plant. The shared control of Itasa is governed by a shareholders' agreement and, as set out in the Constitution of the Consortium Agreement, decisions of common interest to the Itá Consortium are taken by a management committee of four members, two of whom are representatives of Tractebel Energia.

3_Macroeconomic Environment

Brazilian macroeconomic indicators were strongly impacted by the worsening in the Eurozone financial crisis in 2011. After the recovery in growth in 2010, the global market scenario again caused expansion in the Brazilian economy to slow in 2011.

According to the Central Bank of Brazil's (BC) Focus report published in the first week of 2012, growth in Gross Domestic Product (GDP) is expected to be 2.9% in 2011, a sharp decline of 4.6 percentage points compared with the 7.5% reported for the preceding year.

During the period, besides the prospects for a worsening macroeconomic scenario due to turbulence in the international market, plentiful supplies of credit and low levels of unemployment in Brazil at the end of 2010 fueled inflation, reflected in higher prices during the course of 2011.

Inflation, as measured by the Amplified Consumer Price Index (IPCA), surpassed the Government's ceiling of 4.5%, to reach an annual rate of 6.5% according to data published by the Government Statistics Office (IBGE), 0.6 of a percentage point above the rate recorded for 2010 of 5.9%.

This scenario was also critical in dictating the Selic basic rate of interest, which at the close of 2011 stood at 11.0%, following consecutive cuts on the part of the Federal authorities in an effort to stimulate the economy in the face of the international crisis. Thus, the closing basic interest rate in 2011 remained largely unchanged from that of 10.75% at the end of 2010.

Despite a decline in growth rates, the Brazilian economy continued intrinsically strong, intensifying the inflow of dollars during the year, the country recording a positive influx of US$ 65.27 billion according to BC data. This result was approximately 170.0% higher than in 2010 and the second highest currency inflow ever recorded - only exceeded by the positive result of US$ 87.45 million in 2007.

However, despite the dollar recording its lowest level against the Real since 1999, in July 2011, the increase in international risk aversion in the second half of the year saw a sharp revaluation of the currency, rates closing the year at R$ 1.8758, an appreciation of 12.6%. This same risk aversion due to the European and North American crisis was instrumental in driving down the Bovespa Stock Index (Ibovespa) by 18.1% during the year, after remaining largely stable with a slight appreciation of 1.0% in 2010.

4_Electric Energy Consumption

Brazilian electric energy consumption in 2011 increased 3.6% according to the Energy Research Company (Empresa de Pesquisa Energética -EPE) from 415.2 thousand GWh in the grid in 2010 to 430.1 thousand GWh in 2011. This represents the highest load ever demanded from the Brazilian National Interconnected System (SIN).

This trend was common to all consumer classes, growth in the commercial sector being 6.3%, in the residential and industrial classes, 4.6% and 2.3%, respectively and in other sectors, 2.4%.

During the year, all regions of the country recorded an increase in consumption compared with 2010, the Southeast growing by 3.5%, the Northeast by 0.8%, the North by 5.4%, the South by 4.2% while the Midwest reported the strongest demand, rising by 8.3%, driven by startups in the mining industry and to a lesser extent, recovery in cold storage plant activities.

5_Operational Performance

5.1_ Uptime

In 2011, the plants operated by Tractebel Energia reached the level of 98.3% of uptime operating, excluding scheduled stoppages, and breaking down as follows: 98.6% for hydro generation, 97.2% for thermal generation and 93.4% considering the complementary plants, namely SHPs, wind farms and biomass-fired thermal plants. If all stoppages are taken into consideration then total uptime was 92.6%, being 93.7% for the hydro plants, 87.8% for the thermoelectric plants and 85.8% for the complementary operations.

In 2011, Tractebel Energia again broke its record for instantaneous generation at the plants it operates – this precisely at 13:40 on November 11th with 7,951 MW, equivalent to a capacity factor of 91.8%.

5.2_Production

In 2011, total electricity production reached 45,023 GWh (5,140 average MW), 40,718 GWh (4.648 average MW) from hydro plants, 3,701 GWh (422 average MW) from thermoelectric plants and 604 GWh (69 average MW) from the complementary plants. Compared with 2010, there was an increase in total generation of nearly 5%, a new annual generation record for the Company. This is in large part attributable to favorable rainfall during the period and the entry into operation of generating units at Estreito HPP. The increase in generation at the hydro plants was 9.9% and at the complementary plants, 16.6%, while there was a reduction of 31.7% at the thermal plants.

It is worth noting that the increase in hydro generation does not necessarily result in an improvement in the Company's economic and financial performance. Likewise, the reduction in this type of generation does not as such imply deterioration in economic and financial performance. This characteristic reflects the use of the Energy Reallocation Mechanism (MRE), which dilutes the risks of hydroelectric generation among its participants.

As to the Company's thermal operations, the increase in generation of this nature mitigates exposure to the spot price (PLD), the opposite also being true, all other variables being equal.

5.3_Clients

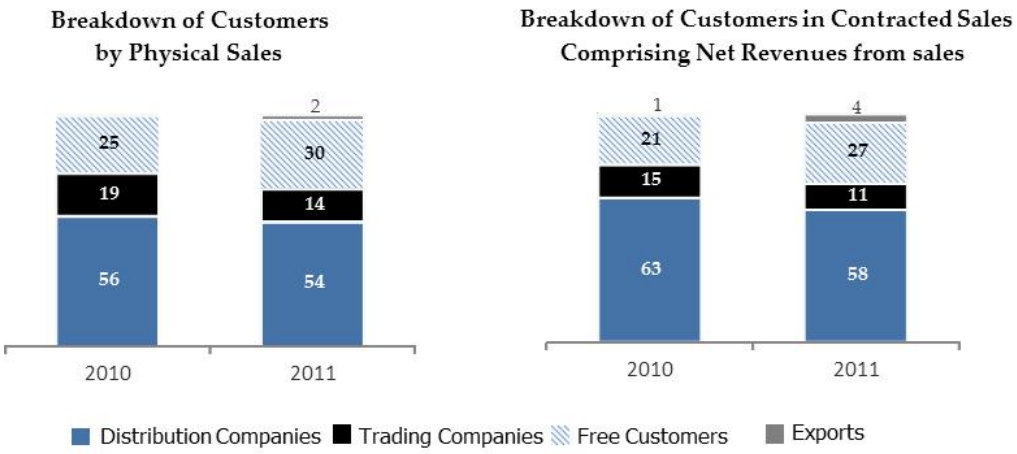
Tractebel Energia's strategy is to maintain an efficient portfolio of clients based on three key actions: diversification of the portfolio; flexibility in negotiation and contracting; enhancing client loyalty.

With the principal objective being dilution of risk, the Company diversifies its portfolio across different markets – regulated (distributors), free (clients with energy demand above 3.0 MW which releases them from the obligation of purchasing from the distributors) and special clients (with demand above 0.5 MW). Among this type of client, Tractebel Energia services different segments of the free market (the chemicals, automobile and pulp and paper industries and others) and in the area of special clients (supermarkets, hospitals and others).

The Company maintains a close relationship with these clients and adopts an active policy of enhancing loyalty, allowing it to adjust energy purchases to the production process of each consumer. This enables it to meet the specific demands of each client with flexibility in negotiations and contracting. Additionally, one of the services within the scope of this policy is energy efficiency diagnosis for guaranteeing the maximum efficiency in energy usage of selected clients. This is instrumental in the Company reaching an outstanding relationship with its clients, at the same time optimizing volumes of energy made available for sale.

These strategic pillars on which client management is based give the Company greater predictability in its long-term cash flow, the objective being to obtain a greater percentage of the consumer market through the conclusion of agreements both in the regulated contracting environment as well as in the free market.

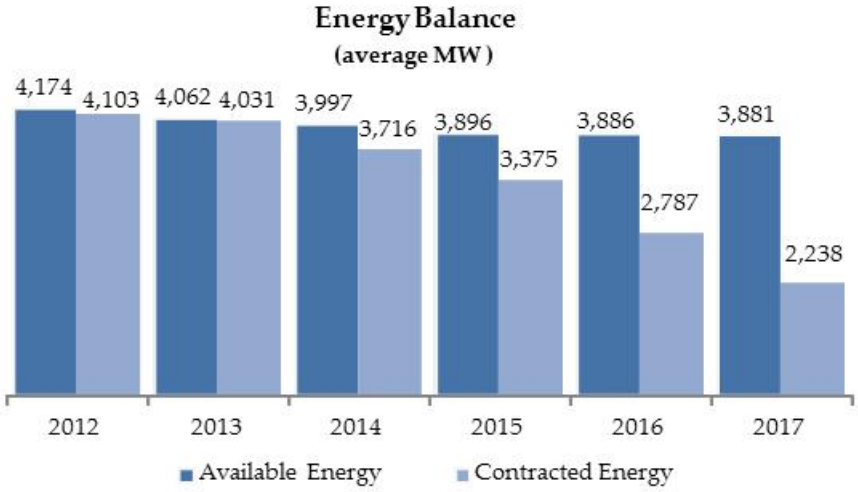
In 2011, free consumers in the Company's portfolio accounted for 29.8% of physical sales and 26.7% of net operating revenues, representing increases of 4.8 p.p. and 5.3 p.p., respectively, compared with 2010.



5.4_ Energy Balance

The Company adopts a commercialization strategy which entails the gradual sale of energy, available over a five year period, for a given year in such a way as to spread the risk of being exposed to the spot prices (PLD) for that year. Sales are made when windows of opportunity appear and the market shows a greater propensity to purchase.

Based on data for proprietary commercial capacity and purchase agreements in force on December 31, 2011, Tractebel Energia's energy balance shows that the Company's current energy output, including energy acquired from third parties, is almost entirely contracted through to 2013.



6_ Economic and Financial Performance

6.1_ Revenues

Net Operating Revenue

In 2011, net operating revenue was R$ 4,327.0 million, 5.5%, or R$ 226.5 million, higher than the R$ 4,100.4 million recorded in 2010. This essentially reflected the combination of factors as follows: (i) growth of R$ 330.7 million due to an increase in average sales price as well as an increase of R$ 123.0 million in energy exports to Argentina and Uruguay; (ii) increase of R$ 86.6 million as a result of the startup of operations at Estreito HPP; (iii) decline of R$ 171.9 million due to the reduction in transactions conducted through the Energy Trading Board (CCEE); and (iv) reduction of R$ 146.0 million due to reduced sales volume and related to a decline in energy purchased for resale.

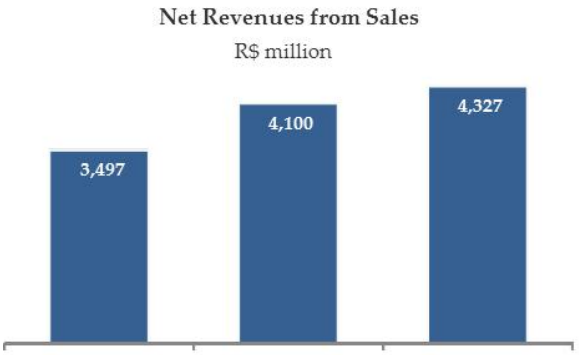
- **Net average sale price**

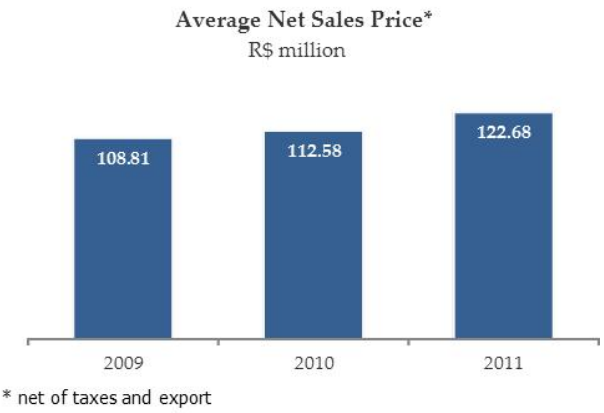
The average energy sale price excluding taxes and exports during 2011 was R$ 122.68/MWh, an increase of 9.0% in relation to R$ 112.58/MWh in 2010.

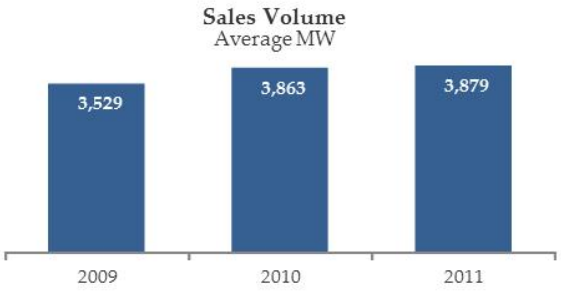
Price increases reflect the application of monetary restatement on existing contracts as well as the higher prices practiced for new sales contracts with free consumers and energy traders.

- **Sales volume**

In 2011, sales volume reached 33,984 GWh (3,879 average MW), 0.4% greater than the 33,838 GWh (3,863 average MW) sold in the preceding year. Ignoring energy exports, which jumped from 135 GWh (15 average MW) in 2010 to 824 GWh (94 average MW) in 2011, there would have been a year-on-year reduction in sales volume of 1.6%. This decline reflects the association of the following factors: (i) reduction of 751 GWh (86 average MW) in the wholesale supply of energy to distributors, reflecting (i.i) the expiring of bilateral agreements signed prior to the auctions in the Regulated Contracting Environment (ACR); (i.ii) the beginning of wholesale supplies in the ACR of energy from São Salvador Hydroelectric Power Plant (São Salvador HPP); and (i.iii) higher energy demand for existing contracts; (ii) decrease of 1,470 GWh (168 average MW) in sales to trading companies; and (iii) increase of 1,678 GWh (192 average MW) in volumes sold to free consumers.







Comments on changes in net operating revenue by account type

a) Wholesale market for electric energy

Revenue from the wholesale market for energy – resulting from sales to distributors and traders - reached R$ 2,941.1 million in 2011, 1.3% below the R$ 2,980.1 million recorded in 2010. This decline reflects the following principal factors: (i) a reduction of 751 GWh (86 average MW) in sales volume to distributors, equivalent to R$ 98.8 million, due to the combination of the expiry of contracts signed prior to the auctions in the ACR, the initiation of supplies in the ACR from São Salvador HPP and the growth in energy sales; (ii) a decrease of 1,470 GWh (168 average MW) in the amount sold to traders corresponding to R$ 138.0 million, essentially a reflection of the non-renewal of expired contracts; and (iii) growth of R$ 136.7 million and R$ 61.2 million, due to the increase of 5.7% and 12.5% of average net sales prices to distributors and traders respectively, subsequent to price readjustments in line with inflation indices and sales at higher prices than previously practiced.

b) Retail market for electric energy

Revenue from the retail market in electric energy – that is revenue originating from sales to free consumers - rose 38.0% increasing from R$ 816.7 million in 2010 to R$ 1,126.9 million in 2011. This expansion is due to the following: (i) an increase of R$ 135.7 million reflecting a 15.1% average net sale price rise; and (ii) additional sales of 1,678 GWh (192 average MW), equivalent to a R$ 174.5 million, the result of new sales contracts and rising consumption of industrial clients, thus absorbing part of the energy freed up from expiring contracts with distributors and traders as already discussed under the item "Wholesale market for electric energy".

c) Transactions channeled through the CCEE

In 2011, net operating income from transactions conducted through the CCEE was R$ 88.0 million, a reduction of R$ 171.9 million in relation to the R$ 259.9 million recorded in 2010.

Further explanations on these operations and changes can be found below under "Details of CCEE operations".

d) Exports of electric energy

Exports of energy to Argentina and Uruguay in 2011 reached R$ 153.1 million, an increase of R$ 123.0 million in relation to 2010 when total company exports were R$ 30.1 million. It is worth noting that export volumes from each plant in the Brazilian Electricity System is established by the National Electric System Operator (ONS) based on availability and the declared lowest costs of the plants.

6.2_ Costs of Electric Energy Sales and Services

In 2011, the costs of energy sales and services amounted to R$ 1,860.6 million, 1.4% or R$ 27.5 million less than the R$ 1,888.1 million registered in 2010. This variation reflects the following principal components:

a) **Electric energy bought for resale:** decline of R$ R$ 202.2 million, or 1,883 GWh (215 average MW) in 2011 when compared with 2010 due to the expiry in power purchasing agreements and smaller volume of new agreements. Average prices remained practically stable between comparative years. The reduction in purchase volume was partially offset by the startup in commercial operations at Estreito HPP which resulted in additional annual energy for sale of 676 GWh (115 average MW).

b) **Transactions channeled through the CCEE:** costs rose year-on-year for these transactions by R$ 16.1 million. Greater details are to be found in a specific item below.

c) **Fuels for the production of electric energy:** on a comparative basis for the years 2011 and 2010, these costs increased R$ 47.7 million, principally the result of a combination of factors as follows: (i) an increase of R$ 77.6 million in the cost of thermal coal used in the generation of electricity for export; (ii) a decline of R$ 28.6 million in natural gas costs reflecting the reduction in dispatch from the William Arjona Thermoelectric Power Plant in 2011 for serving the energy needs of the national grid; and (iii) a decline in the consumption of biomass of R$ 2.4 million for generation at the Lages Cogeneration Plant.

d) **Charges for use of and connection to the electricity grid:** increase of R$ 18.1 million in 2011 compared with the preceding year due to the readjustment in the Tariff for Use of the Transmission System (TUST), a reflection of the transmission companies' price review as well as the initial collection of TUST following the startup of commercial activities at Estreito HPP.

e) **Financial compensation for use of water resources:** growth of R$ 25.7 million between 2011 and 2010, the result of the increase in hydroelectric generation, higher annual tariffs and the collection of this charge on generated energy following startup in operations at Estreito HPP.

f) **Personnel:** increase of R$ 12.1 million year-on-year, largely due to the annual salary increase for employees and to a lesser degree, expansion in the payroll in line with growth in the Company's business.

g) **Material and outsourced services:** a year-on-year increase of R$ 12.8 million mainly due to higher demand for maintenance and conservation services at the generating units and to a lesser extent, environmental and engineering consultancy services required by the generators.

h) **Depreciation and amortization:** an increase of R$ 39.5 million compared with 2010, principally due to the beginning of commercial operations at Estreito HPP and the conclusion of modernization work at certain plants.

6.3_ Details of CCEE Operations

The various monthly credit or debit entries to the account of a member of the CCEE are summarized in a single billing as a receivable or a payable. This therefore requires an entry to either an income or an expense account. In this context it is worth pointing out that due to adaptations to commercialization strategy, there have been changes in billing profile in the past few years. Such fluctuations complicate the direct comparison of the elements comprising each billing in the two years under review – the reason for including the present topic. This topic will allow the analysis of 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 expense 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, exposure (a long or short position in the monthly accounts) which in turn will be settled at the spot price (PLD).

In 2011, the Company reported a positive net operating result of R$ 66.0 million against R$ 253.9 million in 2010, thus, a decrease of R$ 187.9 million between the years under review.

The decline in the year-on-year net positive result is due principally to a combination of the following key factors: (i) growth in the short position with the CCEE due largely to the increase in thermoelectric exposure, the result of the lower demand from the grid for this source of energy, partially offset (ii) by the greater volume of secondary energy – hydro generation in excess of the average assured energy for the system; and (iii) by growth in revenue in the MRE due to larger volumes of hydroelectricity generation.

The impacts mentioned in items (i) and (ii) were attenuated by the reduction in average spot prices for the South and Southeast/Midwest. The latter recorded averages of R$ 69.99/MWh in 2010 and R$ 29.55/MWh in 2011.

6.4_ General and Administrative Expenses

In 2011, general and administrative expenses were R$ 157.1 million, a decrease of R$ 2.8 million, or 1.8% in relation to the R$ 159.9 million in 2010. This variation is due principally to a reversion in provisions of R$ 7.3 million for consultancy services which will not be collected by a service provider, together with growth in personnel and material expenses in the amount of R$ 4.8 million.

6.5_Court Action found in favor of the Company

In 2010, the Company recognized non-recurring revenue of R$ 45.8 million due to a court action - ruled in its favor and for which there is no appeal - on the right to calculate PIS and Cofins using the cumulative methodology on revenue arising from contracts signed prior to the change in the legislation, to the non-cumulative methodology.

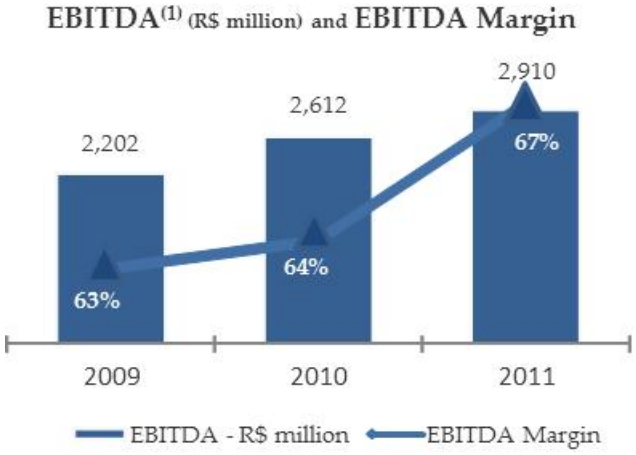
In 2011, the Company recognized the complement to the aforementioned court action in the amount of R$ 8.8 million.

6.6_ Reversal of Operational Provisions, Net

For the full year 2011, the increase in the reversal of provisions, net of fresh allowances, was R$ 30.5 million, the consequence of a combination of the following: (i) reversal during the year of R$ 18.4 million due to a court decision ruled in favor of the Company in a lawsuit relating to the presupposed failure to collect social security charges on certain amounts in remuneration credited to employees, and revision of values relating to provisions for tax, administrative and social security risks; (ii) reversal of R$ 17.3 million in the light of the judicial agreement signed with part of the plaintiffs in an action for lifting the social security ceiling for the purposes of revision of retirement payments made by the private pension fund sponsored by the Company; (iii) reversal of R$ 11.6 million of an actuarial provision for payment of retirement benefits; (iv) complementary provision of R$ 5.8 million for an action relative to the settlement of transactions pending from the period when electricity was subject to rationing; (v) constitution of a provision for payments overdue of R$ 6.2 million on receivables from a trader excluded from the CCEE for reasons of delinquency.

6.7_ EBITDA and EBITDA Margin

Reflecting the impacts previously commented, EBITDA in 2011 reached R$ 2,909.7 million, 11.4% up on 2010, when this item was R$ 2,611.5 million. EBITDA margins in 2011 and 2010 were 67.2% and 63.7%, respectively.



The reconciliation of the operating result with EBITDA is shown in the table below:

EBITDA				
In thousands of Reais	**2009**	**2010**	**2011**	**Change 2011/2010**
Operating Result	1,537,207	1,721,310	2,034,788	18.2%
(+/-) Financial Result	239,789	428,842	373,810	(12.8%)
(+) Depreciation and Amortization	424,714	461,325	501,099	8.6%
EBITDA	**2,201,710**	**2,611,477**	**2,909,697**	**11.4%**

6.8_ Financial Result

Financial income: in 2011, financial income increased from R$ 130.6 million to R$ 133.7 million, an increase of R$ 3.1 million. The variation is due to a combination of the following: (i) recognition of interest of R$ 11.6 million, relative to the restatement of a PIS and Cofins credit originating from a court ruling found in favor of the Company; (ii) a decline of R$ 2.6 million in income from financial applications due to lower invested resources and the decline in interest rates; (iii) reduction of R$ 3.4 million in monetary restatement of outstandings held in court escrow accounts; and (iv) a fall in R$ 2.7 million in charges on accounts receivable.

Financial Expenses: during fiscal year 2011, expenses declined from R$ 559.5 million in 2010 to R$ 507.5 million in 2011, a difference of R$ 52.0 million. This decline is due to a combination of the following factors: (i) a decline of R$ 39.7 million in interest on debt due to amortizations and prepayments of debt partially substituted for loans at lesser rates of interest compared with those contracted previously; (ii) a decrease of R$ 28.9 million in monetary restatement on debt, a consequence of the repayment of debentures indexed to inflation indices as well as the reduction in the inflation indices themselves; (iii) reduction of R$ 6.4 million in charges on the Company's actuarial liabilities; (iv) an increase of R$ 33.3 million in expenses on foreign exchange variation on currency debt; and (v) growth of R$ 12.7 million in interest on concessions payable. In addition to these effects, in 2010, the Company recognized a non-recurring loss of R$ 20.2 million, due to a court ruling against the fiscal amnesty claimed by the Company for interest and fine on Social Contribution on Net Income outstandings, repayable in installments, the amount for which had not be provisioned, given that the Company had previously received decisions in its favor from lower instances.

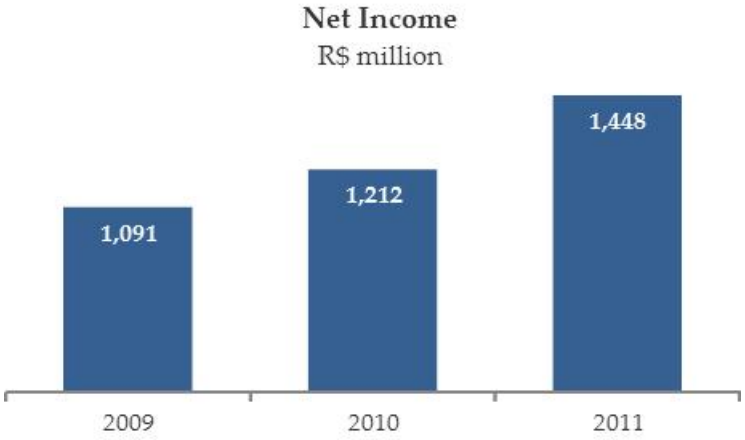
6.9_ Income Tax (IR) and Social Contribution (CSLL)

IR and CSLL expenses increased from R$ 509.7 million in 2010 to R$ 586.7 million in 2011, a growth of R$ 77.0 million, resulting in a substantial increase in pre-tax earnings, deducting the credit for interest on equity capital in the last quarters for each year.

6.10_Net Income

Net income in 2011 reached R$ 1,448.1 million, a R$ 236.5 million increase, or 19.5%, over net earnings for 2010 of R$ 1,211.6 million.

Increased profits essentially stem from the combination of the following principal factors already discussed in this report: (i) increase in the average net sale price; (ii) higher energy exports during the course of the year; (iii) positive results following the startup in commercial operations of Estreito HPP; (iv) a reduction in energy purchases for resale; (v) a decline in the positive result for transactions negotiated on the CCEE; (vi) non-recurring gain from a court action, (vii) an increase in reversions from operating provisions; (viii) decrease in net financial expenses; and (ix) lower IR and CSLL on profits due to the increase in the value of the credit for interest on equity capital.



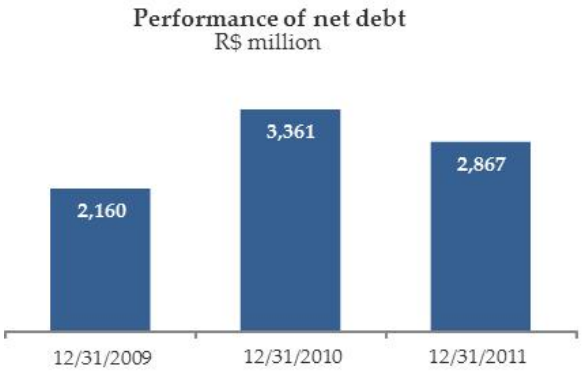
Of the net income recorded for the fiscal year, the Company is proposing to its shareholders that R$ 1,429.3 million be distributed in the form of dividends and interest on equity capital, equivalent to R$ 2.1897556102 per share or 100% of the adjusted net income available for distribution.

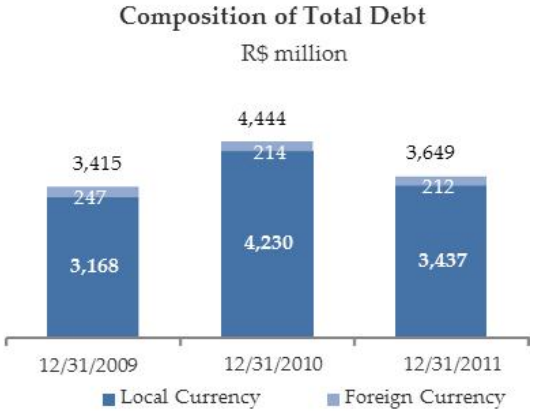
6.11_ Debt

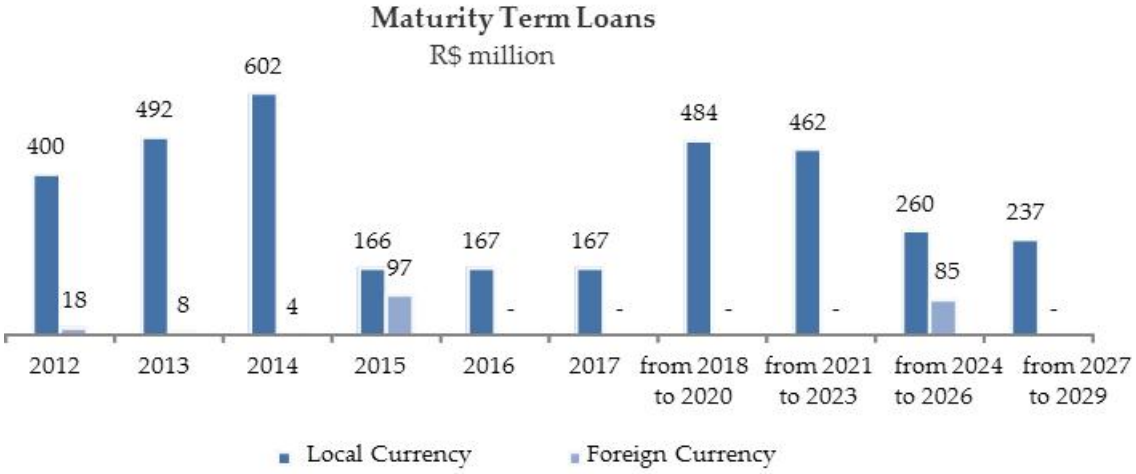
As of December 31, 2011, net debt (total debt less cash and cash equivalents) was R$ 2,867.4 million, 14.7% less than R$ 3,361.3 million registered on December 31, 2010.

Total gross consolidated debt represented principally by loans, debentures and financing totaled R$ 3,649.2 million, a decline of 17.9% on the outstanding position at December 31, 2010. Of the total debt at the end of the period, 5.8% was currency denominated (4.8% at the end of 2010). The Company has left this amount unhedged due to its long-term maturity profile.

The decline in the Company's debt is largely a reflection of the following events during the year 2011: (i) draw-downs from the National Economic and Social Development Bank - BNDES and its financial agents for the total aggregate amount of R$ 72.8 million for funding investments at Estreito HPP; (ii) the generation of R$ 388.6 million in debt service charges incurred to be paid together with monetary and currency restatement; (iii) funding of R$ 430.0 million in the form of a loan from Bank of America Merrill Lynch; (iv) amortization of debentures for R$ 1,322.1 million; and (v) payment of loans and financing totaling R$ 364.1 million.







7_Capital Expenditures

7.1_Maintenance, Modernization and Expansion of the Generating Complex

In 2011, Tractebel Energia proceeded with its plan for expanding the generating complex, investing a further R$ 203.2 million in the construction of new plants, R$ 154.3 million being allocated to Estreito HPP and the remaining R$ 48.9 million for five wind farms under construction in the Northeast region.

An additional R$ 116.8 million was spent on generating complex maintenance and modernization projects in order to maintain the high level of plant uptime.

Taking into consideration the value destined for construction and maintenance of the generating complex, the Company invested a total of R$ 320.0 million during the year. This amount does not take into account capitalization of interest during the construction phase of the new projects.

7.2_Research and Development

Since 1999, Tractebel Energia has operated a Research and Development (R&D) program as a means of seeking sustainable solutions that add value to its operations and of interacting with local teaching and research institutions and foundations for professional training, technological innovation and development in the regions where it operates. The program meets the requirements of the prevailing legislation and the National Electric Energy Regulator's (Aneel) resolutions, which lay down a mandatory minimum investment of 1% of the Company's net operating revenue.

With the Program, Tractebel Energia aims for continual technological upgrading in its generating complex and information systems. In this way it is able to promote social development, minimize environmental impacts and make the use of new sources of generation of renewable energy a practical possibility.

In 2011, Tractebel Energia invested R$ 34.9 million in the R&D Program, allocating R$ 6.4 million to the Ministry of Mines and Energy (MME), to the funding of the Energy Research Company's (EPE) overheads, R$ 12.7 million to the National Scientific and Technological Development Fund (FNDCT) and a further R$ 15.8 million invested directly in R&D projects selected and managed by the Company, principally in the areas of renewable energy sources and the minimization of environmental impacts.

The Company's website, www.tractebelenergia.com.br should be accessed for more information on the R&D Program, pertinent legislation, projects concluded and in progress, awards received, among others.

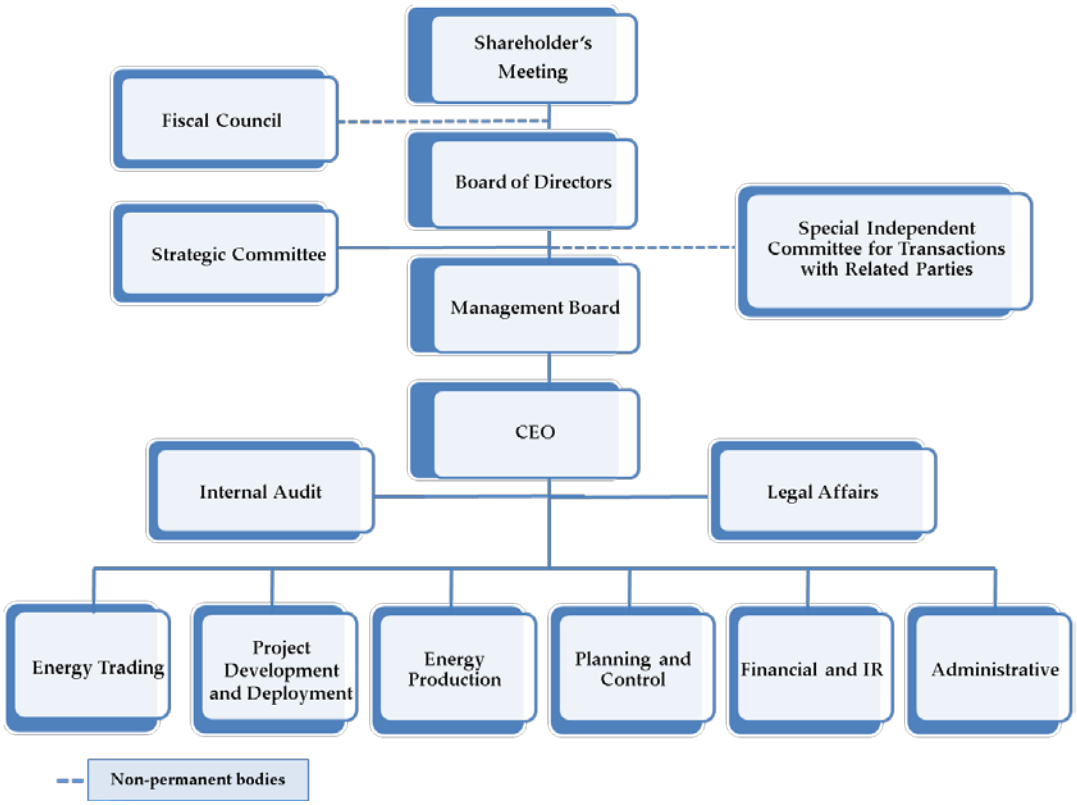
8_Corporate Governance

Tractebel Energia manages its businesses in accordance with best corporate governance practices and business sustainability with transparency and is permanently committed to a process of accountability to all its stakeholders.

In line with this management profile, the Company's shares are listed on BM&FBovespa's Novo Mercado, a segment comprising the shares of companies adopting additional corporate governance practices that go beyond those required by Brazilian legislation.

8.1_ Management

The Company's management is made up of various bodies with shared and complementary responsibilities, the objective being to give consistency and representativeness to decision making, thereby creating value for all its stakeholders.



Board of Directors

- 9 effective members (9 alternates), of which 2 are independent and 1 an employees' representative
- A 2-year mandate, reelection permitted
- Current Board members elected with a mandate to 2012

Management Board

- 7 members elected by the Board of Directors
- A 3-year mandate, reelection permitted
- 6 members of the Management Board were reelected in 2010 and 1 in 2011

Fiscal Council

- A non-permanent body, installation being at the behest of the shareholders
- Made up of 3 members, but if necessary up to a maximum of 5, 1 being appointed by the minority shareholders
- One-year mandate
- Current members elected in April 2011

Tractebel Energia has eight management committees related to specific areas of the business. The committees examine certain themes which are pertinent to the development of all areas of the business and the management of the Company. These bodies are made up of members from different teams, being the Special Independent Committee for Transactions with Related Parties – instituted in 2010 for improving transparency and meeting capital market demands - and committees for Energy, Risk Management, Finance, Tax Planning, Ethics, Innovation, Sustainability and Strategy, the latter manned exclusively by members of the Board of Directors.

8.2_Controls

The Company has implemented an Internal Controls System in compliance with the Sarbanes-Oxley Act (SOX), which has become a world standard for reliable auditing and security mechanisms for assuring the veracity of the content of financial reports of publicly held companies. Since the merger of the assets of International Power and GDF SUEZ, improvements in controls have been introduced to this system which is annually tested and certified by Management and has its results and legal conformity verified by outside auditors.

8.3_ Shareholders' Rights

Each one of the Company's shares entitles the holder to:

- vote in ordinary and extraordinary general meetings and to make recommendations and provide guidance to the Board of Directors in the decision making process;
- receive dividends and to participate in the distribution of profits and other distributions to shareholders (preemptive rights in the subscription of shares, debentures convertible into shares or subscription bonds);
- inspect the Company's management pursuant to the Bylaws and exercise right of withdrawal from the Company in the light of events permitted in the Corporate Law;
- in line with Novo Mercado listing regulations, receive at least 100% of the price paid for a common share pertaining to the controlling block in the event of a public offering of shares following the decision to sell a controlling stake in the Company.

Additionally, the Company is bound to settle disputes through the Market Arbitration Panel, pursuant to a commitment clause in its Corporate Bylaws.

8.4_Disclosure Policy

Tractebel Energia has implemented a disclosure policy which meets the rules on transparency and the requirements of the financial market regulators such as the Central Bank, the Brazilian Securities and Exchange Commission (CVM) and BM&FBovespa. The Company discloses material facts in line with CVM Instruction 358/02 which requires the release of corporate data on its businesses to be made public to investors in sufficient time to allow investment decisions to be made.

Disclosure of quarterly and annual results, announcements to the market, earnings releases, Company policies and practices, and other institutional information are all to be found in the Investor Relations' website. Financial statements are published annually in mass circulation newspapers and can be accessed through the website.

8.5_Ethics

In 2011, the Company updated and re-launched its Code of Ethics, reiterating its values and making explicit that "Ethics is the core of our activities and should be seen in conjunction with our vision for sustainable development". The Code is integral to the agreements signed by Tractebel Energia and is given to all employees who receive a copy of the Code of Ethics in its complete version as well as a folder with the Ethical Practices Guide.

This guide orientates the reader as to his conduct when faced with an ethical dilemma, suggesting principles to be observed in taking a decision.

During 2011, representatives of the Company's Ethics Committee delivered talks on the theme at the head offices and at the plants introducing the updated version of the Code of Ethics, which can also be accessed on the Intranet and in the Tractebel Energia's website.

8.6_ Board of Directors Internal Charter

Since 2007, Tractebel Energia has in place an Internal Charter of the Board of Directors designed to ensure the efficacy of the contribution of each Director in line with the standards of values, ethics and integrity which is expected of each one. The document is available in the Company's website.

9_Capital Markets

Tractebel Energia's common 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 the Electric Energy Stock Index (IEE). Since the index's inception in 2006, the Company's shares have been selected for the seventh consecutive year to comprise the Corporate Sustainability Index (ISE). This index is made up of shares of companies committed to the best practices of sustainability based on all dimensions: economic, socio-environmental and corporate governance.

The Company's Level I ADRs are traded on the United States over-the-counter market (OTC) under the TBLEY symbol with a ratio of one ADR to one common share.

In the light of the worsening crisis in the European Union and the global economic scenario during the period, the Bovespa Stock Index (Ibovespa) fell sharply during 2011 closing the year 18.1% down at 56,754 points, principally due to risk aversion on the part of the majority of investors.

On the Brazilian stock market, energy shares proved to be the best performers: the Electric Energy Stock Index (IEE) appreciated 19.7%, while securities in the real estate sector were marked down heavily.

For 2011 overall, TBLE3 reported a gain of 16.2%, taking into account the distribution of profits, closing the year quoted at R$ 29.96, giving Tractebel Energia a market value of R$ 19.6 billion.



9.1_Investor Relations

Tractebel Energia seeks to maintain a solid and close relationship with its current and potential investors based on the principles of transparency, objectivity and availability. In addition to a continual flow of published information on relevant events and its quarterly results, the Company also maintains different channels of communication, a specific department and an area for this audience in the corporate website, permitting it to keep abreast of the demands and expectations of investors and thus to better serve them.

The Investor Relations Department is responsible for responding to requests of shareholders and investors – actual and potential – and 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 Energia program. In 2011, the event was held for the first time at a plant under construction, Estreito HPP, with the largest participation since the program's inception – 59 capital market professionals.

The Investor Relations area is also a constant presence at conferences and seminars run by the leading investment banks and brokerage houses, thus promoting the investing public's access to Company information. Contact channels with investors and market analysts can be made through the investor relations' website, by calling the department (telephone +55 48 3221-7221) and via one-on-one meetings.

10_Human Resources

Tractebel Energia's human resource management is based on policies and guidelines involving three pillars: (i) recognition and motivation; (ii) development; and (iii) health and well-being.

These pillars form a base for the identification, hiring and retention of talents, as well as a guarantee for the maintenance of a good organizational climate, opportunities for development, promotion of occupational health and safety as well as compensation and benefits in line with best market practices.

Given the size Tractebel Energia has reached and its growth prospects, the Company has moved to new head offices, which like the previous ones, are in Florianópolis. Modern and equipped with more technology, the new head office adheres to the principles of sustainable construction, rationalizing the use of natural resources.

At the end of 2011, Tractebel Energia had a payroll of 1,084, during the year hiring 108 and terminating the labor contracts of 57. Of the total workforce, 945 are men and 139 women, 38.7% with a college education and 46.5 % with technical secondary school diplomas.

10.1_Development

The Company runs several training programs, courses and lectures to ensure the professional development of its employees for fostering the implementation of the business strategies over the medium and long-term and to ensure that its workforce is technically current and qualified. About R$ 3.3 million were invested in 2011 in an average of 74.2 hours of training and development per employee, corresponding to a total of 10,732 hours of technical courses, 30,196 hours in occupational health and safety, 2,900 hours of language courses and a further 36,617 in different types of training such as behavioral, ethics, human rights, leadership and communication.

Every two years, Tractebel Energia conducts an organizational climate survey to assess the performance of its human resources management and to strengthen the relationship of trust between the employees and the Company. The most recent survey in 2009 showed a satisfaction rating with the working environment of 70%, an increase of 4 p.p. in relation to the preceding survey and 10 p.p. above the average for the market as a whole. In 2011, the Company decided to substitute the survey for participation for the first time in a ranking which represents the opinion of professionals of major companies as to their satisfaction in working for these companies. The selected ranking is prepared by *Você S.A.* and *Exame* magazines, Tractebel Energia being classified among the 150 best companies in which to work.

The Company also runs programs for supporting the transition of employees about to retire or terminate their employment, these programs including pre-retirement planning, Voluntary Lay-Off Programs (PDV) - with indemnification based on time of service - and professional counseling.

10.2_Labor relations

Collective bargaining agreements are signed annually in accordance with International Labor Organization (ILO) guidelines which cover all Tractebel Energia's employees. These agreements include themes such as salary readjustment, private pension plans and fringe benefits, occupational health and safety, protective equipment, training and education of first aid providers for the Internal Accident Prevention Commissions - CIPAs.

10.3_Occupational Health and Safety

The Company's Occupational Health and Safety management system is based on a process of continual upgrading. It seeks to preserve the physical integrity, health and quality of life of the employees, service providers and visitors. It pin points and controls hazards and risks intrinsic in the processes, equipment and working environment, on which all stakeholders are given guidance as well as on measures for prevention and control to be adopted in each case with the aim of reaching a zero workplace accident rate.

In 2011, Tractebel Energia invested R$ 4.3 million in initiatives involving occupational health and safety and quality of life, through the improvement of processes, equipment and workplace environment. As a result, the Company successfully maintained the certification obtained covering its Occupational Health and Safety Management System in 2010 according to BS OHSAS 18001 standards (Occupational Health and Safety Assessment Series).

During the year, the following health and safety goals among the Company's employees were attained: an accident frequency rate of 1.5 and a severity rate of 0.025 out of a total of 4,148,850 hours of exposure to risk over the period. The zero fatal accident goal was also reached.

In parallel to the initiatives directed to prevention of occupational accidents and illnesses, Tractebel Energia identifies the health profile of its employees and develops programs for fostering the practice of healthy habits and an improved quality of life. All employees undergo annual medical checkups. In addition, each one has an individual health plan, which establishes targets, for example, associated to weight and cholesterol levels based on the results of medical examinations.

10.4_Compensation and Benefits

Tractebel Energia compensates its employees on the basis of best market practices with periodic monitoring through salary surveys, and pursues a policy of salary equality irrespective of gender and ethnicity. Variable compensation is composed of a payment under the Profit Sharing Scheme (PLR) and a managerial bonus both based on an annual appraisal and reflecting the meeting of individual targets and business objectives. In 2011, R$ 19.7 million were paid out to employees as participation in the results of the preceding fiscal year.

All Tractebel Energia's employees and their dependents are entitled to restorative healthcare covering the medical, dental, pharmaceutical, speech therapy and nutritional areas. In addition, the Company also offers various other benefits such as group life insurance, assistance for incapacity and invalidity, maternity and paternity leave, day-care for female employees, food and travel vouchers, and private pension plan and welfare services for those with special needs.

As part of the employee benefits package, the Company contributes with 50% of the pension requirements to the Fundo de Aposentadoria PREVIG – Sociedade de Previdência Complementar pension fund of which 1,599 employees and ex-employees of Tractebel Energia are members. In 2011, the Company made a R$ 39.0 million contribution to PREVIG. Tractebel Energia also sponsors the Fundação Eletrosul de Previdência e Assistência Social (ELOS) pension plan - to which the Company made a contribution of R$ 27.4 million in 2011.

10.5_Social Report

Tractebel Energia Consolidated	2011	2010
1. CALCULATION BASE	**R$ th**	**R$ th**
Net Revenues from Sales	4,326,951	4,100,381
Operating Result	2,034,788	1,721,310
Gross Payroll	117,126	109,289

2. INTERNAL SOCIAL INDICATORS	R$ th	% of Gross Payroll	% of Net Revenues	R$ th	% of Gross Payroll	% of Net Revenues
Nutrition	9,512	8.12	0.22	8,164	7.47	0.20
Mandatory Payroll Taxes	41,296	35.26	0.95	37,643	34.44	0.92
Private Pension Plan	40,340	34.44	0.93	33,785	30.91	0.82
Health	8,748	7.47	0.20	8,670	7.93	0.21
Occupational Health and Safety	3,206	2.74	0.07	4,301	3.94	0.10
Education	3,506	2.99	0.08	3,430	3.14	0.08
Professional Training and Development	1,954	1.67	0.05	1,698	1.55	0.04
Nursery or Daycare	127	0.11	-	109	0.10	-
Participation in Results/Bonus	31,481	26.88	0.73	30,001	27.45	0.73
Other Benefits	5,987	5.11	0.14	7,116	6.51	0.17
TOTAL INTERNAL SOCIAL INDICATORS	**146,157**	**124.79**	**3.38**	**134,917**	**123.45**	**3.29**

			2011			2010
3. EXTERNAL SOCIAL INDICATORS	R$ th	% of Operating Results	% of Net Revenues	R$ th	% of Operating Results	% of Net Revenues
Education	1,431	0.07	0.03	1,632	0.09	0.04
Culture	9,216	0.45	0.21	7,062	0.41	0.17
Others	4,645	0.23	0.11	4,850	0.28	0.12
Total contributions to society	15,292	0.75	0.35	13,544	0.79	0.33
Taxes (excluding mandatory payroll taxes)	1,074,898	52.83	24.84	984,909	57.22	24.02
TOTAL EXTERNAL SOCIAL INDICATORS	**1,090,190**	**53.58**	**25.20**	**998,453**	**58.01**	**24.35**

			2011			2010
4. ENVIRONMENTAL INDICATORS	R$ th	% of Operating Results	% of Net Revenues	R$ th	% of Operating Results	% of Net Revenues
Related to Company operations	21,621	1.06	0.50	17,505	1.02	0.43
Related to projects in progress	55,757	2.74	1.29	22,452	1.30	0.55
TOTAL INVESTMENTS IN THE ENVIRONMENT	**77,378**	**3.80**	**1.79**	**39,957**	**2.32**	**0.97**

5. EMPLOYEE INDICATORS	2011 Quantity	2010 Quantity
Employees at the end of the period	1,084	1,033
Employees hired during the period	108	82
Outsourced employees	3,451	3,012
Interns	54	77
Employees over 45	443	438
Women working in the company	139	136
% of supervisory positions held by women	3.70%	3.70%
Afro-Brazilian employees working in the company	There is no formal declaration on the part of the employees as to race thus not permitting a reply to these indicators	There is no formal declaration on the part of the employees as to race thus not permitting a reply to these indicators
% of supervisory positions held by Afro-Brazilians	There is no formal declaration on the part of the employees as to race thus not permitting a reply to these indicators	There is no formal declaration on the part of the employees as to race thus not permitting a reply to these indicators
People with handicaps or special needs	9	9

6. RELEVANT INFORMATION REGARDING CORPORATE RESPONSIBILITY	2011			Goals 2012		
Ratio of highest to lowest compensation in the Company	19.2			ND		
Total number of work-related accidents	5			0		
Company-sponsored social and environmental projects were decided by:	( ) senior m'gement	(x) senior m'gement, middle m'gement + Sustainability Committee	( ) all employees	( ) senior m'gement	(x) senior m'gement, middle m'gement + Sustainability Committee	( ) all employees
Security and health standards in the workplace were set by:	(x) senior m'gement and middle m'gement	( ) all employees	( ) all + CIPA	(x) senior m'gement and middle m'gement	( ) all employees	( ) all + CIPA
As to labor union freedom, the right to collective bargaining and internal representation of the employees, the company:	( ) does not get involved	(x) adheres to ILO norms	( ) encourages and adheres to ILO norms	( ) does not get involved	(x) adheres to ILO norms	( ) encourages and adheres to ILO norms
The private pension plan covers:	( ) senior m'gement	( ) senior m'gement, middle m'gement	(x) all employees	( ) senior m'gement	( ) senior m'gement, middle m'gement	(x) all employees
Profit/income sharing program covers:	( ) senior m'gement	( ) senior m'gement, middle m'gement	(x) all employees	( ) senior m'gement	( ) senior m'gement, middle m'gement	(x) all employees
In the selection of suppliers, the standards of ethics and social/environmental responsibility used by the Company:	( ) are not taken into consideration	( ) are suggested	(x) are required	( ) are not taken into consideration	( ) are suggested	(x) are required
With respect to volunteer work by employees, the Company:	( ) does not get involved	(x) supports it	( ) sponsors and encourages it	( ) does not get involved	(x) supports it	( ) sponsors and encourages it
Total added value to be distributed (in R$ th.):		**R$ 3,581,646**			**ND**	
Distribution of Value Added (DVA):		41.69% government 40.43% shareholders	5.31% employees 12.57% third parties 0% retained		ND% government ND% shareholders	ND% employees ND% third parties ND% retained

11_Socio-environmental Responsibility

Tractebel Energia conducts its businesses on the basis of a commitment to operational excellence in harmony with sustainable development, maintaining a balance between economic growth, the creation of value for all its stakeholders and the preservation of the environment.

In the light of this objective, in 2010, the Company implemented its Sustainable Management Policy. This establishes the basic principles which must be followed in all areas of the business and in the relationship with the stakeholders as well as guaranteeing conformity with the prevailing legal requisites at the plants and in the projects.

The Policy is based on the Company's Mission, Vision and Values and establishes management guidelines for the Quality, Environment, Occupational Health and Safety and Social Responsibility dimensions. The Policy can be accessed by all stakeholders in the Company's website.

The Integrated Management System (SIG) contemplates the same dimensions as the Sustainable Management Policy. It is a tool for responsible operational management through the practical application of the Policy's principles in the Company's production processes and is a fundamental component for attaining continual improvements. SIG includes the "Quality-Plan", an IT resource developed for Tractebel Energia and compatible with the system used in its corporate environment. The normative documents and production plans as well as alerts on compliance with targets and management programs are incorporated and updated in the "Quality-Plan". Plant and head office professionals are designated as Administration and Management Representatives for each one of the Policy's dimensions. All representatives are trained in the concepts of Sustainable Management and SIG.

The Company's Sustainability Committee is responsible for the development of a proactive culture of socio-environmental responsibility and ensures the transparency of actions and the ethical use of invested resources. Additionally, the Committee seeks to reconcile the interests of the various stakeholders that interact with the Company and internally promotes awareness of the sustainable development concept.

11.1_Environmental management

In accordance with Tractebel Energia's Policy for Sustainable Management, the Company seeks a balance between its activities and the conservation of the environment, prioritizing prevention and mitigating environmental impacts and fostering the sustainable use of natural resources.

For this purpose, the Company's operations are guided by the Integrated System for Management of Quality and the Environment, which implements suitable mechanisms and operating procedures at each plant while respecting the specifics of the activities and socio-environmental characteristics of each region. With this in mind, Tractebel Energia establishes programs and tools for identifying and managing the impacts created and to minimize them through operational improvements and control of the risks.

Actions are developed at the hydro plants for mitigating or compensating the impacts arising from the installment and operation of the accompanying reservoirs while at the thermal plants, in turn, the focus is on the control of the quality of the air, volume and quality of liquid effluent and solid waste and in the rational use of natural resources.

11.1.1_Clean Development Mechanism (CDM)

The Lages Cogeneration Unit generates energy from wood chip waste, avoiding disposal in the environment and thereby contributing to attenuating methane gas emissions – a gas with Global Warming Potential (GWP) 21 times greater than that of carbon dioxide – arising from the decomposition of the material.

The Unit is officially registered with the United Nations Framework Convention on Climate Change as an activity which complies with the Clean Development Mechanism (CDM) and is ratified to generate carbon credits under the Kyoto Protocol, selling them through Lages Bioenergética Ltda. By the end of 2011, 157,914 Certified Emissions Reductions (CERs) had already been issued – for the period June 2008 to June 2009 – and at the end of the period, a further verification of the project was realized in readiness for the future issue of 443,635 CERs – this time for the period from June 2009 to May 2011.

11.2_Social Management

Tractebel Energia seeks to effectively and proactively contribute to improve the living conditions of the communities in which it operates through initiatives capable of generating economic results, social advances and environmental preservation, promoting the local development in the population.

To this end, the Company maintains a relationship and constant involvement with these communities through the Tractebel Energia Sustainability Programs focused on environmental improvement, cultural development and social responsibility.

The three programs provide guidance in the selection of projects and initiatives to be implemented and supported in the areas of education, volunteer work, social inclusion, cultural development, social awareness, environmental improvement and education, creation of employment and income and entry to the labor market.

The Programs have their starting point in the construction of projects for minimizing the socio-environmental impacts on the local communities and highlighting aspects of fauna and flora, culture and local history. On this basis, the Company seeks to mitigate the impact of plant construction permitting improvements in the quality of life of the affected population, preserving the environment and restoring the local inhabitants' identity and heritage.

The community representatives are involved in the entire process, facilitating the implementation of improvements, understood as compensating improvements which cover aspects which go further than required in law.

11.3_Certifications and Legal Conformity

All the plants of the Company's generating complex have the environmental authority and licenses required by the regulatory agencies. In addition, 15 plants currently in operation are certified according to the NBR ISO 9001:2000 – Quality Management Systems, NBR ISO 14001:2004 – Environmental Management Systems - and OHSAS 18001 –Occupational Health and Safety Management System standards.

The remaining plants, incorporated in the Company's generating complex since 2008, are operated under the same principles and guidelines as the certified plants, equally having the Tractebel Energia Policy for Sustainable Management and the Integrated Management System (SIG) as their key instruments for guidance.

These certifications are a reflection of ongoing team work in search of excellence of processes and represent a major and continual gain in quality through the adoption of best practices in the management of quality, the environment and health and safety.

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 2011.

13_Declaration of the Management Board

Pursuant to Article 25, paragraph 1, sub-items V and VI of CVM Instruction 480/2009, the Management Board declares that it has reviewed and discussed and agrees with the Financial Statements contained in this Report and with the opinions expressed in the report of the Independent Auditors with respect to the same.

14_Acknowledgement

Tractebel Energia would like to thank all its stakeholders that contributed to the performance and management of the Company in 2011: its employees, clients, suppliers, partners, shareholders, financial institutions, government entities, regulatory bodies and others which year after year are part of Tractebel Energia's story.

The Management

TRACTEBEL ENERGIA S.A.

CORPORATE TAXPAYER'S ID (CNPJ) 02.474.103/0001-19 | CORPORATE REGISTRY ID (NIRE) 42 3 0002438-4

BALANCE SHEETS AS OF DECEMBER 31, 2011
(R$ thousand)

ASSETS

	Note	Parent Company (BRGAAP)		Consolidated (IFRS and BRGAAP)	
		12.31.2011	12.31.2010	12.31.2011	12.31.2010
CURRENT ASSETS					
Cash and cash equivalents	4	567,119	796,117	781,808	1,082,580
Trade accounts receivable	5	410,903	446,165	542,149	531,106
Dividends from subsidiaries		7,946	6,525	-	-
Inventories	6	38,883	43,041	42,837	46,032
Taxes recoverable	7	87,416	62,633	150,792	91,818
Asset available for sale	8	-	23,856	-	23,057
Collateral and restricted deposits	9	32,159	69,665	38,923	81,553
Other credits		51,746	48,410	56,197	50,587
		1,196,172	**1,496,412**	**1,612,706**	**1,906,733**
NON-CURRENT ASSETS					
Long term assets					
Taxes recoverable	7	16,099	28,473	162,007	219,880
Collateral and restricted deposits	9	-	-	90,567	51,244
Deferred income tax and social contribution	10	238,935	288,413	280,090	328,240
Receivables on sales of assets	11	86,886	86,886	86,886	86,886
Judicial deposits	12	104,059	131,315	105,832	133,464
Other credits		38,586	38,060	51,433	52,311
		484,565	**573,147**	**776,815**	**872,025**
Investments	13	**2,551,112**	**2,282,763**	**-**	**-**
Property, plant and equipment	14	**5,048,182**	**5,315,270**	**9,885,151**	**9,976,009**
Intangible assets	15	**15,852**	**19,471**	**96,549**	**95,521**
		8,099,711	**8,190,651**	**10,758,515**	**10,943,555**
TOTAL		**9,295,883**	**9,687,063**	**12,371,221**	**12,850,288**

The notes are an integral part of the financial statements.

TRACTEBEL ENERGIA S.A.

CORPORATE TAXPAYER'S ID (CNPJ) 02.474.103/0001-19 | CORPORATE REGISTRY ID (NIRE) 42 3 0002438-4

BALANCE SHEETS AS OF DECEMBER 31, 2011
(R$ thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY

	Note	Parent Company (BRGAAP)		Consolidated (IFRS and BRGAAP)	
		12.31.2011	12.31.2010	12.31.2011	12.31.2010
CURRENT LIABILITIES					
Suppliers	16	219,640	174,086	234,336	268,851
Dividends and interest on equity	27	220,767	189,509	221,025	189,509
Taxes and social contribution payable	17	389,912	431,088	438,507	457,937
Loans and financing	18	41,364	49,577	233,924	189,414
Debentures	19	183,540	895,178	183,540	905,017
Concession fees payable	20	2,643	2,499	45,688	42,297
Labor liabilities	21	53,031	54,084	53,710	54,881
Obligations with research and development	22	15,626	11,995	19,390	14,991
Provisions for tax, civil and labor risks	23	7,640	10,720	8,615	10,866
Post-employment benefits	24	36,045	25,939	36,045	25,939
Other obligations		46,032	40,351	84,416	100,136
		1,216,240	**1,885,026**	**1,559,196**	**2,259,838**
NON-CURRENT LIABILITIES					
Loans and financing	18	629,681	213,417	2,923,882	2,567,145
Debentures	19	307,854	765,964	307,854	782,344
Concession fees payable	20	825,730	718,526	1,220,264	1,092,650
Obligations with research and development	22	36,649	40,622	38,959	41,260
Provisions for tax, civil and labor risks	23	124,123	141,011	132,591	143,416
Post-employment benefits	24	300,964	409,452	300,964	409,452
Deferred income tax and social contribution	25	404,417	434,845	422,699	445,691
Other obligations		2,244	5,516	14,554	35,808
		2,631,662	**2,729,353**	**5,361,767**	**5,517,766**
EQUITY					
Capital stock	26	2,445,766	2,445,766	2,445,766	2,445,766
Capital reserves	26	91,695	91,695	91,695	91,695
Assets valuation adjustment	26	648,363	708,190	648,363	708,190
Profit reserves	26	2,262,157	1,827,033	2,262,157	1,827,033
		5,447,981	**5,072,684**	**5,447,981**	**5,072,684**
Non-controlling interests	26	-	-	2,277	-
		5,447,981	**5,072,684**	**5,450,258**	**5,072,684**
TOTAL		**9,295,883**	**9,687,063**	**12,371,221**	**12,850,288**

The notes are an integral part of the financial statements.

TRACTEBEL ENERGIA S.A.

CORPORATE TAXPAYER'S ID (CNPJ) 02.474.103/0001-19 | CORPORATE REGISTRY ID (NIRE) 42 3 0002438-4

STATEMENTS OF INCOME FOR THE YEAR ENDED ON DECEMBER 31, 2011

(R$ thousands, except when indicated otherwise)

		Parent Company (BRGAAP)		Consolidated (IFRS and BRGAAP)	
	Note	12.31.2011	12.31.2010	12.31.2011	12.31.2010
NET REVENUE FROM SALES	38	**3,540,143**	**3,141,168**	**4,326,951**	**4,100,381**
COST OF ENERGY SALES					
Electrical energy purchased for resale		(385,878)	(196,491)	(471,932)	(674,175)
Transactions within CCEE		(20,543)	(660)	(22,022)	(5,952)
Charges for the use of and connection to the power grid		(244,460)	(217,860)	(287,161)	(269,087)
Cost of electricity production	28	(861,795)	(709,844)	(1,056,861)	(921,145)
Cost of services provided	28	(22,647)	(17,713)	(22,647)	(17,713)
		(1,535,323)	**(1,142,568)**	**(1,860,623)**	**(1,888,072)**
GROSS INCOME		**2,004,820**	**1,998,600**	**2,466,328**	**2,212,309**
OPERATING REVENUES (EXPENSES)					
Selling expenses	28	(13,330)	(13,390)	(16,826)	(14,363)
General and administrative expenses	28	(145,498)	(141,723)	(157,060)	(159,935)
Reversal of operating provisions, net	29	104,078	80,674	97,035	66,519
Gains in lawsuits	31	8,812	45,803	8,812	45,803
Other operating revenues (expenses), net		7,049	1,063	10,309	(181)
		(38,889)	**(27,573)**	**(57,730)**	**(62,157)**
Operating income		**1,965,931**	**1,971,027**	**2,408,598**	**2,150,152**
Equity in the earnings of subsidiaries					
Equity in subsidiaries	13	186,690	(22,483)	-	-
Goodwill amortization/concession rights	13	(1,843)	(2,411)	-	-
		184,847	**(24,894)**	**-**	**-**
Financial results					
Financial income	30	103,919	101,149	133,672	130,627
Financial expenses	30	(324,767)	(337,775)	(507,482)	(559,469)
		(220,848)	**(236,626)**	**(373,810)**	**(428,842)**
INCOME BEFORE TAXES		**1,929,930**	**1,709,507**	**2,034,788**	**1,721,310**
Income Tax	32	(349,445)	(364,640)	(425,472)	(370,804)
Social Contribution	32	(132,849)	(133,218)	(161,210)	(138,857)
NET INCOME FOR THE YEAR		**1,447,636**	**1,211,649**	**1,448,106**	**1,211,649**
NET INCOME ATTRIBUTABLE TO:					
Tractebel Energia's Shareholders		**1,447,636**	**1,211,649**	**1,447,636**	**1,211,649**
Non-controlling interests		**-**	**-**	**470**	**-**
BASIC AND DILLUTED EARNING PER SHARE – R$		**2.22**	**1.85**	**2.22**	**1.85**

The Company does not have comprehensive income and therefore does not present a comprehensive income statement.

The notes are an integral part of the financial statements.



TRACTEBEL ENERGIA S.A.

CORPORATE TAXPAYER'S ID (CNPJ) 02.474.103/0001-19 | CORPORATE REGISTRY ID (NIRE) 42 3 0002438-4

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2011

(in thousands of Reais, except when indicated otherwise)

					Profit reserves								
	Note	Capital stock	Capital reserves	Assets valuation adjustments	Legal reserve	Tax incentives reserve	Retained earnings reserve	Additional proposed dividends	Retained earnings	Shareholder ' Equity	Non-controlling interests	Consolidated shareholders ' equity
BALANCE AS OF 12.31.2009		**2,445,766**	**91,695**	**765,069**	**361,974**	**-**	**702,631**	**81,913**	**-**	**4,449,048**	**-**	**4,449,048**
Dividends paid		-	-	-	-	-	-	(81,913)	-	**(81,913)**	-	**(81,913)**
Adjustment to fair value of property, plant and equipment	26	-	-	(56,879)	-	-	-	-	56,879	**-**	-	**-**
Net income for the year		-	-	-	-	-	-	-	1,211,649	**1,211,649**	-	**1,211,649**
Allocations proposed to the AGM								-				
- Legal reserve	26	-	-	-	60,582	-	-	-	(60,582)	**-**	-	**-**
- Dividends and interest on equity paid	27	-	-	-	-	-	-	-	(506,100)	**(506,100)**	-	**(506,100)**
- Additional proposed dividends	27	-	-	-	-	-	-	158,270	(158,270)	**-**	-	**-**
- Retained earnings reserve	26	-	-	-	-	-	543,576	-	(543,576)	**-**	-	**-**
- Tax incentive reserve of incorporated subsidiary		-	-	-	-	16,827	(16,827)	-	-	**-**	-	**-**
BALANCE AS OF 12.31.2010		**2,445,766**	**91,695**	**708,190**	**422,556**	**16,827**	**1,229,380**	**158,270**	**-**	**5,072,684**	**-**	**5,072,684**
Transaction with non-controlling shareholder		-	-	-	-	-	-	-	(2,065)	**(2,065)**	2,065	**-**
Dividends paid		-	-	-	-	-	-	(158,270)	-	**(158,270)**	-	**(158,270)**
Adjustment to fair value of property, plant and equipment	26	-	-	(59,827)	-	-	-	-	59,827	**-**	-	**-**
Net income for the year		-	-	-	-	-	-	-	1,447,636	**1,447,636**	470	**1,448,106**
Allocations proposed to the AGM												
- Legal reserve	26	-	-	-	66,597	-	-	-	(66,597)	**-**	-	**-**
- Tax incentives reserve	26	-	-	-	-	9,455	-	-	(9,455)	**-**	-	**-**
- Dividends and interest on equity paid	27	-	-	-	-	-	-	-	(912,004)	**(912,004)**	(258)	**(912,262)**
- Additional proposed dividends	27	-	-	-	-	-	-	517,342	(517,342)	**-**	-	**-**
BALANCE AS OF 12.31.2011		**2,445,766**	**91,695**	**648,363**	**489,153**	**26,282**	**1,229,380**	**517,342**	**-**	**5,447,981**	**2,277**	**5,450,258**

The notes are an integral part of the financial statements.



TRACTEBEL ENERGIA S.A.

CORPORATE TAXPAYER'S ID (CNPJ) 02.474.103/0001-19 | CORPORATE REGISTRY ID (NIRE) 42 3 0002438-4

STATEMENTS OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2011
(In thousands of Reais)

	Note	Parent Company (BRGAAP)		Consolidated (IFRS and BRGAAP)	
		12.31.2011	12.31.2010	12.31.2011	12.31.2010
Cash flow from operating activities					
Income before taxes		1,929,930	1,709,507	2,034,788	1,721,310
Adjustments to reconcile net income before taxes to cash flow from operating activities:					
Equity in subsidiaries		(184,847)	24,894	-	-
Depreciation and amortization	14/15	368,330	314,194	501,099	461,325
Monetary and foreign exchange variation		84,933	45,518	109,468	98,753
Interests		192,433	225,912	340,336	381,560
Reversal of operating provisions, net		(99,950)	(71,734)	(92,985)	(57,704)
Other		(5,754)	(1,023)	6,395	5,175
Adjusted income		**2,285,075**	**2,247,268**	**2,899,101**	**2,610,419**
Trade accounts receivable		34,399	(78,912)	(9,846)	(97,660)
Taxes recoverable		899	(42,375)	35,625	(82,723)
Inventories		4,158	(3,621)	3,195	(1,351)
Collateral, restricted deposits and judicial deposits		79,434	73,961	83,653	57,825
Asset available for sale		-	-	23,057	-
Other credits		(5,934)	1,332	(5,934)	1,332
Suppliers		35,837	(7)	(24,808)	(49,844)
Post-employment benefits		(23,766)	(30,802)	(23,766)	(30,802)
Research and development obligations		(342)	5,972	2,098	8,140
Advances from clients		(3)	120	(33,461)	30,645
Other obligations		(24,439)	(24,949)	(28,812)	(5,166)
		100,243	**(99,281)**	**21,001**	**(169,604)**
Cash flow from operations		**2,385,318**	**2,147,987**	**2,920,102**	**2,440,815**
Income Tax and Social Contribution paid		(526,703)	(467,783)	(598,664)	(489,691)
Interest on loans, financing and debentures paid	18/19	(151,837)	(174,308)	(267,764)	(270,643)
		(678,540)	**(642,091)**	**(866,428)**	**(760,334)**
Net cash flow from operating activities		**1,706,778**	**1,505,896**	**2,053,674**	**1,680,481**

Continued on next page

	Note	Parent Company (BRGAAP)		Consolidated (IFRS and BRGAAP)	
		12.31.2011	12.31.2010	12.31.2011	12.31.2010
Investing activities					
Capital increase in subsidiaries	13	(107,874)	(383,741)	-	-
Investment acquisitions, net of cash and cash equivalents of acquired companies		-	(798,744)	-	(791,889)
Additions to property, plant and equipment		(91,410)	(78,961)	(347,321)	(296,350)
Additions to intangible assets	15	(3,722)	(5,904)	(13,757)	(6,652)
Dividends received from subsidiaries		30,531	10,719	-	-
Restitution of capital from subsidiaries		24,816	-	-	-
Net cash flow from investing activities		**(147,659)**	**(1,256,631)**	**(361,078)**	**(1,094,891)**
Financing activities					
Loans, financing and debentures received	18/19	430,000	-	502,799	276,751
Payments of loans, financing and debentures	18/19	(1,213,831)	(141,617)	(1,418,390)	(477,849)
Payments of concession fees payable	20	(2,528)	(1,883)	(44,443)	(36,602)
Payment of dividends and interest on equity		(1,002,366)	(536,024)	(1,002,366)	(536,024)
Credits from related parties		608	32,215	-	-
Collateral and restricted deposits in service of the debt		-	-	(30,968)	16,074
Cash and cash equivalents received from acquisitions		-	100,322	-	-
Net cash flow from financing activities		**(1,788,117)**	**(546,987)**	**(1,993,368)**	**(757,650)**
Reduction of cash and cash equivalents		**(228,998)**	**(297,722)**	**(300,772)**	**(172,060)**
Reconciliation of cash and cash equivalents					
Opening balance	4	796,117	1,093,839	1,082,580	1,254,640
Closing balance	4	567,119	796,117	781,808	1,082,580
Reduction of cash and cash equivalents		**(228,998)**	**(297,722)**	**(300,772)**	**(172,060)**

Additional information regarding transactions with no cash effect are presented in Note 39 – Additional Information to the Cash Flow.

The notes are an integral part of the financial statements.

TRACTEBEL ENERGIA S.A.

CORPORATE TAXPAYER'S ID (CNPJ) 02.474.103/0001-19 | CORPORATE REGISTRY ID (NIRE) 42 3 0002438-4

STATEMENTS OF ADDED VALUE FOR THE YEAR ENDED DECEMBER 31, 2011
(In thousands of Reais)

	Note	Parent Company (BRGAAP)		Consolidated(*) (IFRS and BRGAAP)	
		12.31.2011	12.31.2010	12.31.2011	12.31.2010
ADDED VALUE GENERATION					
Gross revenue from sales	38	3,908,292	3,487,659	4,848,480	4,586,133
Revenue related to construction of assets		-	-	300,315	305,213
Allowance for doubtful accounts	5	(6,043)	-	(6,180)	-
Other		15,861	46,866	19,121	45,622
		3,918,110	**3,534,525**	**5,161,736**	**4,936,968**
(-) Inputs					
Material		(23,214)	(22,139)	(26,450)	(25,791)
Outsourced services		(128,742)	(114,766)	(157,328)	(143,120)
Electrical energy purchased for resale		(385,878)	(196,491)	(471,932)	(674,175)
Transactions within CCEE		(20,543)	(660)	(22,022)	(5,952)
Fuel for energy production	28	(100,375)	(50,263)	(108,799)	(61,062)
Charges for the use of and connection to the power grid		(244,460)	(217,860)	(287,161)	(269,087)
Insurance		(8,259)	(8,023)	(10,017)	(10,285)
Reversal of operating provisions, net		110,121	80,674	103,215	66,519
Expenses with plant construction		-	-	(199,282)	(267,976)
Other		(31,029)	(33,897)	(32,887)	(41,304)
		(832,379)	**(563,425)**	**(1,212,663)**	**(1,432,233)**
GROSS ADDED VALUE		**3,085,731**	**2,971,100**	**3,949,073**	**3,504,735**
Depreciation and amortization	14/15	(368,330)	(314,194)	(501,099)	(461,325)
NET ADDED VALUE GENERATED		**2,717,401**	**2,656,906**	**3,447,974**	**3,043,410**
ADDED VALUE RECEIVED IN TRANSFER					
Financial income	30	103,919	101,149	133,672	130,627
Equity in subsidiaries		184,847	(24,894)	-	-
ADDED VALUE TO DISTRIBUTE		**3,006,167**	**2,733,161**	**3,581,646**	**3,174,037**

(*) The consolidated Statement of Added Value (DVA) is not part of the consolidated financial statements under the international financial reporting standards (IFRS).

Continued on next page

ADDED VALUE DISTRIBUTION

	Parent Company (BRGAAP)				Consolidated (IFRS and BRGAAP)			
	12.31.2011	**%**	**12.31.2010**	**%**	**12.31.2011**	**%**	**12.31.2010**	**%**
Compensation:								
Of labor								
Payroll and charges	118,104	3.93	116,755	4.26	121,173	3.38	118,684	3.74
Benefits	37,546	1.25	33,164	1.20	37,922	1.06	33,278	1.05
FGTS (severance pay fund)	8,695	0.29	7,738	0.28	8,910	0.25	7,874	0.25
Profit sharing	22,329	0.74	18,733	0.69	22,329	0.62	18,733	0.59
	186,674	**6.21**	**176,390**	**6.43**	**190,334**	**5.31**	**178,569**	**5.63**
Of the government								
Federal taxes	816,081	27.14	811,708	29.70	1,010,818	28.23	919,778	28.98
States taxes	34,849	1.16	52,939	1.94	94,886	2.65	93,693	2.95
Municipal taxes	2,312	0.08	1,132	0.04	2,513	0.07	1,493	0.05
Sector charges	182,750	6.08	156,332	5.72	213,258	5.95	184,853	5.82
Charges on concession fees	109,876	3.66	66,298	2.43	171,694	4.79	179,889	5.67
	1,145,868	**38.12**	**1,088,409**	**39.83**	**1,493,169**	**41.69**	**1,379,706**	**43.47**
Of third parties' capital								
Interest and foreign exchange variation	197,483	6.57	237,157	8.68	314,813	8.79	342,182	10.78
Capitalized interests	-	-	-	-	101,033	2.82	37,237	1.17
Rentals	12,978	0.43	9,496	0.35	15,713	0.44	11,982	0.38
Other financial expenses	15,528	0.52	10,060	0.37	18,478	0.52	12,712	0.40
	225,989	**7.52**	**256,713**	**9.40**	**450,037**	**12.57**	**404,113**	**12.73**
Of own capital								
Adjustment to fair value	(59,827)	(1.99)	(56,879)	(2.08)	(59,827)	(1.67)	(56,879)	(1.80)
Legal reserve	66,597	2.22	60,582	2.22	66,597	1.86	60,582	1.91
Tax incentives reserve	9,455	0.31	16,827	0.62	9,455	0.26	16,827	0.53
Retained earnings reserve	-	-	526,749	19.27	-	-	526,749	16.60
Interest on equity	253,990	8.45	220,000	8.05	253,990	7.09	220,000	6.93
Dividends	1,175,356	39.09	444,370	16.26	1,175,356	32.82	444,370	14.00
Transaction with non-controlling shareholder	2,065	0.07	-	-	2,535	0.07	-	-
	1,447,636	**48.15**	**1,211,649**	**44.34**	**1,448,106**	**40.43**	**1,211,649**	**38.17**
	3,006,167	**100.00**	**2,733,161**	**100.00**	**3,581,646**	**100.00**	**3,174,037**	**100.00**

The notes are an integral part of the financial statements.

1. – OPERATIONS

Tractebel Energia S.A. ("Company" or "Tractebel Energia") is a publicly-held corporation listed on the BM&FBovespa's Novo Mercado, and an independent utility concessionaire with its registered headquarters in the municipality of Florianópolis, Santa Catarina State. The Company operating activity is the generation and sale of electrical energy, regulated by the Brazilian Electricity Regulatory Agency (Aneel), which is linked to the Ministry of Mines and Energy (MME).

The Company is controlled by GDF SUEZ Energy Latin America Participações Ltda. (GSELA), a company established in Brazil under the control of SUEZ-Tractebel S.A., headquartered in Belgium. After the combination of assets between GDF SUEZ and International Power PLC (IPR) on February 04 2011, SUEZ-Tractebel S.A. became a company under IPR's control, a company headquartered in the United Kingdom, integrating the GDF SUEZ group headquartered in France.

The Company is the largest private company in electrical energy generation in Brazil, responsible for about 6% [1] of the country's installed capacity. Its installed capacity, including its shares in consortiums, and after four out of eight generating units in Estreito Hydroelectric Power Plant (Estreito HPP) start their commercial operations, increased from 6,472 MW [1] on December 31 2010 to 6,689.8 MW on December 31 2011. Out of this total, 79.9% arises from hydroelectric sources, 17.7% thermoelectric and 2.4% complementary energy: Small Hydroelectric Power Plants, wind farms and biomass-fired power plants. Likewise, after the beginning of Estreito HPP operation, the assured energy to commercialization increased from average 3,554.0 MW [1] on December 31 2010 to average 3,746.9 MW [1] on December 31 2011.

The Company's generation complex, in December 31 2011, comprises the following energy generating sources: nine hydroelectric power plants, six thermoelectric power plants [2], three small hydroelectric power plants, two wind farms and two biomass-fired power plants.

Subsidiaries in operation and under construction, whether under direct or common control are listed in Note 13 - Investments.

The Company's financial statements are presented taking into account only one operating segment composed of the generation and sale of electrical energy generated or acquired through medium and long term agreements. Such segment concentrates about 99.5% and 99.6%,of the Company's net revenue in the periods ended on December 31, 2011 and December 31, 2010, respectively. The Company manages such activities as a single business segment.

[1] The non-financial information in these financial statements, such as MW, average MW and installed capacity, among others, are not independently audited.

[2] The Jorge Lacerda Thermoelectric Complex is composed of three plants.

The main events carried out with the Company's operations in 2011 are summarized as follows:

a) Commercial start-up of the first four generation units at the Estreito HPP

The first four generation units at Estreito HPP had their commercial start-up during 2011. These units have a total installed capacity of 543.48 MW and assured energy for commercialization of average 481.36 MW, out of which the Company owns average 192.88 MW, corresponding to its 40.07% share in Ceste (Consórcio Estreito Energia).

b) Implementation of wind farm projects

The Company is currently implementing five wind farms in the Northeast Region, one in the state of Piauí and four in the state of Ceará, totaling 145.4 MW of installed capacity, with a total investment estimated at R$625,600. A significant portion of the energy to be generated by the plants is sold to free customers in medium and long term contracts.

The authorizations for the companies to establish as independent energy producers have already been granted by ANEEL. The Company also concluded the negotiations with the companies responsible for supplying the equipment and building the towers and wind turbines. The conclusion of the wind farms is expected for the fourth quarter of 2012.

The Company is dealing a credit line with the National Economic and Social Development Bank (BNDES) in order to finance the projects.

Additional information on these projects is mentioned in Note 13 – Investments.

c) Sale of Seival Project

In June of 2011, the Company concluded the sale of Seival Participações S.A. after all conditions in the sale contract had been met. The total amount of the transaction was R$38,523. More details are available in Note 8 – Non-current Assets for Sale.

2. – PRESENTATION OF THE FINANCIAL STATEMENTS

The financial statements were prepared using the historical cost as the basis of value, adjusted to reflect the fair value of certain financial instruments when so required by the standards.

The Company is presenting the individual financial statements of the parent company (Tractebel Energia) and the consolidated financial statements. This procedure is required given that the Brazilian corporate legislation determines the disclosure of the individual financial statements of entities that have investments in subsidiaries and jointly-owned subsidiaries, even when these entities disclose their consolidated statements.

The consolidated financial statements have been prepared in accordance with the *International Financial Reporting Standards (*"IFRS"), issued by the International Accounting Standards Board ("IASB"), which are in accordance with the accounting practices adopted in Brazil (BRGAAP).

The individual financial statements of Tractebel Energia, identified as "Parent Company", have been prepared in accordance to the Brazilian accounting practices. These individual statements differ from the International Financial Reporting Standards (IFRS) applicable to Tractebel Energia only with respect to the assessment of investments by the equity method which, according to IFRS, must be measured and presented at the acquisition cost or its fair value.

The accounting practices adopted in Brazil includes the dispositions of the Brazilian Corporate Legislation that encompass the provisions of Laws 11,638/07 and 11,941/09, together with the pronouncements of the Accounting Pronouncements Committee (CPC) and the rules of the Brazilian Securities and Exchange Commission (CVM) and, when applicable, the regulations of the Brazilian Electricity Regulatory Agency (ANEEL).

There is no difference between the parent company and consolidated shareholders' equity and net income, recorded in the consolidated financial statements, prepared under IFRS and the accounting practices adopted in Brazil (CPC). Therefore, the Company chose to present these consolidated and individual financial statements together.

The financial statements previously mentioned were approved by the Board of Directors in a meeting held on February 7, 2012.

3. – SUMMARY OF THE MAIN ACCOUNTING PRACTICES

a) Financial Assets

Financial assets are classified as follows:

- Held for trading: assets often traded by the Company. They are registered by their acquisition cost and adjusted to the fair value recognized in the income statement.

- Held to maturity: assets which possibly and probably will be held by the Company until maturity. They are measured at the acquisition cost, plus income earned, less impairment, when applicable.

- Loans and receivables: non derivative assets with fixed values, determined and non-quoted in an active market. They are measured by the amortized cost, which may be: acquisition costs, plus interest, net of amortization and impairment, when applicable.

- Available for sale: they are measured at fair value, with their effects recognized in the other comprehensive income, at shareholders´ equity, when applicable. The Company has no financial instruments under this category.

a.1) Cash and cash equivalents

They are maintained with the purpose to face short-term cash commitments and consist of cash balance, bank deposits, and marketable securities that are promptly convertible into an amount of cash subject to an insignificant risk of change in value.

The short-term investments are classified as financial assets held for trading and are recorded at cost plus income earned up to the balance sheet date, adjusted to the fair value of the financial instrument on the balance date. Interests and monetary adjustments and changes from fair value measurement are recognized in income when incurred.

a.2) Trade accounts receivable

Trade accounts receivable are presented at cost value, less impairment, when applicable. Allowance for doubtful accounts is calculated based on individual analysis of existing credits and recorded at an amount considered sufficient by the Company's Management to cover probable losses risks.

a.3) Collateral, restricted deposits and judicial deposits

They are held to comply with legal and contractual requirements and, therefore, classified as held to maturity. They are measured at cost plus interest and adjusted by impairment, if applicable.

a.4) Impairment assessment of financial assets

Financial assets, except those held for trading, which are adjusted to the fair value recognized in the income statement, are measured at the end of each fiscal year on their impairment. Assets are considered to be impaired when there is evidence that one or more events occurred after the initial recognition of the financial asset, causing negative effects on the estimated future cash flow of the asset.

b) Asset available for sale

Non-current assets deemed as for sale are measured by the lower value between its cost and fair value net of sale expenses, if any.

c) Inventories

Inventories include raw materials for energy generation (owned coal, owned fuel oil and biomass), consumable materials and supplies. They are recorded at the weighted average cost of acquisition not exceeding the replacement value.

d) Investments

Information regarding the subsidiaries and joint ventures, as well as some accounting indicators on the balance sheet and income statement are presented in Note 13 - Investments.

d.1) Investments in subsidiaries

Permanent investments in subsidiaries are those in which the Company holds directly or indirectly most of the voting rights or has the power to determine the financial and operating policies in order to benefit from its activities.

These investments are measured by the equity method by the parent company and are stated in consolidated form for Tractebel Energia, for the consolidated financial statements presentation purposes.

The third-parties participation in the parent company shareholders equity and net income is presented separately on the balance sheet and on the consolidated income statement, respectively, under the account "Participation of non-controlling shareholders".

In the parent company the goodwill/rights of concession or authorization paid in the acquisition of the subsidiaries are recorded in the investment account.

In the consolidated balance sheet, the Company made the option of the early adoption of the standards established in the IFRS 3 - *Business combination*, consistent with CPC 15 – Business Combination, in the business combinations included within the scope of this pronouncement, made as from January 1, 2008. According to these pronouncements, assets, liabilities and contingent liabilities of a subsidiary are measured at the respective fair value on the acquisition date. If the acquisition cost is higher than the fair value of the purchased identified net assets (Shareholders equity), the excess amount is recorded as goodwill. If the acquisition cost is lower than the fair value of the net assets identified, the difference verified is recorded as a gain in the income statement. The acquisitions made by the Company after January 1, 2008 did not result in recognition of goodwill on the consolidated balance sheet in accordance with the adoption of aforementioned criteria.

d.2) Investments in joint ventures

Joint ventures are entities in which the control is exercised by the Company together with one or more partners and the decisions on strategic financial and operating policies require the approval of all parties that share the control.

These investments are measured by the equity method by the parent company and consolidated under the proportionate method in the consolidated financial statements.

d.3) Jointly-Controlled operations

The Company has joint venture operations with consortiums. Assets, liabilities, revenues and expenses related to these operations are recognized directly in the Company's financial statements, thus, no consolidation procedure for these operations is necessary.

e) Property, Plant and Equipment

Property, plant and equipment are recorded at the acquisition or construction cost. The assets or group of assets whose book value was substantially different from their fair value on the date of adoption of the new accounting practices, on January 01, 2009, started to have their fair value as deemed cost. The assets costs are deducted from the accumulated depreciation and impairment losses, if applicable. The depreciation is calculated by the straight-line method at the annual rates established by ANEEL – which are used by the industry and accepted by the market as appropriate – limited to the Plants' period of concession, when applicable, based on the book balances recorded in the Registration Units (UC) that comprise the enterprises.

The components of certain assets that are periodically replaced throughout their economic useful life are recognized as separate assets and depreciated for the expected period for their replacement. Costs from minor periodic and routine maintenance are recorded in the income statement when incurred.

The depreciation method that is being adopted during the implementation of Estreito HPP relates to "produced units". By this method, depreciation of costs with reservoirs, dams, power houses and machinery that become operational are recognized proportionally to the commercial capacity aggregated to the Company's business. This method is being adopted throughout the period in which the eight generating units will start operating, from April 2011 to September 2012, according to the current implementation schedule. The Company's management understands that this method best reflects the relation between the depreciation expense and the generation of future economic benefits from the asset's operation. After the final generating unit started operating, the total operating assets will be depreciated by the straight-line method, based on the useful lives established by ANEEL.

The average annual depreciation rates of the Company's assets are stated in Note 14 – Property, Plant and Equipment.

Interest and other financial charges plus the inflation effects resulting from the financing obtained from third parties effectively applied in the property, plant and equipment in progress are recorded as cost of the respective asset.

In the consolidated information, as mentioned in the item Investment above, due to the application of IFRS 3 - Business combinations, the adjustments to fair value recognized in the acquisition balance sheets, concerning the concessions and authorizations for use of the public asset, are recorded in compliance with the instructions set forth in the Manual for Application of IFRS 3 and CPC 15 – Business combination. These pronouncements allow the recognition of the concession fair value and of the generator unit fair value as a single asset, when these assets cannot be sold or transferred separately. The Company chose to recognize the deemed cost based on the appraisal of the fair value of these concessions or authorizations as a single asset in property, plant and equipment, the amortization of which is being made in accordance with the concession or authorization agreements.

f) Intangible Assets

Intangible assets with a finite useful life are recorded at acquisition cost, net of accumulated amortization ascertained by the straight-line method. The Company has no intangible assets with undefined useful lives registered in their assets, which would not be amortized but tested for impairment on a yearly basis or whenever there is indication that the intangible asset might have lost value.

g) Impairment test of property, plant and equipment and intangible assets

The Company periodically evaluates property, plant and equipment items and intangible assets as an attempt to identify evidence of impairment losses in these cash generating units or intangible assets, or when events or significant changes indicate the book value might not be recoverable. If the book value exceeds the recoverable value, this loss is recognized in the income statement for the period.

The recoverable value of an asset is the highest value between its value in use and its fair value less estimated costs of sale. The value in use is measured based on the discounted cash flows (before taxes) from the continuous use of an asset during its useful life.

h) Financial liabilities and equity instruments

Debt and equity instruments are classified as financial liabilities or equity according to the nature set forth in the agreement and the definitions of financial liabilities and equity instruments.

h.1) Financial liabilities

- Loans, financing, debentures and concession fees payable

Loans, financing, debentures and concession fees payable are financial instruments held to maturity, recorded at the net value measured subsequently by amortized cost, being its initial cost, plus monetary or exchange variations and interests incurred until the date of the balance sheet. Funding costs are recorded as reduction in the fair value initially recognized, and consequently, the effective interest rate is adjusted for purposes of appropriation of interest expenses.

h.2) Equity instruments

An equity instrument is an agreement that evidences a residual interest in a Company´s assets after all of its liabilities are deducted. Equity instruments issued by the Company are recognized when funds are received, net of the direct issuance costs.

i) Provisions for tax, civil and labor risks

These are constituted through the evaluation and quantification of the risks, whose likelihood of loss is deemed probable. This evaluation is grounded on the management judgment and the opinion of legal advisors, considering precedents, lower and higher court decisions, history of possible agreements and decisions, management's and legal advisors' experience, as well as other applicable aspects. Said provisions are adjusted by the indexes or rates established by tax authorities, and legal counsel fees related to such reserves are recorded. Risks deemed as possible are not recorded, but disclosed in the Notes. Risks deemed as remote are also not recorded, and only those relevant values are mentioned in the Notes.

j) Post-employment benefits

Post-employment benefits are recorded net between the cost of estimated obligations from pension plans and the amount of Plan's guarantor assets.

The present value of obligations is determined on an actuarial basis drafted annually by independent actuaries using the Projected Credit Unit Method. In this method, each service period is considered a triggering event of an additional benefit unit, which is accumulated to calculate the final liability.

The accumulated actuarial gains and losses, appraised annually, within the limit of 10% of the present value of defined-benefit obligation ("corridor") were not recognized in the liabilities and in the Company's income statement. Gains and losses exceeding the corridor limit are recognized in the income statement during the average remaining life of the plan's beneficiaries.

k) Deferred income tax and social contribution

Current income tax and social contribution are calculated according to tax bases and rates applicable on the date of financial statements publication.

Deferred income tax and social contribution are calculated applying the estimated effective rates in the years when it is expected to realize or require temporary differences (differences between the book value of assets and liabilities and their tax basis), the tax loss carryforwards and the negative basis of social contribution.

The tax benefit of the reduced income tax granted by the Amazon Development Commission (Sudam) is recognized in the tax incentive reserve in shareholders' equity.

The deferred tax assets and liabilities are fully presented in non-current assets and liabilities, regardless of expectation of realization or demandability of the related amounts, as specified by the accounting standards.

l) Other current and non-current assets and liabilities

Other assets are recorded at acquisition cost, less impairment, when applicable. Other obligations are recorded at known or determinable amounts plus, when applicable, the corresponding interests and monetary variations incurred.

m) Adjustment to present value

Assets and liabilities from short-term operations, that may result in material effects, and long-term are adjusted to present value based on market discount rates on the transaction date.

n) Related party transactions

Intercompany loan agreements are restated by the contracted interests and the purchase and sale of energy and services are carried out in conditions and terms agreed upon between the parties and recorded pursuant to the terms contracted.

o) Revenue recognition related to the sale of energy and services

Revenue is measured at fair value of the received or receivable amount, deducted of taxes and eventual discounts. Revenue related to the sale of energy and services is recognized when: (i) the economic benefits of the transactions will probably flow to the Company; (ii) the revenue amount can be measured with reliability; (iv) the risks and benefits related to the sale were transferred to the buyer; (iv) transaction costs incurred or to be incurred can be measured with reliability; (v) and the Company does not hold the control and responsibility over the energy sold.

p) Leasing agreements

Leasing agreements are classified as financial leasing when the terms of the leasing substantially transfer the risks and benefits of the ownership to the lessee. The Company, according to its assessment, has no financial leasing agreements. All its leasing agreements are considered as operating leasing, where the amounts contracted are recognized in the income statement during the term of the contract.

q) Profit sharing and management bonus

They are connected to achievement of certain financial indicators, individual goals and performance evaluations. The relative amounts are provisioned each month in operating costs and expenses based on management estimates.

r) Distribution of dividends and interest on equity

Dividends and interest on equity are recognized as liabilities as follows: (i) interim dividends: upon approval by the Board of Directors; (ii) interest on equity: on the shareholders credit date; and (iii) additional proposed dividends at year-end: upon approval by the General Meeting.

The Company's Bylaws sets forth the payment of a minimum of 30% of Tractebel Energia's annual net income. Therefore, at the end of the year, when applicable, a provision for the payment of minimum dividends is recorded, even if the dividend has not been paid or credited during the year. The Company discloses the dividends received from subsidiaries in investing activities, in the Statement of Cash Flow.

Payment of interest on equity is recorded in financial expenses for tax purposes and reverted on the same line against shareholders equity. The tax benefits generated remain in the year´s income statement.

s) Use of estimates

In the preparation of the financial statements it is necessary that the Company's management rely on estimates when recording certain transactions that affect its assets, liabilities, revenues and expenses, as well as the financial statements disclosure. The Management uses the best information available on the preparation date of the financial statements to make the estimates, as well as the experience gained from past and/or current events and also considering assumptions regarding future events. Therefore, the financial statements includes estimates mainly related to: (i) on the useful life of property, plant and equipment, which are defined by Aneel; (ii) on assets impairment assessment, when necessary; (iii) on the recording of allowance for doubtful accounts; (iv) provisions required to cover possible tax, civil and labor losses; (v) on assumptions used to establish discount rates, return on assets; and on mortality rates for the calculation of post-employment benefits and (vi) the determination of the fair value of financial instruments and estimates used in the fair value calculation and sensitivity analysis, presented in the financial statements disclosures.

t) Main judgments and source of uncertainties in the estimates

Critical accounting practices are those important to show the Company's financial condition and the results and require more difficult judgments by the Management, which are subjective or complex, usually as the result of the need to make estimates that affect issues that are inherently uncertain. As the number of variables and assumptions that affect the possible future solution of these uncertainties increase, these judgments become even more subjective and complex. In the preparation of the financial statements, the Company adopted certain assumptions that arise from historical experiences and other factors deemed as reasonable and relevant. Even though these estimates and assumptions are reviewed by the Company in the normal course of its activities, the statement of its financial condition and of the results of operations usually require the use of judgments as to the effects of issues that are inherently uncertain on the book value of its assets and liabilities. Real results may differ from those estimated using different variables, assumptions or conditions. In order to allow for the understanding on how the Company makes judgments on future events, including variables and assumptions used in the estimates, we included comments on each critical accounting practice described hereinafter:

t.1) Deferred income tax and social contribution

Deferred income tax and social contribution are generated by temporary differences between the book value of assets and liabilities and their respective tax values and the tax losses carryforwards and negative basis of social contribution. Deferred income tax and social contribution amounts, both assets and liabilities, are revised at the end of each year to assess if they will be realized through future taxable income, based on taxable income projections and on technical feasibility studies, submitted annually to the Company's Management. Deferred income tax and social contribution, assets and liabilities, are calculated using tax rates applicable to the taxable net income in the years in which the temporary differences should be realized or demanded. Future taxable net income can be higher or lower than the estimates considered to establish the need to record the tax assets and the amount recorded.

t.2) Post-employment benefits

The Company recognizes the benefit plans obligation and its related costs, net of the plan's assets, adopting the following practices: (i) the obligations with post-employment benefits are determined on an actuarial basis using the Projected Credit Unit Method. The discount rate used to calculate the present value of the obligations is defined on the balance sheet date, based on interest rates from Governmental bonds, whose maturities are similar as those expected for the projected future obligations; and (ii) the private pension plan assets are measured at market value on the balance sheet date.

Actuaries use subjective factors such as mortality rates, salary growth forecast, severances and turnover expectations in the actuarial calculations.

Actuarial assumptions used by the Company can be materially different from actual results due to changes in economic and market conditions, regulatory events, court decisions, shorter or longer life period of participants. However, the Company and its actuaries used assumptions in line with internal and external analysis to establish the estimates used.

t.3) Useful life of property, plant and equipment

The Company recognizes the depreciation of its property, plant and equipment based on the annual rates set forth by ANEEL, which are used by the industry and accepted by the market as adequate, limited to the term of the concession or authorization of the Plants, when applicable. However, the actual useful lives may vary based on the technological upgrades of each unit. The useful life of property, plant and equipment also affect impairment tests of assets with long useful lives, when necessary.

t.4) Impairment test of long-term assets

Impairment tests of long term assets have special rules, especially for property, plant and equipment. On the year's closing date the Company carries out an analysis in order to determine if there is any indication that the long-term assets might be impaired. If there is any indication the Company proceeds with the impairment test.

The process of reviewing impairment of an asset is subjective and requires significant judgments through the use of analysis. On December 31, 2011, based on its analysis, the Company did not identify the need to record any long-term assets impairment provision.

t.5) Provisions for tax, civil and labor risks

This provision is based on the evaluation and qualification of risks whose probability of loss is deemed probable. This evaluation is grounded on the management judgment and the opinion of legal advisors, considering precedents, lower and higher court decisions, history of possible agreements and decisions, management's and legal advisors' experience, as well as other applicable aspects.

u) Recently issued accounting standards

The IFRS amendments to existing standards, and interpretations (IFRIC) in effect as of 01.01.2011 had no impact on the Company's financial statements. The following standards have been recently issued and are of mandatory adoption starting on 01.01.2012 and following periods.

- IFRS 9 –Financial Instruments

On November 2009, IASB issued standard IFRS 9 with the purpose of replacing standard IAS 39 – Financial instruments: Recognition and measurement, according to the three-phase replacement schedule defined by IASB. This standard represents the first part of the first phase of the replacement schedule and addresses the classification and measurement of financial assets. In October 2010 was added to this standard the requirements for measurement and classification of financial liabilities. This standard is effective to the annual periods beginning on/or after 01.01.2013. The Company is currently assessing the effects of the application of this standard on its financial statements.

- Revision of IAS 12 – Deferred Tax: recovery of underlying assets

Issued in December 2010, IASB review of standard IAS 12 addresses aspects related to determination of expected way of deferred income tax, both assets and liabilities when the investment property is measured at fair value using the value model in IAS 40 – Investment Property. The amendments to IAS 12 are applicable for annual periods beginning on or after 01.01.2012. The Company understands that the amendments to said standard will not impact its financial statements.

- IAS 27 – Separate financial statements

Issued in May 2011, IAS 27 was amended to address investments in subsidiaries, joint ventures or associates when an entity prepares separate financial statements. These amendments apply for annual periods beginning on or after 01.01.2013. The Company is currently assessing the effects of the application of these amendments.

- IAS 28 – Investments in Associates and Joint Ventures

Issued in May 2011, this amendment to IAS 28 addresses aspects relating to the recording of investments in associates and sets the requirements for the application of the equity accounting method when accounting for investments in associates and joint ventures. The amendments to IAS 28 are applicable for fiscal years starting on or after 01.01.2013. The Company is currently assessing the impacts of the amendments to this standard.

- IFRS 10 – Consolidated financial statements

Issued in May 2011, this standard sets the principles for the presentation and preparation of consolidated financial statements when an entity controls one or more companies. IFRS 10 is effective for annual periods beginning on or after 01.01.2013. The Company is currently assessing the effects of the application of this pronouncement.

- IFRS 11 – Joint Arrangements

Issued in May 2011, IFRS 11 determines the accounting treatment of entities with joint control and joint operations. This standard also limits the use of proportionate consolidation for companies with joint operations, and accepts only the equity accounting method for joint ventures. IFRS 11 is effective for annual periods beginning on or after 01.01.2013. The Company is evaluating the characteristics and the economic nature of the joint control of the Itá Energética S.A. (Itasa) joint venture. If the Company concludes that this is a joint venture, its interest no longer be consolidated proportionately to the Company's interest in the venture's capital stock and would instead be recognized using the equity accounting method. Investment in Itasa on 12.31.2011 is R$311,281.

- IFRS 12 – Disclosure of interests in other entities

Issued in May 2011, this standard addresses the disclosure of the nature and risks associated to interests in subsidiaries, joint ventures and associates. IFRS 12 applies for annual periods beginning on or after 01.01.2013. The Company is currently evaluating the effects of the application of this standard.

- IFRS 13 – Fair value measurement

Issued in May 2011, IFRS 13 defines fair value, sets out a single framework for measuring fair value, and requires disclosures about fair value measurements. It simplifies this procedure, and increases consistency and comparability of the information reported in financial statements. IFRS 13 is effective for annual periods beginning on or after 01.01.2013. The Company believes that the amendments to this standard will not impact its financial statements.

- IAS 19 – Employee Benefits

Issued in June 2011, this standard was amended to eliminate the "corridor" approach, which resulted in the deferral of actuarial gains or losses recognized in the income statement. According to the amended IAS 19, actuarial gains or losses of actuarial liabilities shall be recognized in other comprehensive income. The amendments to IAS 19 apply for annual periods beginning on or after 01.01.2013. As a consequence of the application of this standard, actuarial gains not recognized by the Company will be recognized in the balance sheet as at 01.01.2013, and actuarial gains and losses after that date will be recognized in other comprehensive income. As at 12.31.2011 the Company has liabilities in the amount of R$165.629 referring to deferred actuarial gains to be amortized.

- IAS 1 – Presentation of other comprehensive income items

Issued in June 2011, this amendment to IAS 1 addresses the disclosure of other comprehensive income items and requires separate subtotals for elements that cannot be reclassified to profit or loss and those that can, when some conditions are fulfilled. These amendments apply for annual periods beginning on or after 01.01.2013. The Company believes that the amendments to said standard will not impact its consolidated financial statements.

- IFRIC 20 – Stripping costs in the production phase of a surface mine

Issued in October 2011, this interpretation addresses the accounting procedure to be adopted regarding the removal of mine waste materials to gain access to mineral ore deposits. IFRIC 20 applies for annual periods beginning on or after 01.01.2013. This interpretation does not apply to the Company's businesses.

- CPCs issued to match the IFRS standards and IFRIC interpretations

CPC has not issued standards, amendments, and technical interpretations to date to match the IFRS standards and IFRIC interpretations mentioned above. Due to the commitment of the CPC and CVM to maintain the standards issued up to date based on IASB revisions, these standards, amendments and interpretations are expected to be published by the CPC and approved by the CVM by the date of mandatory application.

4. – CASH AND CASH EQUIVALENTS

	Parent Company (BRGAAP)		Consolidated (BRGAAP and IFRS)	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Cash and bank deposits in cash	**960**	**1,710**	**5,274**	**8,882**
Marketable securities				
Citibank – Exclusive Investment Fund				
Repurchase agreements with Federal Government Securities [3]				
National Treasury Notes (NTN – B)	563,011	741,573	735,639	934,407
National Treasury Bill (LTN)	-	50,812	-	64,025
	563,011	**792,385**	**735,639**	**998,432**
Financial Institutions [4]				
Bank Deposit Certificates (CDB)	3,148	2,022	18,559	48,106
Repurchase agreements with debentures	-	-	22,336	27,160
	3,148	**2,022**	**40,895**	**75,266**
Total financial applications	**566,159**	**794,407**	**776,534**	**1,073,698**
	567,119	**796,117**	**781,808**	**1,082,580**

The Company structured its financial investments to concentrate its funds in an exclusive equity investment fund, the shares of which can be redeemed at any time without impairing its yield.

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

The average profitability of the fund in 2011 and 2010 was 100,2% of the interbank deposit rate (CDI).

Cash equivalents are maintained with the purpose of facing short-term cash commitments and are composed of cash balance, bank deposits in cash and financial investments with immediate liquidity in an amount subject to an irrelevant risk of change.

[3]Sale of securities with repurchase agreements assumed by the seller, concurrently with the resale commitment assumed by the buyer. These operations have immediate liquidity, pay interest at a fixed rate and are guaranteed by federal government securities.

[4] Banks: Safra, Itaú Unibanco, Banco do Brasil, Votorantim and Bradesco.

5. – TRADE ACCOUNTS RECEIVABLE

	Parent Company (BRGAAP)		Consolidated (BRGAAP and IFRS)	
	12.31.2011	**12.31.2010**	**12.31.2011**	**12.31.2010**
Concessionaires	247,788	216,600	319,930	271,921
Traders	124,038	125,682	51,395	56,524
Free Consumers	21,836	24,685	151,841	121,788
Exports	740	740	740	740
Transactions with CCEE				
-Current	19,879	77,402	21,758	79,077
-Special Tariff Recovery (RTE)	2,665	1,056	2,665	1,056
-Agents with lawsuits or in default	122,574	122,574	122,574	122,574
	539,520	**568,739**	**670,903**	**653,680**
Allowance for doubtful accounts	(128,617)	(122,574)	(128,754)	(122,574)
	410,903	**446,165**	**542,149**	**531,106**

The average term for receiving amounts related to energy sale invoices is 25 days as from the first day after the supply.

Composition of expired trade accounts receivable

	Parent Company (BRGAAP)		Consolidated (BRGAAP and IFRS)	
	12.31.2011	**12.31.2010**	**12.31.2011**	**12.31.2010**
Up to 30 days	9,397	39,378	10,475	17,013
31 to 60 days	-	14,297	-	14,297
61 to 90 days	-	102	-	102
Over 91 days	132,022	124,993	132,442	125,001
	141,419	**178,770**	**142,917**	**156,413**

Allowance for doubtful accounts credit

Breakdown:

	Parent Company (BRGAAP)		Consolidated (BRGAAP and IFRS)	
	12.31.2011	**12.31.2010**	**12.31.2011**	**12.31.2010**
Trader	6,043	-	6,180	-
Agents with lawsuits or in default	122,574	122,574	122,574	122,574
	128,617	**122,574**	**128,754**	**122,574**

Trader

The provision was constituted in 2011, for doubtful accounts due to the long-term default of a trader at the Electric Power Trade Chamber (CCEE). The Company is taking the proper measures to recover the outstanding amount receivable.

Agents with lawsuits or in default

The provision is formed by the following amounts:

- R$110,498 - these credits result from transactions carried out within Wholesale Electrical Energy Market (MAE), currently CCEE, corresponding to the period from September of 2000 to September of 2002. The debtor agents filed lawsuits because they disagreed with the interpretation adopted by MAE related to the Overall Agreement for the Electric Energy Sector. The provision was based on the questions regarding the amounts related to such transaction.

- R$12,076 – it refers substantially to debts of agents in default during the first settlement of the MAE, on December 30, 2002, related to transactions made within that market. Such amounts are under bilateral negotiations. However, due to uncertainties as to receipt, the Company maintains an allowance for doubtful accounts, regardless of the actions applicable to the case.

The Company constituted no provision over the other expired amounts, deeming their deliver as probable.

6. – INVENTORIES

	Parent Company (BRGAAP)		Consolidated (BRGAAP and IFRS)	
	12.31.2011	**12.31.2010**	**12.31.2011**	**12.31.2010**
Inputs for energy production	3,739	11,161	6,312	12,346
Supplies	29,249	23,137	30,534	24,093
Advances to suppliers	3,501	6,205	3,501	6,205
Other	2,394	2,538	2,490	3,388
	38,883	**43,041**	**42,837**	**46,032**

7. TAXES RECOVERABLE

	Parent Company (BRGAAP)		Consolidated (BRGAAP and IFRS)	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Current				
PIS[5] and Cofins[6]	68,369	51,640	129,066	66,822
ICMS[7]	7,350	4,178	7,812	4,855
Income Tax	4,319	4,719	5,889	14,895
Social Contribution	1,728	1,042	2,375	4,184
INSS[8]	5,650	1,054	5,650	1,062
	87,416	**62,633**	**150,792**	**91,818**
Non-current				
PIS and Cofins	4,639	13,595	137,832	200,090
ICMS	11,460	11,178	14,413	16,090
Income Tax	-	-	7,304	-
Social Contribution	-	-	2,452	-
INSS	-	3,700	6	3,700
	16,099	**28,473**	**162,007**	**219,880**

PIS and Cofins recoverable credits is mostly comprised by the amount of R$66,191, regarding the lawsuit favoring the Company and regarding the PIS and Cofins recovery unduly collected. In 2011, the effects from the recalculation and update of these credits, at R$20,388, already included in the total amount of R$66,191. The Company is waiting for an authorization from the Brazilian Federal Revenue Service to compensate the referred credits with its due federal credits.

In the year, at R$133.301 have been added to the credits previously mentioned, especially PIS and Cofins from machinery and equipment acquisition and building construction for the implementation of power generation projects.

Until July of 2011, credits on the acquisition of machines and equipment were compensated monthly in at the rate of 1/48. As of August of 2011, the credit balance on July 31, 2011 and those credits constituted as of this date are being compensated monthly in up to 12 (twelve) months, until they are fully compensated in July of 2012.

Credits from building construction have been compensated monthly at the rate of 1/24.

[5]Social Integration Program (PIS)

[6] Social Security Contribution (Cofins)

[7]Tax on transactions relating to the circulation of Goods and Interstate and Intermunicipal Transportation Services and Communication (ICMS)

[8]National Social Security Institute (INSS)

8. – ASSET AVAILABLE FOR SALE

In June of 2011, the Company sold 100% of its interest in the capital of Seival Participações S.A., a Special Purpose Entity holder of 99.99% of the capital of Usina Termelétrica Seival Ltda. (Seival TPP). The sale amount was R$38,523 and capital gains of R$15,436 were recognized by the Company.

Seival BPP holds the rights, including Aneel authorizations and installation licenses, to implement and explore a coal-fired thermoelectric plant in Candiota, Rio Grande do Sul State, with an installed capacity of up to 540 MW. The Company had no operating activity until its sale.

The Company continues to develop other coal-fired thermoelectric projects in the Candiota region, according to its growth strategy in the Brazilian electric energy sector.

9. – COLLATERAL AND RESTRICTED DEPOSITS

	Parent Company (BRGAAP)		Consolidated (BRGAAP and IFRS)	
	12.31.2011	**12.31.2010**	**12.31.2011**	**12.31.2010**
Current				
Reserve account - CCEE transactions				
Investment funds	32,159	47,872	32,159	47,872
Repurchase agreements with Debentures	-	21,793	378	33,600
CDB	-	-	6,386	81
	32,159	**69,665**	**38,923**	**81,553**
Non-current				
Reserve account - debt service				
Investment funds	-	-	86,025	42,083
Repurchase agreements with Debentures	-	-	-	1,965
CDB	-	-	4,542	7,196
	-	**-**	**90,567**	**51,244**

Reserve account - CCEE transactions: Its purpose is to ensure the financial settlement of energy purchase and sale in the context of CCEE, in conformity with that market's rules. Reduced balance is due to lower exposure from the Company in this market.

Reserve account - debt service: Its purpose is to ensure the payment of debts with the financing banks. The increased balance is mostly due to the start of the reserve constitution for ensuring the financing of the Estreito Hydroelectric Power Plant.

The average yield of the collateral and restricted deposits in 2011 and 2010 was 98.5% and 100% of the CDI, respectively.

10. – DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

	Parent Company (BRGAAP)				
	12.31.2011				12.31.2010
Type of credit	Tax basis	Income Tax	Social Contribution	Total	Total
Interest on property, plant and equipment in progress (RIC)	152,818	38,205	-	38,205	41,098
Post-employment benefits	204,680	51,170	18,421	69,591	102,910
Allowance for doubtful accounts	128,617	32,154	11,575	43,729	41,675
Provisions for tax, civil and labor risks	129,447	32,362	11,650	44,012	43,280
Adjustment to fair value in business combinations	77,973	19,493	7,018	26,511	24,718
Adjustment to present value of receivables	13,875	3,469	1,249	4,718	4,718
Accelerated depreciation	11,827	2,957	1,064	4,021	5,157
Other	23,962	5,991	2,157	8,148	24,857
		185,801	**53,134**	**238,935**	**288,413**

	Consolidated (BRGAAP and IFRS)				
	12.31.2011				12.31.2010
Type of credit	Tax basis	Income Tax	Social Contribution	Total	Total
Interest on property, plant and equipment in progress (RIC)	152,818	38,205	-	38,205	41,098
Post-employment benefits	204,680	51,170	18,421	69,591	102,910
Allowance for doubtful accounts	128,754	32,188	11,588	43,776	41,675
Provisions for tax, civil and labor risks	137,711	34,428	12,394	46,822	43,596
Adjustment to fair value in business combinations	77,973	19,493	7,018	26,511	24,718
Tax loss carryforwards and negative basis of social contribution	58,256	14,564	5,243	19,807	20,499
Adjustment to fair value of property, plant and equipment	49,470	12,368	4,452	16,820	17,745
Adjustment to present value of receivables	13,875	3,469	1,249	4,718	4,718
Accelerated depreciation	11,827	2,957	1,064	4,021	5,157
Other	28,879	7,219	2,600	9,819	26,124
		216,061	**64,029**	**280,090**	**328,240**

Deferred income tax and social contribution arising from temporary differences will be realized upon the payment of provisions made or, where applicable, upon realization of provisioned losses. Fiscal and social contribution loss carryforwards will be realized through the generation of future taxable income of the subsidiary that extraordinarily recorded losses in previous years.

The estimated realization of deferred income tax and social contribution and their recovery was estimated as below:

	Parent Company (BRGAAP)	Consolidated (BRGAAP and IFRS)
2012	18,632	20,452
2013	20,458	23,740
2014	30,955	32,289
2015	21,464	24,482
2016	19,176	22,519
2017 to 2018	70,396	79,476
2019 to 2020	22,870	32,735
2021 onwards	34,984	44,397
	238,935	**280,090**

11. – RECEIVABLES ON SALE OF ASSETS

This line registers the payments pending from Elétrica Jacuí S.A. (Eleja) relative to the sale of the Jacuí thermoelectric project. As of February 2009, Eleja suspended its monthly payments due to Tractebel.

The balance of R$86,866 presented on the Company and consolidated income statement corresponds to the present value of the installments due to the Company in July 2009 when the Company, after several frustrated tries to resume payment, decided to initiate judicial recovery of the contract, calling in the amount equal to the full debt, as Eleja's failure to pay brought all future installments due.

As of July 2009, the Company prudently decided to no longer recognize the interest and monetary restatement of the amounts receivable. The Company considers the amounts of the collateral as per the contract, as mentioned below, to be sufficient for recovery of amounts receivable.

The judicial recovery suit against Eleja guaranteed the Company that the assets of the Jacuí project, given as collateral, would be held in probate. In May of 2010, Eleja as execution debtor was summoned, but it did not reply. In March 2011, the assets were placed under lien and subject to evaluation by legal expert for later sale. The assets under lien were appraised at R$116,492. The Company is awaiting a ruling regarding the expert appraisal to decide if the assets will be seized or sold at auction.

The nominal value of the unpaid contractual installments as at 12.31.2011, updated according to the contracted index, the IGP-DI, totals R$116,172 (R$106,228 on 12.31.2010). The total debt, including contractual penalties, exceeds the amount of the expert appraisal, which could cause the Company to request seizure enforcement.

12. – JUDICIAL DEPOSITS

a) Breakdown

	Parent Company (BRGAAP)		Consolidated (BRGAAP and IFRS)	
	12.31.2011	**12.31.2010**	**12.31.2011**	**12.31.2010**
Tax	91,202	84,720	91,652	85,075
Civil	9,727	40,996	10,725	42,485
Labor	3,130	5,599	3,455	5,904
	104,059	**131,315**	**105,832**	**133,464**

The deposited amounts are directly related to the current judicial and administrative proceedings. From the amount deposited on December 31, 2011, R$40,627 (R$68,568 on December 31, 2010) is directly related to provisions described in Note 23 – Provisions for tax, civil and labor risks.

b) Changes

	Parent Company (BRGAAP)				Consolidated (BRGAAP and IFRS)			
	Tax	**Civil**	**Labor**	**Total**	**Tax**	**Civil**	**Labor**	**Total**
Balance as of 12.31.2009	**178,108**	**6,574**	**8,800**	**193,482**	**178,212**	**30,297**	**8,800**	**217,309**
Additions	11,985	3,546	535	16,066	12,226	10,118	840	23,184
PPESA incorporation	-	31,311	-	31,311	-	-	-	-
Adjustments	13,056	41	401	13,498	13,066	2,576	401	16,043
Write-offs and	(118,429)	(476)	(4,137)	(123,042)	(118,429)	(506)	(4,137)	(123,072)
Balance as of 12.31.2010	**84,720**	**40,996**	**5,599**	**131,315**	**85,075**	**42,485**	**5,904**	**133,464**
Additions	78	10,674	717	11,469	159	11,631	811	12,601
Adjustments	9,727	1,055	255	11,037	9,741	1,055	255	11,051
Write-offs and	(3,323)	(42,998)	(3,441)	(49,762)	(3,323)	(44,446)	(3,515)	(51,284)
Balance as of 12.31.2011	**91,202**	**9,727**	**3,130**	**104,059**	**91,652**	**10,725**	**3,455**	**105,832**

In 2011, an amount of R$32,936 was redeemed, related to a financial application previously contracted by subsidiary Ponte de Pedra S.A. (PPESA) in order to reduce the cost of bank guarantees related to the civil proceeding regarding the plant's Transmission System Usage Tariff (TUST) contestation. This application is no longer demanded by the Bank in case the guarantee costs was changed.

13. – INVESTMENTS

a) Breakdown

	Parent Company (BRGAAP)	
	12.31.2011	12.31.2010
Investments in subsidiaries:		
Assessed by the equity method		
Equity in subsidiaries	2,433,138	2,162,946
Goodwill / Concession rights	117,974	119,817
	2,551,112	**2,282,763**

b) Assessed by the equity method

Subsidiaries	Interest (%)	Lot of 1,000 shares or quotas 12.31.2011	12.31.2010
Itá Energética S.A. (Itasa)	48.75	253,607	253,607
Companhia Energética Estreito (CEE)	99.99	871,003	871,003
Companhia Energética São Salvador (CESS)	99.99	360,789	360,789
Lages Bioenergética Ltda. (Lages)	99.99	30,530	30,530
Tractebel Energia Comercializadora Ltda. (TBLC)	99.99	4,200	4,200
Tractebel Energias Complementares Participações Ltda. (TBLP)	99.99	640,329	532,455

b.1) Financial information of subsidiaries

	Itasa	CEE	CESS	Lages	TBLC	TBLP	EAS [9]
12.31.2010							
Interest (%)	**48.75%**	**99.99%**	**99.99%**	**99.99%**	**99.99%**	**99.99%**	**99.99%**
Total assets	852,035	2,336,439	1,385,165	84,226	259,985	934,031	-
Shareholders' equity	598,445	868,509	351,733	71,193	65,431	514,067	-
Net revenue	222,597	-	145,881	35,353	983,339	74,845	141,523
Net Income (losses)	46,620	(348)	(24,568)	7,137	(6,646)	(7,010)	(13,811)
12.31.2011							
Interest (%)	**48.75%**	**99.99%**	**99.99%**	**99.99%**	**99.99%**	**99.99%**	**-**
Total assets	801,335	2,554,938	1,363,537	66,754	350,800	959,951	-
Shareholders' equity	638,523	915,408	360,775	59,198	168,254	618,221	-
Net revenue	242,913	164,467	200,908	39,229	1,500,720	94,181	-
Net Income (losses)	53,908	46,899	9,042	3,005	102,823	(1,359)	-

[9] Energia América do Sul Ltda. (EAS), subsidiary incorporated by the Company on 12.30.2010.

b.2) Changes in investments

	Itasa	CEE	CESS	Lages	TBLC	TBLP	EAS	Other	Total
Balance as of 12.31.2009	**273,913**	**-**	**324,801**	**64,056**	**72,077**	**497,632**	**653,481**	**23,310**	**1,909,270**
Acquisition	-	712,296	-	-	-	-	-	-	**712,296**
Capital increase	-	156,561	51,500	-	-	23,445	152,200	35	**383,741**
PPESA incorporation	-	-	-	-	-	-	(791,870)	-	**(791,870)**
Equity in subsidiaries	22,727	(348)	(24,568)	7,137	(6,646)	(7,010)	(13,811)	36	**(22,483)**
Seival sale	-	-	-	-	-	-	-	(23,111)	**(23,111)**
Dividends	(4,897)	-	-	-	-	-	-	-	**(4,897)**
Balance as of 12.31.2010	**291,743**	**868,509**	**351,733**	**71,193**	**65,431**	**514,067**	**-**	**270**	**2,162,946**
Capital increase	-	-	-	-	-	107,874	-	-	**107,874**
Equity in subsidiaries	26,280	46,899	9,042	3,005	102,823	(1,359)	-	-	**186,690**
Write-offs/reclassification	-	-	-	-	-	(2,361)	-	(269)	**(2,630)**
Dividends	(6,742)	-	-	(15,000)	-	-	-	-	**(21,742)**
Balance as of 12.31.2011	**311,281**	**915,408**	**360,775**	**59,198**	**168,254**	**618,221**	**-**	**1**	**2,433,138**

c) Goodwill / concession rights – company

Turnover

Subsidiaries	Itasa	CEE	CESS	Total
Balance as of 12.31.2009	**1,145**	**-**	**34,635**	**35,780**
Amortization	(1,145)	-	(1,266)	(2,411)
CEE Acquisition	-	86,448	-	86,448
Balance as of 12.31.2010	**-**	**86,448**	**33,369**	**119,817**
Amortization	-	(576)	(1,267)	(1,843)
Balance as of 12.31.2011	**-**	**85,872**	**32,102**	**117,974**

Goodwill paid in the acquisition of subsidiaries is based on the present value of cash flow projections obtained from financial and economic appraisals and arise from the concession or authorization by ANEEL granting the right to use a public asset for energy generation. These amounts are being amortized during the term of the concession or authorization agreement in function of their established useful life, as economic benefits from the acquisition of these investments will arise throughout the concession or authorization agreement's term.

d) Incorporation of Ponte de Pedra Energética S.A. into Energia América do Sul Ltda. and of Energia América do Sul Ltda. into Tractebel Energia S.A.

On 12.30.2010 the Annual General Meeting unanimously approved the incorporation of Ponte de Pedra (PPESA) into Energia América do Sul Ltda. and the latter's incorporation into Tractebel Energia, upon conversion of the net assets of these companies as of 11.30.2010.

PPESA has installed capacity of 176.1 MW and assured energy of 131.6 average MW. The net assets incorporated had a book value of R$803,218 and fair value at R$791,870.

e) Information on the Company's subsidiaries

Tractebel Energia's simplified corporate structure is presented in the management report, which is an integral part of the complete financial statements.

e.1) Itá Energética S.A. (Itasa) – jointly controlled subsidiary

Itasa has as business purpose the exploitation of Itá Hydroelectric Power Plant, in a joint venture by means of a consortium, upon concession granted by the Federal Government through Aneel, with a 35-year term of effectiveness, as from 12.28.1995. 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 average assured energy of 720 MW. Under the Consortium Agreement, Itasa is entitled to 60.5% of 668 average MW. The project's other 52 MW of assured energy are directly held by Tractebel Energia.

The amounts and prices of the energy supplied directly to shareholders were set through agreements effective through 10.16.2030. For further details on energy agreements, please refer to Note 34 – Related Party Transactions.

Shares representing Itasa's capital stock are held by Tractebel Energia, Companhia Siderúrgica Nacional (CSN), and Companhia de Cimento Itambé, equal to 48.75%, 48.75% and 2.50%, respectively.

Itasa's major asset, liability and profit or loss groups are stated below and these items were consolidated in the financial statements proportionately to the Company's investments in the subsidiary's capital stock:

BALANCE SHEET	12.31.2011	12.31.2010
ASSETS		
Current assets	81,729	82,595
Non-current assets		
Long-term receivables	44,239	48,847
Property, plant and equipment	675,349	710,326
Intangible assets	18	10,267
TOTAL ASSETS	**801,335**	**852,035**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	100,175	113,697
Non-current liabilities	62,637	139,893
Shareholders' equity	638,523	598,445
TOTAL LIABILITIES	**801,335**	**852,035**

STATEMENT OF INCOME FOR THE YEAR	12.31.2011	12.31.2010
NET OPERATING REVENUES FROM SALES	**242,913**	**222,597**
COSTS OF ELECTRICITY PRODUCTION	**(120,277)**	**(108,045)**
GROSS INCOME	**122,636**	**114,552**
OPERATING EXPENSES		
General and administrative expenses	(15,023)	(19,190)
Other expenses, net	(13,668)	(736)
	(28,691)	**(19,926)**
Operating income	**93,945**	**94,626**
Financial expenses, net	**(12,275)**	**(23,938)**
INCOME BEFORE TAXES	**81,670**	**70,688**
Income tax and social contribution	(27,762)	(24,068)
NET INCOME FOR THE YEAR	**53,908**	**46,620**

e.2) Companhia Energética Estreito (CEE)

CEE was acquired from its parent GDF SUEZ Energy Latin America Participações Ltda. in August 2010. In October 2010, this transaction was ratified at an Extraordinary General Meeting (EGM) by unanimous vote of the non-controlling shareholders that voted the matter.

The acquisition was worth a total of R$798,744, and the book value of the shareholders' equity on the acquisition date was R$712,296. The exceeding amount of R$86,448 paid for the acquisition is supported by future cash flow projections and derive from the concession of authorization by Aneel granting the right to use a public asset for energy generation. This amount is booked under investments in the parent's balance sheet, and under property, plant and equipment in the consolidated balance sheet, as explained in Note 14 – Property, plant and equipment.

CEE holds a 40.07% interest at the Estreito Energia Consortium (Ceste), created for the installation and exploitation of the Estreito Hydroelectric Power Plant (Estreito HPP). The plant is located on the Tocantins River, on the borders of Tocantins and Maranhão states, in the cities of Estreito (Maranhão), Aguiarnópolis and Palmeiras do Tocantins (Tocantins), and has a generation installed capacity of 1,087 MW and average assured energy for trading of 641.08 MW. The concession duration is 35 years as of 11.26.2002, the execution date of the Concession Agreement.

The other consortium members of Ceste are Companhia Vale do Rio Doce, Estreito Energia S.A.—a company of the Alcoa Group—and Intercement Brasil S.A.—owned by the Camargo Corrêa Group—with interests of 30%, 25.49%, and 4.44% respectively. CEE is the consortium leader.

Estreito HPP's assured energy was traded with electrical energy distributors that participate in the Regulated Contracting Market (ACR), through an Auction carried out by the Federal Government, for a 30-year period starting on 01.01.2012. Of the total traded amount, CEE accounted for 256 average MW, corresponding to its interest in Ceste.

During 2011, four of the eight generating units started up their commercial operations, as follows:

Estreito HPP	Installed capacity (MW)	Assured energy belonging to CEE (Average MW)	Commercial Operation Startup
1st Generating unit	135.87	52.01	04.29.2011
2nd Generating unit	135.87	51.69	07.02.2011
3rd Generating unit	135.87	50.80	09.30.2011
4th Generating unit	135.87	38.38	12.23.2011
	543.48	**192.88**	

According to the installation schedule of Estreito HPP, the startup of all generating units is expected to be completed by the third quarter of 2012.

e.3) Companhia Energética São Salvador (CESS)

CESS holds the concession of the São Salvador Hydroelectric Power Plant, located on the Tocantins River, in São Salvador do Tocantins and Paranã, Tocantins State, with minimum installed capacity of 243.2 MW, and 148.5 average MW of assured energy. The concession duration is 35 years as of 04.23.2002, signature date of the Concession Agreement.

A total of 148 average MW owned by CESS were sold to electrical energy distributors that participate in the Regulated Contracting Market (ACR) through an Auction carried out by the Federal Government for a 30-year period starting in January 2011.

e.4) Lages Bioenergética Ltda. (Lages)

Lages holds the authorization of Aneel to operate as an independent energy generator, through the Lages thermoelectric power generating unit, located in Lages, Santa Catarina State, using a 28 MW steam turbo generator, which consumes wood waste as fuel. The authorization to build and operate the project is effective for 30 years, starting on 10.30.2002.

The subsidiary has an agreement to sell 22 average MW per month to the distributor that operates in the region where the project is located, effective through 03.31.2017.

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

e.5) Tractebel Energia Comercializadora (TBLC)

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

e.6) Tractebel Energias Complementares Participações Ltda. (TBLP)

The corporate purpose of TBLP is to hold interest in other companies' capital, and to carry out the alternative energy projects developed by its parent company Tractebel Energia. The company has the following investments at book value:

	Tupan [10]	Hidropower [11]	Areia Branca [12]	Beberibe [13]	Pedra do Sal [14]	Ibitiúva [15]	EEN [16]	Other
12.31.2010								
Interest	99.99%	99.99%	99.99%	99.99%	99.99%	99.99%	99.99%	99.99%
Total assets	94,798	71,798	149,133	155,780	101,774	121,744	28	224
Shareholders' Equity	34,379	38,323	74,701	53,564	30,601	42,058	28	220
Net revenue	11,704	9,497	10,940	18,552	12,943	11,232	-	138
Net Income (Loss)	288	1,711	(2,288)	2,111	573	3,229	-	(284)
12.31.2011								
Interest	99.99%	99.99%	99.99%	99.99%	99.99%	95.0%	99.99%	99.99%
Total assets	85,417	70,059	137,803	151,013	99,979	127,256	63,598	-
Shareholders' Equity	83,942	43,518	76,729	47,012	29,338	45,545	63,523	-
Net revenue	16,534	11,815	14,428	13,144	11,797	26,463	-	-
Net Income (Loss)	6,137	5,196	(1,342)	(6,553)	(1,262)	9,396	(314)	-

Goodwill / Right to use public assets at parent company TBLP

Companies	Tupan	Hidropower	Areia Branca	Beberibe	Pedra do Sal	Projeto Trairí	Total
As at 12.31.2009	**86,991**	**79,517**	**7,676**	**48,877**	**23,744**	**2,971**	**249,776**
Additions	-	-	-	-	-	162	162
Amortization	(3,796)	(3,714)	(520)	(2,073)	(1,092)	-	(11,195)
As at 12.31.2010	**83,195**	**75,803**	**7,156**	**46,804**	**22,652**	**3,133**	**238,743**
Additions	-	-	-	-	-	9,535	9,535
Amortization	(3,795)	(3,458)	(371)	(2,074)	(1,092)	-	(10,790)
As at 12.31.2011	**79,400**	**72,345**	**6,785**	**44,730**	**21,560**	**12,668**	**237,488**

[10] Tupan Energia Elétrica S.A.
[11] Hidropower Energia S.A.
[12] Hidrelétrica Areia Branca S.A.
[13] Eólica Beberibe S.A.
[14] Eólica Pedra do Sal S.A.
[15] Ibitiúva Bioenergética S.A.
[16] Energias Eólicas do Nordeste S.A.

The goodwill/use rights amounts paid by TBLP in the acquisitions of the abovementioned companies were determined based on the present value of cash flow projections obtained from financial and economic appraisals and arise from the acquisitions of use rights granted by Aneel for exploitation of hydroelectric or wind potential for energy generation.

In the consolidated balance sheet these amounts correspond to the adjustment to fair value of authorizations for exploitation of hydroelectric and wind power potentials. These amounts were recorded as a single asset under the group of property, plant and equipment, pursuant to the Application Guide of IFRS 3 and CPC 15 – (Business Combinations), allowing for the recognition of the fair value of the authorization and of the generation unit as single assets whenever these assets cannot be sold or transferred separately.

Goodwill/use rights are being amortized during the term of the authorization agreements, since economic benefits from the acquisition of investments will be recognized throughout the authorization term. In addition, the useful life of these assets is limited to the term of the agreements.

The main information on the subsidiaries of TBLP, as at 12.31.2011, is described below:

Companies	Plant	Installed capacity (MW)	Operation startup	Authorization expiration	Location – City (State)	Contracted energy (GWh/year	Sale agreement term
Tupan	SHP	26.60	12.2007	12.2032	Rondonópolis (MT)	85.51	2027
Hidropower	SHP	23.70	02.2007	12.2032	Rondonópolis (MT)	80.79	2027
Areia Branca	SHP	19.80	03.2010	05.2030	Caratinga (MG)	90.84	2030
Beberibe	Wind Farm	25.60	09.2008	08.2033	Beberibe (CE)	68.52	2028
Pedra do Sal	Wind Farm	17.85	12.2008	10.2032	Parnaíba (PI)	49.61	2028
Ibitiúva	Biomass	33.00	05.2010	04.2030	Pitangueiras (SP)	175.20	2025

Companies Tupan, Hidropower, Beberibe, Pedra do Sal and Areia Branca have their reference power contracted by Centrais Elétricas Brasileiras S.A. (Eletrobras) through Proinfa (Alternate Electric Power Sources Incentive Program). The contracted amount is periodically adjusted as per the energy that is effectively generated by such plants. Ibitiúva sold its energy at a Reserve Energy Auction promoted by Aneel in 2008, for a 15-year term beginning in 2010.

New wind power generation projects

In August of 2009, TBLP acquired, for R$2,998, some companies that own wind power generation projects of the so-called Trairí Project located in Ceará, whose installed capacity totals 121.9 MW.

The acquired projects have wind measurements, power generation certification, preliminary environmental licenses, and leasing agreements. The basic and environmental impact projects, required for the implementation license, are currently being executed.

In March 2011, Tractebel's Board of Directors approved the implementation of five wind farms for the sale of electrical energy in the free market: four in the state of Ceará, as mentioned above, and one in the state of Piauí. These projects total 145.4 MW, with estimated total investment of R$625,600.

In August 2011, Tractebel decided to integrate the five companies that will develop these wind power projects into a single holding controlled by TBLP, named Energias Eólicas do Nordeste S.A. (EEN). A significant portion of the trading capacity of these plants was sold to free customers in medium and long term contracts.

Aneel has already granted the authorizations for the companies to establish as independent energy producers. The Company has also contracted the companies responsible for supplying the equipment and assembling the 63 towers and wind turbines, each with generation capacity of 2.3 MW. The executive projects are being prepared, the equipment is being manufactured, and the construction works have already started at the wind farms in Ceará. The Company is currently awaiting the installation permit for the project located in Piauí. The construction of the wind farms is expected to be completed in 2013.

The Company is negotiating a credit facility with the National Economic and Social Development Bank (BNDES) in order to finance the projects.

Below you will find further information on the projects.

Companies	Plant	Installed Capacity	Location – City (State)
Central Eólica Mundaú S.A.	Central Eólica Mundaú	30.0 MW	Trairi (CE)
Central Eólica Guajiru S.A.	Central Eólica Guajiru	30.0 MW	Trairi (CE)
Central Eólica Fleixeiras I S.A.	Central Eólica Fleixeiras I	30.0 MW	Trairi (CE)
Central Eólica Trairi S.A.	Central Eólica Trairi	25.4 MW	Trairi (CE)
Eólica Porto das Barcas S.A.	Eólica Porto do Delta	30.0 MW	Parnaíba (PI)

14. – PROPERTY, PLANT AND EQUIPMENT

a) Breakdown

	Parent Company (BRGAAP)				
		12.31.2011			12.31.2010
	Average depreciation rate (%)	Adjusted cost	Accumulated depreciation	Net Value	Net Value
In operation					
Reservoirs, dams and pipelines	2.8	4,403,730	(2,120,653)	2,283,077	2,422,496
Buildings and improvements	3.1	1,278,692	(698,398)	580,294	595,343
Machinery and equipment	4.1	5,492,866	(3,381,448)	2,111,418	2,227,806
Vehicles	20.0	1,643	(1,147)	496	714
Furniture and Fixtures	10.0	8,518	(3,971)	4,547	2,748
		11,185,449	**(6,205,617)**	**4,979,832**	**5,249,107**
Special obligations		(13,535)	-	(13,535)	(10,223)
		11,171,914	**(6,205,617)**	**4,966,297**	**5,238,884**
In progress					
Buildings and improvements		12,625	-	12,625	5,054
Machinery and equipment		63,210	-	63,210	67,994
Acquisitions to be apportioned		6,050	-	6,050	3,338
		81,885	**-**	**81,885**	**76,386**
		11,253,799	**(6,205,617)**	**5,048,182**	**5,315,270**

	Consolidated (BRGAAP and IFRS)				
		12.31.2011			12.31.2010
	Average depreciation rate (%)	Adjusted cost	Accumulated depreciation	Net Value	Net Value
In operation					
Reservoirs, dams and pipelines	2.5	6,807,459	(2,257,034)	4,550,425	3,268,782
Buildings and improvements	3.1	1,746,251	(754,483)	991,768	986,857
Machinery and equipment	3.9	7,323,739	(3,603,332)	3,720,407	3,470,028
Vehicles	20.0	1,966	(1,442)	524	755
Furniture and Fixtures	10.0	9,888	(4,304)	5,584	3,823
		15,889,303	**(6,620,595)**	**9,268,708**	**7,730,245**
Special obligations		(13,660)	-	(13,660)	(10,348)
		15,875,643	**(6,620,595)**	**9,255,048**	**7,719,897**
In progress					
Reservoirs, dams and pipelines		10,892	-	10,892	404,336
Buildings and improvements		12,836	-	12,836	475,204
Machinery and equipment		182,187	-	182,187	888,601
Advances to suppliers		106,980	-	106,980	70,626
Acquisitions to be apportioned		317,208	-	317,208	417,345
		630,103	**-**	**630,103**	**2,256,112**
		16,505,746	**(6,620,595)**	**9,885,151**	**9,976,009**

"Acquisitions to be apportioned" are the amounts that will be proportionately apportioned to the cost of the assets when the construction works are completed. A significant portion of this amount corresponds to interest on funding, capitalized during the construction works.

b) Changes in property, plant and equipment

	Parent Company (BRGAAP)						
	Reservoirs, dams and pipelines	Buildings and improvements	Machinery and equipment	Other	Property, plant and equipment in progress	Special obligations	Total
As at 12.31.2009	1,860,955	538,224	2,020,606	3,059	112,466	(10,395)	4,524,915
PPESA incorporation	655,125	86,871	278,267	177	1,011	-	1,021,451
Additions	-	-	-	-	78,470	491	78,961
Transfers	230	2,924	111,551	856	(115,561)	-	-
Write-offs	-	(1)	(902)	(18)	-	(319)	(1,240)
Depreciation	(93,814)	(32,675)	(181,716)	(612)	-	-	(308,817)
As at 12.31.2010	**2,422,496**	**595,343**	**2,227,806**	**3,462**	**76,386**	**(10,223)**	**5,315,270**
Additions	-	-	-	-	96,918	(3,312)	93,606
Reclassification	-	-	-	-	5,699	-	5,699
Transfers	(21,437)	19,306	93,875	5,374	(97,118)	-	-
Write-offs	-	-	(5,388)	(16)	-	-	(5,404)
Depreciation	(117,982)	(34,355)	(204,875)	(3,777)	-	-	(360,989)
As at 12.31.2011	**2,283,077**	**580,294**	**2,111,418**	**5,043**	**81,885**	**(13,535)**	**5,048,182**

	Consolidated (BRGAAP and IFRS)						
	Reservoirs, dams and pipelines	Buildings and improvements	Machinery and equipment	Other	Property, plant and equipment in progress	Special obligations	Total
As at 12.31.2009	3,354,601	1,011,279	3,414,684	3,611	363,574	(10,520)	**8,137,229**
CEE acquisition	-	-	-	-	1,940,576	-	1,940,576
Additions	-	-	-	-	352,371	491	352,862
Transfers	65,111	28,639	301,369	1,761	(396,880)	-	-
Write-offs	-	(7)	(1,209)	(42)	(3,529)	(319)	(5,106)
Depreciation	(150,930)	(53,054)	(244,816)	(752)	-	-	(449,552)
As at 12.31.2010	**3,268,782**	**986,857**	**3,470,028**	**4,578**	**2,256,112**	**(10,348)**	**9,976,009**
Additions	-	-	-	-	400,847	(3,312)	397,535
Reclassification	-	-	-	-	5,699	-	5,699
Transfers	1,445,395	55,338	526,394	5,428	(2,032,555)	-	-
Write-offs	-	-	(5,585)	(16)	-	-	(5,601)
Depreciation	(163,752)	(50,427)	(270,430)	(3,882)	-	-	(488,491)
As at 12.31.2011	**4,550,425**	**991,768**	**3,720,407**	**6,108**	**630,103**	**(13,660)**	**9,885,151**

c) Adjustment to fair value of property, plant and equipment

Pursuant to CPC 27 – Property, Plant and Equipment, and ICPC 10 – Clarifications on CPC27 and CPC28, on 01.01.2009 (first-time adoption of the IFRS and CPC) the Company adopted the fair value as the deemed cost of property, plant and equipment of its plants that had a book value substantially lower than or higher than its fair value. The adjustment to fair value of property, plant and equipment, net of deferred income tax and social contribution, is offset by the shareholders' equity account denominated "Assets valuation adjustment". Depreciation over said adjustment will not affect the calculation basis of income tax and social contribution or the basis for the payment of dividends.

The balances of property, plant and equipment as at 12.31.2011 and 12.31.2010 included the to fair value adjustment, net of depreciation, of R$982,326 and R$1,073,015, respectively. Depreciation over the adjustments to fair value for the years ended 12.31.2011 and 12.31.2010 was R$86,595 and R$87,509, respectively.

d) Recognition of the onerous concession contracted or acquired in a business combination

Up to the first-time adoption of the IFRS and CPC on 01.01.2009, onerous concessions and authorizations granted by the Federal Government for the use of public assets to generate hydroelectric energy, contracted or acquired in a business combination, were recorded based on the best reference identified in the international financial reporting standards (IFRS), once there were no specific accounting principles that addressed this matter in the Brazilian standards. Therefore, the Company used the Application Guide of IFRS 3 – Business Combination as a reference to record such transactions, because IFRS 3 allows for the recognition of the fair value of the concession and of the property, plant and equipment as a single asset in the financial statements whenever these assets cannot be sold or transferred separately.

In accordance with this interpretation, the Company recognized the onerous concession and the authorizations contracted or acquired in a business combination as a single asset under Property, plant and equipment, broken down by the nature of the assets proportionally to their acquisition cost. This was the procedure the Company used even before the adoption of IFRS and CPC became mandatory on 01.01.2009, and it was maintained for the transactions made after that date so as to ensure consistency.

The balances of these concessions and authorizations for the use of a public asset to generate energy are R$589,727 and R$612,198 as at 12.31.2011 and 12.31.2010 respectively at the parent company, and R$1,142,403 and R$1,205,286 as at 12.31.2011 and 12.31.2010 respectively at consolidated.

e) Depreciation of assets comprising the Plants' Original Project

Based solely on its interpretation of Law 8,987/95 and Decree 2,003/96, the Company understands there is no guarantee of indemnification by the Granting Authority of the residual amount of the assets that comprise the Original Project by the end of the term of the concession and authorization of the hydroelectric projects. Therefore, as of 01.01.2007, the Company began to depreciate said assets at the rates determined by Aneel, which are limited to the concession term, even though the agreements and the law provide for the possibility that the concession be renewed. It is worth mentioning that all property, plant and equipment assets acquired before 01.01.2007 were recorded at their deemed cost based on the appraisal of their fair values upon the transition to the IFRS standards and new CPCs, on 01.01.2009.

f) Allocation of financial interests

Payable financial interest relating to financing and to the concession are recognized under Property, plant and equipment in progress during the construction of the power plants. Interests recognized in 2011 and 2010 were R$101,033 and R$37,237, respectively.

g) Impairment of assets

The Company periodically reviews property, plant and equipment items and intangible assets to look for any indication that these assets may be impaired, or whenever events or significant changes indicate that the book value of these assets may not be recoverable. If the book value exceeds the asset's recoverable amount, an impairment loss is recognized in profit or loss for the period. So far, there is no indication of impairment in the Company's assets.

h) Concessions and authorizations by the Regulatory Agency

The Company and its subsidiaries have the following concessions and authorizations for electrical energy generation:

Concessions	Concessionaire	Installed Capacity (MW)	Date of Execution	Maturity
Salto Santiago HPP	Tractebel Energia	1,420	09.28.1998	09.27.2028
Salto Osório HPP	Tractebel Energia	1,078	09.28.1998	09.27.2028
Passo Fundo HPP	Tractebel Energia	226	09.28.1998	09.27.2028
Itá HPP	Tractebel Energia/Itasa	1,450	12.28.1995	10.16.2030
Machadinho HPP	Tractebel Energia	1,140	07.15.1997	07.14.2032
Cana Brava HPP	Tractebel Energia	450	08.27.1998	08.26.2033
Ponte de Pedra HPP	Tractebel Energia	176	10.01.1999	09.30.2034
São Salvador HPP	CESS	243	04.23.2002	04.22.2037
Estreito HPP	Ceste [17]	1,087	11.26.2002	11.26.2037

The Company owns—directly and indirectly—1,090 MW, 404 MW and 435.6 MW of the installed capacity of the Itá, Machadinho and Estreito hydroelectric power plants, which correspond to its equity interest and/or consortium interest.

[17] The consortium members are the subsidiary Companhia Energética Estreito (40.07%), Vale S.A. (30,%), Estreito Energia S.A. (a company of the Alcoa Group, with 25.49%), and Intercement Brasil S.A. (a company of the Camargo Corrêa Group, with 4.44%).

Authorizations	Authorization Holder	Installed Capacity (MW)	Date of Execution	Maturity
Jorge Lacerda Thermoelectric Complex	Tractebel Energia	857	09.28.1998	09.27.2028
Charqueadas TPP	Tractebel Energia	72	09.28.1998	09.27.2028
Alegrete TPP	Tractebel Energia	66	09.28.1998	09.27.2028
Willian Arjona TPP	Tractebel Energia	190	06.02.2000	04.28.2029
Ibitiúva Bionergética TPP	Andrade	33	04.05.2000	04.04.2030
Lages Cogeneration Unit	Lages	28	10.30.2002	10.29.2032
Rondonópolis SHPP	Tupan	27	12.19.2002	12.18.2032
Engenheiro José Gelazio da Rocha	Hidropower	24	12.19.2002	12.18.2032
Areia Branca SHPP	Areia Branca	20	05.03.2000	05.02.2030
Pedra do Sal WF	Pedra do Sal	18	10.02.2002	10.01.2032
Beberibe WF	Beberibe	26	08.04.2003	08.03.2033
Porto das Barcas WF	Porto das Barcas	30	08.30.2011	07.09.2041
Trairí WF	Trairí	25	09.20.2011	08.27.2041
Guajiru WF	Guajiru	30	09.20.2011	08.27.2041
Mundaú WF	Mundaú	30	09.20.2011	08.27.2041
Fleixeiras I WF	Fleixeiras I	30	09.20.2011	08.27.2041

The Company owns 21.2 MW of the installed capacity of the Ibitiúva Bioenergética Thermoelectric Power Plant

i) Restriction on assets

According to Articles 63 and 64 of Decree 41,019, of February 26, 1957, assets and facilities used in the generation, transmission, distribution and sale of electrical energy are linked to such services and cannot be removed, disposed of or pledged as mortgage guarantees without the prior and express authorization of the Regulatory Agency. Aneel Resolution 20/99, of March 02, 1999, determines that assets be detached from the Electric Power Public Utility concession, granting prior authorization for the detachment of assets that are not serviceable for 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.

j) Federal Government assets used by the Company

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

[18] The consortium members are subsidiary Ibitiúva Bioenergética S.A. (72.90%), and Andrade Açúcar e Álcool (27.10%).

15. – INTANGIBLE ASSETS

a) Breakdown

	Parent Company (BRGAAP)					
	12.31.2011			12.31.2010		
	Adjusted cost	Accumulated amortization	Total	Adjusted cost	Accumulated amortization	Total
Right to use	25,618	(14,794)	**10,824**	21,896	(11,762)	**10,134**
Goodwill merged from CEM [19]	44,578	(39,550)	**5,028**	44,578	(35,241)	**9,337**
	70,196	**(54,344)**	**15,852**	**66,474**	**(47,003)**	**19,471**

	Consolidated (BRGAAP and IFRS)					
	12.31.2011			12.31.2010		
	Adjusted cost	Accumulated amortization	Total	Adjusted cost	Accumulated amortization	Total
Right to use	29,988	(15,696)	**14,292**	25,887	(12,387)	**13,500**
Right to purchase energy	64,561	-	**64,561**	64,561	-	**64,561**
Rights of Trairí Project	12,668	-	**12,668**	3,133	-	**3,133**
Goodwill merged from CEM	44,578	(39,550)	**5,028**	44,578	(35,241)	**9,337**
Goodwill merged from Itasa	72,793	(72,793)	**-**	72,793	(67,803)	**4,990**
	224,588	**(128,039)**	**96,549**	**210,952**	**(115,431)**	**95,521**

The rights to use and to purchase energy have finite useful lives. The first is being amortized within five years and the second will be amortized during the purchase agreement term from 2013 to 2023.

Goodwill amounts from Itasa and merged subsidiary CEM also have a finite useful life. The amortization of the goodwill from Itasa ended in December 2011, and goodwill from CEM will be amortized up to February 2013.

The rights of the Trairí Project correspond to the fair value of the basic environmental projects, power generation certification, wind measurements, preliminary environmental licenses, and lease agreements acquired in a business combination. The amortization of these rights will begin as soon as the wind farms start the operations, and will be limited to the term of the authorization of the respective plants.

[19]Companhia Energética Meridional, wholy-owned subsidiary merged by the Company in 2008.

b) Changes

	Parent Company (BRGAAP)	Consolidated (BRGAAP and IFRS)
As at 12.31.2009	**18,238**	**118,033**
Right to use	5,904	6,652
Right to use – CEE acquisition	-	1,860
PPESA incorporation	706	-
Transfers	-	(19,251)
Amortization	(5,377)	(11,773)
As at 12.31.2010	**19,471**	**95,521**
Additions	3,722	13,757
Transfers to property, plant and equipment	-	(121)
Amortization	(7,341)	(12,608)
As at 12.31.2011	**15,852**	**96,549**

16. – SUPPLIERS

	Parent Company (BRGAAP)		Consolidated (BRGAAP and IFRS)	
	12.31.2011	**12.31.2010**	**12.31.2011**	**12.31.2010**
Charges on the use of power grid	93,500	81,003	98,979	84,857
Purchased electricity	98,408	53,569	87,970	104,203
Transactions with CCEE	371	1,337	689	1,337
Material and services	24,424	34,686	32,494	45,467
Fossil fuels/biomass	1,037	3,491	873	926
Property, plant and equipment suppliers	1,900	-	13,331	32,061
	219,640	**174,086**	**234,336**	**268,851**

17.– TAXES AND SOCIAL CONTRIBUTION PAYABLE

	Parent Company (BRGAAP)		Consolidated (BRGAAP and IFRS)	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Federal taxes				
Income tax	277,673	305,174	297,121	307,026
Social Security Contribution	80,131	89,004	86,091	91,006
PIS and Cofins (Taxes on Revenue)	19,142	20,082	22,192	21,212
INSS	3,663	4,593	4,228	3,960
Other	1,389	1,185	1,437	1,277
	381,998	**420,038**	**411,069**	**424,481**
State tax				
ICMS	**7,443**	**10,461**	**26,584**	**32,225**
City tax				
ISS	**471**	**589**	**854**	**1,231**
	389,912	**431,088**	**438,507**	**457,937**

The Company has been paying the income tax and social security contribution on a monthly basis over an estimated calculation basis, in line with current legislation.

18. – LOANS AND FINANCING

a) Breakdown

	Parent Company (BRGAAP)					
	12.31.2011			12.31.2010		
	Current	Non-current	Total	Current	Non-current	Total
Domestic currency						
Bank of America Merrill Lynch	-	430,000	430,000	-	-	-
BNDES	14,965	4,988	19,953	14,965	19,953	34,918
Eletrobras	-	-	-	10,796	-	10,796
Banco do Brasil	-	-	-	3,529	-	3,529
Interests	8,886	-	8,886	171	-	171
	23,851	**434,988**	**458,839**	**29,461**	**19,953**	**49,414**
Foreign currency						
STN [20]	12,374	97,605	109,979	15,425	104,500	119,925
BNP Paribas (*Floating Rate Note)*	-	97,088	97,088	-	88,964	88,964
Interests	5,139	-	5,139	4,691	-	4,691
	17,513	**194,693**	**212,206**	**20,116**	**193,464**	**213,580**
	41,364	**629,681**	**671,045**	**49,577**	**213,417**	**262,994**

[20] National Treasury Secretariat (STN), net of deposited guarantees.

	Consolidated (BRGAAP and IFRS)					
	12.31.2011			12.31.2010		
	Current	Non-current	Total	Current	Non-current	Total
Domestic currency						
Bank of America Merrill Lynch	-	430,000	430,000	-	-	-
Eletrobras	-	-	-	10,796	-	10,796
BNDES	106,829	1,319,263	1,426,092	73,064	1,297,836	1,370,900
Banks (BNDES Onlending)	82,910	960,757	1,043,667	56,086	1,001,920	1,058,006
Banco do Brasil	3,966	19,169	23,135	7,495	23,135	30,630
BRDE	4,556	-	4,556	6,835	4,556	11,391
CEF	-	-	-	5,777	46,234	52,011
Charges	18,150	-	18,150	9,245	-	9,245
	216,411	**2,729,189**	**2,945,600**	**169,298**	**2,373,681**	**2,542,979**
Foreign currency						
STN	12,374	97,605	109,979	15,425	104,500	119,925
BNP Paribas (*Floating Rate Note*)	-	97,088	97,088	-	88,964	88,964
Charges	5,139	-	5,139	4,691	-	4,691
	17,513	**194,693**	**212,206**	**20,116**	**193,464**	**213,580**
	233,924	**2,923,882**	**3,157,806**	**189,414**	**2,567,145**	**2,756,559**

b) Changes in loans and financing

	Parent Company (BRGAAP)			Consolidated (BRGAAP and IFRS)		
	Current	Non-current	Total	Current	Non-current	Total
As at 12.31.2009	**67,954**	**276,776**	**344,730**	**221,346**	**1,465,106**	**1,686,452**
CEE acquisition	-	-	-	-	1,160,521	1,160,521
Additions	-	-	-	-	276,751	276,751
Transfers	44,861	(44,861)	-	352,659	(352,659)	-
Accrued interest	22,777	(3,947)	18,830	126,070	60,683	186,753
Capitalized interest	-	-	-	(5,988)	(28,706)	(34,694)
Changes in foreign exchange rates	(779)	(14,551)	(15,330)	(779)	(14,551)	(15,330)
Amortization of principal	(64,458)	-	(64,458)	(390,131)	-	(390,131)
Amortization of interest	(20,778)	-	(20,778)	(113,763)	-	(113,763)
As at 12.31.2010	**49,577**	**213,417**	**262,994**	**189,414**	**2,567,145**	**2,756,559**
Additions	-	430,000	430,000	-	502,799	502,799
Transfers	26,001	(26,001)	-	256,485	(256,485)	-
Accrued interest	36,489	(3,996)	32,493	150,186	191,441	341,627
Capitalized interest	-	-	-	-	(97,279)	(97,279)
Changes in foreign exchange rates	1,915	16,261	18,176	1,915	16,261	18,176
Amortization of principal	(44,557)	-	(44,557)	(222,615)	-	(222,615)
Amortization of interest	(28,061)	-	(28,061)	(141,461)	-	(141,461)
As at 12.31.2011	**41,364**	**629,681**	**671,045**	**233,924**	**2,923,882**	**3,157,806**

Main events occurred in 2011:

– Loan from Bank of America Merrill Lynch

In July 2011, the Company signed a loan agreement with Bank of America Merrill Lynch in the amount of US$273,537 (equivalent to R$430,000). The main contractual conditions are as follows:

- Interest rate: 2.6236% p.a. (fixed).
- Maturity of principal: 07.20.2013, 01.20.2014, and 07.20.2014.
- Amortization of interest: quarterly, from 10.20.2011 to 07.20.2014.
- Covenants: EBITDA/consolidated financial expenses $\geq$ 2.0, and Consolidated debt/EBITDA $\leq$ 3.5.

In order to hedge its future cash flows from USD fluctuations, the Company contracted a R$430,000 swap with the Brazilian subsidiary of the same financial institution that granted the loan, which ensures the Company a variable position corresponding to the USD fluctuation plus interest of 2.6236% p.a. and a fixed position equal to 98% of the CDI Interbank Deposit Rate. The financial institution that granted the loan guarantees the payment of all cash flows from the swap transaction in case its Brazilian subsidiary fails to honor the contracted obligations. Maturity of principal and amortization of the loan and swap interest will happen on the same dates.

The Company has the right to settle the principal and the financial charges on the loan and swap on a net basis, if necessary, and will do so simultaneously with its respective maturities, as provided for in the agreements.

Therefore, the financial instruments and their respective charges are considered a single financial instrument and are presented on a net basis in the balance sheet and in the Company's results, as a single financial instrument, better reflecting the amounts and the indication of future cash flows, as well as the risks this cash flow will be exposed to.

As a consequence, the effect on the Company's financial result from the contracting of the aforementioned financial instruments will be equivalent to 98% of the CDI.

– BNDES funding

In 2011, BNDES released R$64,403 referring to an additional facility for the Company to finish building the Estreito HPP. The outstanding balance of this loan, which is still to be released, is R$38,860 as at 12.31.2011.

– Advanced payment of loan from the Caixa Econômica Federal (CEF)

In December 2011, subsidiary Tupan prepaid the whole of a loan from the CEF, in the amount of R$49,427.

c) Breakdown by foreign currency and local indices

	Parent Company (BRGAAP)				Consolidated (BRGAAP and IFRS)			
	12.31.2011	**%**	**12.31.2010**	**%**	**12.31.2011**	**%**	**12.31.2010**	**%**
Domestic currency								
CDI	438,801	65.39	-	-	438,801	13.90	-	-
TJLP	20,038	2.99	35,066	13.33	2,449,427	77.57	2,465,067	89.43
Not indexed	-	-	14,348	5.46	57,372	1.81	77,912	2.82
	458,839	**68.38**	**49,414**	**18.79**	**2,945,600**	**93.28**	**2,542,979**	**92.25**
Foreign currency								
U.S. dollar	111,737	16.65	121,747	46.29	111,737	3.54	121,747	4.42
Euro	100,469	14.97	91,833	34.92	100,469	3.18	91,833	3.33
	212,206	**31.62**	**213,580**	**81.21**	**212,206**	**6.72**	**213,580**	**7.75**
	671,045	**100.00**	**262,994**	**100.00**	**3,157,806**	**100.00**	**2,756,559**	**100.00**

d) Interest rates and changes in foreign currencies

	12.31.2011	**12.31.2010**
CDI	11.60%	9.75%
TJLP	6.00%	6.00%
U.S. dollar	12.58%	-4.31%
Euro	9.25%	-11.14%

e) Maturity of loans and financing under non-current liabilities

	Parent Company (BRGAAP)			Consolidated (BRGAAP and IFRS)		
	Domestic currency	**Foreign currency**	**Total**	**Domestic currency**	**Foreign currency**	**Total**
2013	148,322	8,072	156,394	333,892	8,072	341,964
2014	286,666	3,920	290,586	452,254	3,920	456,174
2015	-	97,088	97,088	166,059	97,088	263,147
2016	-	-	-	166,611	-	166,611
2017	-	-	-	166,587	-	166,587
2018 to 2022	-	-	-	797,940	-	797,940
2023 to 2027	-	85,613	85,613	494,893	85,613	580,506
2028 to 2029	-	-	-	150,953	-	150,953
	434,988	**194,693**	**629,681**	**2,729,189**	**194,693**	**2,923,882**

f) Contractual conditions

	Interest	Payment conditions	
		Maturity	Principal and Interest
Domestic currency			
Parent Company			
BNDES	TJLP + 4% p.a. [a]	04.2013	Monthly
Bank of America Merrill Lynch	98% of CDI	07.2014	Principal: 07.2013, 01.2014 and 07.2014 Interest rate: quarterly
Subsidiaries			
BNDES	TJLP + (1.89% to 4.0% p.a.) [a]	09.2013 to 06.2029	Monthly
BNDES – Social Credit[b]	TJLP	06.2018	Monthly, after 07.2012 [e]
BNDES – B subloan[c]	4.5% p.a.	01.2020	Monthly
Banks (BNDES Onlending) [d]	TJLP + (2.95% to 3.85% p.a.) [a]	09.2013	Monthly
BRDE	TJLP + 2.25% p.a. [a]	08.2012	Monthly
Banco do Brasil	8.08% p.a. [f]	10.2017	Monthly
Foreign currency			
Parent Company			
STN	*Libor* + 1.075% p.a.	04.2024	Semiannual
BNP Paribas	*Euribor*+ 2.75% p.a.	11.2015	Annual

[a] The amount corresponding to the TJLP installment that exceeds 6% p.a. is capitalized and merged into the principal of the financings.

[b] Funds exclusively assigned to the social and environmental projects of Estreito. The balance was R$16,344 as at 12.31.2011.

[c] Funds allocated to the acquisition of machinery and equipment for the Ibitiúva plant. The balance was R$34,082 as at 12.31.2011.

[d] The Banks are Itaú Unibanco, Bradesco, Santander, and Votorantim.

[e] Interest will be paid quarterly from 11.2010 to 06.2012.

[f] Fixed rate includes a 15% bonus for payments made up to the maturity date.

g) Guarantees

g.1) Parent Company

Loans and financing in local currency

- Bank of America Merrill Lynch: promissory note in the amount of US$273,537 for Bank of America N.A.

- BNDES: letter of guarantee from Itaú Unibanco Holding S.A., in an amount corresponding to the debt's outstanding balance, in case of default, and effective through 10.15.2013.

Loans and financing in foreign currency

- National Treasury (STN): (a) assignment and transfer of the receivables to the Federal Government, up to the limit necessary to cover the payment of the installments and other interests due at each maturity date; (b) pledged deposit amounting to R$70,562 as at 12.31.2011 (R$60,420 as at 12.31.2010), which is stated as an offsetting account of the underlying financing, since it will be mandatorily used to amortize the principal on the maturity date. There are no guarantees granted for the Company's other loans and financing in foreign currency.

g.2) Subsidiaries

BNDES and Banks (BNDES Onlending)

- Funding of hydroelectric power projects: (a) pledge of rights arising from the concession; (b) pledge of receivables rights arising from electrical energy purchase and sale agreements; (c) reserve account in an amount equivalent to three months of debt service or banking guarantee; (d) reserve account in an amount equivalent to three months of operation and maintenance contractual expenses, applicable to the plants that outsource services to execute these activities.

In addition to these guarantees to Itasa, all shares issued are pledged; and to CEE the pledge of dividends to be paid by Tractebel Energia to GSELA.

- Funding of Wind Power, and Biomass Projects, and Small Hydroelectric Power Plants: (a) conditional sale of assets and equipment; (b) all shares representing the capital stock of the subsidiaries; and (c) receivables and reserve account. In addition to these guarantees, Ibitiúva was granted a corporate guarantee by Tractebel Energia.

BRDE: (a) assignment of receivables from the electrical energy purchase and sale agreement entered into with a distributor that buys energy from the Plant; (b) assignment of authorization-related rights granted by Aneel to establish as an independent producer of electrical energy; (c) obligation to maintain a reserve account with a deposit equivalent to, on average, four months of debt service.

Banco do Brasil: (a) all shares representing the capital stock; (b) receivables and reserve account; and (c) corporate guarantee by Tractebel Energia.

h) Covenants

The Company has the following covenants provided for in its loan and financing agreements:

Debt	*Covenants*
Parent Company	
Bank of America Merrill Lynch	EBITDA[21]/consolidated financial expenses ≥ 2.0, and Consolidated debt/EBITDA ≤ 3.5
BNDES	Shareholders' equity / total assets ≥ 30%
Subsidiaries	
BNDES and Banks (BNDES Onlending) - CEE and Areia Branca	Debt service coverage ratio ≥ 1.2
BNDES and Banks (BNDES Onlending) - CESS, Beberibe and Pedra do Sal	Debt service coverage ratio [22] ≥ 1.3
BNDES and Banks (BNDES Onlending) - Itasa	Shareholders' equity / total assets ≥ 40%

Debt	*Covenants*
BNDES - Ibitiúva	(i) Total General Indebtedness Ratio ≤ 0.80 (ii) Debt service coverage ratio ≥ 1.3
BRDE	(Current + non-current liabilities) / total assets ≤ 66%
Banco do Brasil	(i) Shareholders' equity / total assets ≥ 0.35 (ii) EBITDA Margin[23] (EBITDA/ROL) ≥ 0.80 (iii) EBITDA/ financial expenses ≥ 2.70 (iv) Total financial debt / EBITDA ≤ 4.0 (v) Current assets/ current liabilities ≥ 1.2 (vi) Debt service coverage ratio ≥ 1.3

Financial covenants established in loan and financing agreements are being performed by the Company, except for what is described below.

Indirect subsidiary Hidropower has restrictive clauses in its financing agreements that require maintenance of certain financial ratios, among which are current liquidity, debt service coverage and EBITDA margin.

Due to structuring matters, this company's current liabilities are above the level initially established upon the contracting of the financing, which has a negative effect both on the liquidity ratio and on the debt service coverage ratio.

The Company had a waiver by Banco do Brasil by an occasional non-fulfillment of any of the contract covenants until the liquidation of the debt. Debt is R$23,290 as at 12.31.2011 (R$27,245 as at 12.31.2010).

[21]EBITDA: Operating income - financial income - depreciation and amortization.
[22]Debt service coverage ratio: Cash generation from the activity/Debt service
[23]EBITDA Margin: EBITDA/ Net Operating Revenues

19. – DEBENTURES

a) Breakdown

	12.31.2011			12.31.2010		
	Current	Non-current	Total	Current	Non-current	Total
Parent Company (BRGAAP)						
1st Issue - 1st Series	-	-	-	150,558	-	150,558
2nd Issue – single series	149,046	299,328	448,374	-	420,668	420,668
3nd Issue – single series	-	-	-	604,064	-	604,064
4th Issue – single series	-	-	-	80,000	320,890	400,890
Cana Brava – single series	15,880	8,526	24,406	14,437	24,406	38,843
Interest	18,614	-	18,614	46,119	-	46,119
Total Parent	**183,540**	**307,854**	**491,394**	**895,178**	**765,964**	**1,661,142**
Itasa – 1st and 2nd Series	-	-	-	9,034	16,380	25,414
Interest	-	-	-	805	-	805
Total Consolidated (BRGAAP and IFRS)	**183,540**	**307,854**	**491,394**	**905,017**	**782,344**	**1,687,361**

b) Changes in debentures

	Parent Company (BRGAAP)			Consolidated (BRGAAP and IFRS)		
	Current	Non-current	Total	Current	Non-current	Total
As at 12.31.2009	**117,340**	**1,577,213**	**1,694,553**	**126,407**	**1,601,783**	**1,728,190**
Transfers	839,509	(839,509)	-	847,699	(847,699)	-
Accrued interest	152,804	5,093	157,897	155,947	5,093	161,040
Monetary variation	16,214	23,167	39,381	19,562	23,167	42,729
Amortization of principal	(77,159)	-	(77,159)	(87,718)	-	(87,718)
Amortization of interest	(153,530)	-	(153,530)	(156,880)	-	(156,880)
As at 12.31.2010	**895,178**	**765,964**	**1,661,142**	**905,017**	**782,344**	**1,687,361**
Transfers	484,054	(484,054)	-	500,434	(500,434)	-
Accrued interest	87,387	2,509	89,896	89,109	2,509	91,618
Monetary variation	9,971	23,435	33,406	11,058	23,435	34,493
Amortization of principal	(1,169,274)	-	(1,169,274)	(1,195,775)	-	(1,195,775)
Amortization of interest	(123,776)	-	(123,776)	(126,303)	-	(126,303)
As at 12.31.2011	**183,540**	**307,854**	**491,394**	**183,540**	**307,854**	**491,394**

In 2011, the Company amortized the following debentures, early or on the maturity dates.

	Amount	Date
Parent Company		
3rd Issue	637,175	04.01.2011
1st Series of 1st Issue	169,280	04.29.2011
4rd Issue	414,845	07.21.2011
Subsidiary		
2nd series issued by subsidiary Itasa	14,771	06.01.2011
1st series issued by subsidiary Itasa	14,257	12.02.2011

Early settlement

In 2011, the Company advanced the settlement of the 4th issue debentures in the amount of R$414,845, including the R$4,000 fine paid for the early settlement. This amortization was done with part of the funds from the Merrill Lynch loan mentioned above. The settled debentures had a total cost of 110% of the CDI and the final annual installment of amortization of the principal would mature in November 2015.

Subsidiary Itasa also advanced the settlement, with its own resources, of its 1st and 2nd series debentures in the amount of R$59,545 in 2011. The amount corresponding to the Company's interest was R$29,028. The debentures had a cost of IGP-M + 9.4% p.a., and were payable in annual installments with final maturity on June 2013.

c) Contractual conditions

			Payment conditions		
	Number	Remuneration	Interest / Monetary Variation	Principal	Guarantee
Parent Company					
2nd Issue – single series	35,000	IPCA [24] + 7% p.a.	Yearly on 05.15	3 installments on 05.2012/13/14	No guarantee
Cana Brava – Single series	7,773	TJLP + 4% p.a. [25]	Semiannual on 04.01 and 10.01, up to 04.01.13	Semiannual on 04.01 and 10.01, up to 04.01.13	Receivable from energy sales

d) Changes in IPCA and TJLP

	12.31.2011	12.31.2010
IPCA	6.50%	5.91%
TJLP	6.00%	6.00%

[24] Extended Consumer Price Index ("IPCA") as published by IBGE.

[25] The amount corresponding to the TJLP installment that exceeds 6% p.a. is capitalized, and included in the face value of the debentures.

e) Maturities of debentures stated in non-current liabilities

The debentures stated in non-current liabilities will mature in 2013 and 2014, in the amounts of R$158,116 and R$149,738, respectively.

f) Covenants

The following financial covenants are provided for in debenture agreements executed by the Company:

Debt	*Covenants*
Tractebel Energia:	
2nd Issue – single series	EBITDA /consolidated financial expenses ≥ 2.0 Consolidated debt/EBITDA ≤ 2.5
Cana Brava – Single series	Shareholders' equity / total assets ≥ 30%

The Company has been fully complying with the financial covenants provided for in debenture agreements.

20. – CONCESSION FEES PAYABLE

	Parent Company (BRGAAP)		Consolidated (BRGAAP and IFRS)	
	12.31.2011	**12.31.2010**	**12.31.2011**	**12.31.2010**
Cana Brava HPP	432,721	373,704	432,721	373,704
Ponte de Pedra HPP	395,652	347,321	395,652	347,321
São Salvador HPP	-	-	401,132	379,736
Estreito HPP	-	-	36,447	34,186
	828,373	**721,025**	**1,265,952**	**1,134,947**
Classification on the balance sheet				
Current liabilities	2,643	2,499	45,688	42,297
Non-current liabilities	825,730	718,526	1,220,264	1,092,650
	828,373	**721,025**	**1,265,952**	**1,134,947**

The Company has onerous concession agreements with the Federal Government to use public assets to generate electrical energy at the following power plants: Cana Brava, Ponte de Pedra, São Salvador e Estreito. The features of the businesses and the agreements show the condition and the intention of the parties to execute them in full.

In order to accurately reflect in shareholders' equity the granted concession for consideration and the related obligation to the Federal Government, the amounts corresponding to concessions were recorded in property, plant and equipment against liabilities. Additional information on the recording in assets can be found on Note 14 – Property, plant and equipment.

Considering that contractual amounts are stated at future prices, the Company adjusted them to present value based on reference discount rates on the date the obligation was assumed. The discount rate to be used for concessions payable of Cana Brava, São Salvador and Estreito was 10% p.a. and 8.28% p.a. for Ponte de Pedra.

During the construction works of the plants, the adjustment to reflect the discount rate and monetary variation was capitalized in property, plant and equipment and, as of the beginning of the trading operations recognized directly in profit or loss.

The original amounts contracted, monetarily restated by the annual IGP-M (Cana Brava, Ponte de Pedra and Estreito) and IPCA (São Salvador) variations, indicated below, will be paid in monthly installments of one twelfths (1/12) of the corresponding annual values.

	Original amount		Restated amount	
Power plants / Payment years	**Annual payment**	**Total payment**	**Annual payment**	**Total payment**
Cana Brava HPP				
From 01.01.2012 to 07.31.2023	680	7,990	2,138	25,492
From 08.01.2023 to 07.31.2033	61,280	612,800	195,734	1,957,338
		620,790		**1,982,830**

	Original amount		Restated amount	
Power plants / Payment years	**Annual payment**	**Total payment**	**Annual payment**	**Total payment**
Ponte de Pedra HPP				
From 01.01.2012 to 09.30.2019	200	1,550	527	4,344
From 10.01.2019 to 09.30.2020	16,200	16,200	45,804	45,804
From 10.01.2020 to 09.30.2034	31,109	435,531	87,958	1,231,415
		453,281		**1,281,563**
São Salvador HPP				
From 01.01.2012 to 04.30.2037	20,000	**508,333**	41,548	**1,072,077**
Estreito HPP				
From 01.01.2012 to 12.31.2037	1,794	**46,796**	3,773	**99,332**

a) Changes

	Parent Company (BRGAAP)			Consolidated (BRGAAP and IFRS)		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
As at 12.31.2009	**1,857**	**307,432**	**309,289**	**37,419**	**920,055**	**957,474**
Acquisition of Estreito	-	-	-	2,831	31,355	34,186
Incorporation of PPESA	514	346,807	347,321	-	-	-
Transfers	2,011	(2,011)	-	38,649	(38,649)	-
Accrued interest	-	31,414	31,414	-	92,220	92,220
Monetary variation	-	34,884	34,884	-	87,669	87,669
Amortizations	(1,883)	-	(1,883)	(36,602)	-	(36,602)
As at 12.31.2010	**2,499**	**718,526**	**721,025**	**42,297**	**1,092,650**	**1,134,947**
Transfers	2,672	(2,672)	-	47,834	(47,834)	-
Accrued interest	-	66,543	66,543	-	112,407	112,407
Capitalized interest	-	-	-	-	(3,754)	(3,754)
Monetary variation	-	43,333	43,333	-	66,795	66,795
Amortizations	(2,528)	-	(2,528)	(44,443)	-	(44,443)
As at 12.31.2011	**2,643**	**825,730**	**828,373**	**45,688**	**1,220,264**	**1,265,952**

b) Maturities of concessions payable stated in non-current liabilities

	Parent Company (BRGAAP)	Consolidated (BRGAAP and
2013	972	40,712
2014	934	37,062
2015	899	33,742
2016	866	30,717
2017	836	27,973
2018 to 2022	116,608	219,461
2023 to 2027	338,942	402,786
2028 to 2032	313,937	353,563
2033 to 2037	51,736	74,248
	825,730	**1,220,264**

21. – LABOR LIABILITIES

	Parent Company (BRGAAP)		Consolidated (BRGAAP and IFRS)	
	12.31.2011	**12.31.2010**	**12.31.2011**	**12.31.2010**
Current liabilities				
Provision for profit sharing and management bonus	34,303	30,031	34,303	30,031
Provision for vacation and charges	15,744	13,918	16,423	14,679
Voluntary Resignation Program (PDV)	2,783	6,808	2,783	6,808
Other	201	3,327	201	3,363
	53,031	**54,084**	**53,710**	**54,881**

Provision for profit sharing and management bonus

To complement the payment of fixed salaries, the Company has a variable compensation system, annually paid and made up of two programs: (i) The Employee Profit Sharing Program (PLR): applicable to all Company employees and paid in accordance with the results achieved; and (ii) Management Bonus Program (PBG): applicable to all employees who hold management positions, paid in accordance with the area's results and individual performances.

22. – RESEARCH AND DEVELOPMENT PROGRAM (P&D) LIABILITIES

	Parent Company (BRGAAP)		Consolidated (BRGAAP and IFRS)	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Current liabilities				
FNDCT	1,015	2,541	1,324	2,714
MME	507	1,270	662	1,356
Projects	14,104	8,184	17,404	10,921
	15,626	**11,995**	**19,390**	**14,991**
Non-current liabilities				
Projects	**36,649**	**40,622**	**38,959**	**41,260**

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

These funds have the following destination: (i) 40% to FNDCT (Brazilian Fund for Scientific and Technological Development); (ii) 40% to research and development projects conducted by the Company, according to regulations established by Aneel; and (iii) 20% to the Ministry of Mines and Energy (MME). R&D funds have the purpose of financing the studies and researches for planning the expansion of the Brazilian energy system.

As at 12.31.2011, the Company and its subsidiaries had R$56,363 to invest in their own projects, including R$15,228 that had already been allocated to ongoing projects, the remainder had yet to be allocated to projects being analyzed by the Aneel.

Tractebel Energia's Research and Development Program seeks technological innovation for the power industry and the technical-scientific qualification of Brazilian researchers, including topics for investment, such as: alternative sources for power generation, management of basins and reservoirs, the environment, energy maintenance and efficiency, among others.

23. – PROVISIONS FOR TAX, CIVIL AND LABOR RISKS

Tax, civil and labor-related suits and claims which, according to the Company's legal counsel and Management, are subject to losses in the form of expenses, are accrued in amounts considered sufficient to cover future disbursement to settle the respective liabilities.

a) Breakdown

	Parent Company (BRGAAP)		Consolidated (BRGAAP and IFRS)	
	12.31.2011	**12.31.2010**	**12.31.2011**	**12.31.2010**
Probable tax risks				
INSS	15,451	29,827	15,451	29,827
Other	2,418	2,433	2,418	2,433
	17,869	**32,260**	**17,869**	**32,260**
Probable civil risks				
Transmission System Usage Tariff (TUST)	49,603	37,412	49,603	37,412
Agreements with suppliers	23,815	22,288	29,619	22,288
Pension benefit	9,787	26,844	9,787	26,844
Environmental	7,069	6,317	7,069	6,317
Occupational diseases and accidents	4,407	6,536	4,407	6,536
Sundry lawsuits	8,217	6,495	11,856	9,046
	102,898	**105,892**	**112,341**	**108,443**
Probable labor risks	**10,996**	**13,579**	**10,996**	**13,579**
Total provisions for probable risk	**131,763**	**151,731**	**141,206**	**154,282**
Classification on the balance sheet				
Current liabilities	7,640	10,720	8,615	10,866
Non-current liabilities	124,123	141,011	132,591	143,416
	131,763	**151,731**	**141,206**	**154,282**

a.1) Probable tax risks

Brazilian Social Security Institute (INSS)

The balance as at 12.31.2011 mostly consists of a tax debt assessment notice (NFLD) received for the nonpayment of the additional contribution for SAT (Occupational Accident Insurance) for the period from April of 1999 to March of 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 would be payable if the employee was entitled to a special retirement benefit, which is not the case in said period.

Because the Social Security Board of Appeals denied the Company's appeal, the Company decided to file an injunction to discuss the matter in October 2010 and deposited in court, in the same month, the amount of R$11,946.

In July 2011, a court decision rejected the Company's appeal. The Company then filed a new appeal with the Regional Federal Court of Appeals (TRF). The provision amounts to R$13,428 as at 12.31.2011 (R$16,478 as at 12.31.2010).

In December 2011, a final and unappealable decision was ruled in favor of the Company, referring to a notification because of the alleged nonpayment of social security charges on compensation paid to employees. The subject matter of the notification was challenged by the Company, which argued that the amounts paid under collective labor agreements were paid as indemnities. Due to the favorable decision, the Company wrote off a provision in the amount of R$8,096.

a.2) Probable civil risks

Transmission System Usage Tariff (TUST)

Refers to the suit filed by the Company aiming at reducing the amount payable for the TUST by Ponte de Pedra Hydroelectric Power Plant to an amount equivalent to that charged from another plant with similar characteristics. From June of 2006 to January of 2007, the Company started paying TUST with a reduction and provisioning and depositing in a judicial account the difference between the amount charged and the amount paid. From February of 2007, the Company replaced the judicial deposits for a letter of banking guarantee.

Agreements with suppliers

The major risks of agreements with suppliers are as follows:

- Companhia de Interconexão Energética (Cien) - refers to an indemnity lawsuit filed by Cien claiming the right to receive the difference related to the foreign exchange adjustment provided for in the energy sale agreement, and the termination of such agreement due to an alleged breach of a clause. Tractebel Energia filed an appeal in March 2002. In September 2006, a decision was made stating that Aneel should be included in the suit as a defendant, which would change the jurisdiction from a State Court to a Federal Court. Cien filed an appeal against this decision. In October 2010, it was determined that Aneel should remain as a defendant and the lawsuit was consequently transferred to a Federal Court. Cien filed an appeal once again. This appeal was accepted in March 2011, and a decision was made stating that the lawsuit should be transferred back to a State Court. The Company filed a special motion against this decision, which is pending review by the court as to admissibility requirements. The amount provisioned as at 12.31.2011 is R$19,754 (R$17,959 as at 12.31.2010).

- Energy Suppliers – refers to the lawsuit requiring the collection of amounts from transactions carried out in the Wholesale Electrical Energy Market (MAE), currently CCEE, during the energy rationing period (September 2000 to December 2002). In September 2011, subsidiary Itasa was notified to pay the amount involved in the suit, according to a decision by a lower court judge. However, because of the existence of another lawsuit in which the subsidiary requests the offsetting of amounts with the same economic group that is still pending a decision, the subsidiary decided to contract a letter of guarantee for the total amount of this suit (R$7,479). Therefore, the subsidiary waits for the decision on whether this offsetting of part of the amount with this economic group will be made or not. This provision amounts to R$5,631 as at 12.31.2011, and the remainder (R$1,848) is recorded under non-current liabilities - "other", because it refers to invoices issued against the subsidiary at that time, and which are pending payment.

Pension benefit

Mainly refers to the lawsuit filed against Fundação Eletrosul de Previdência e Assistência Social (ELOS) and Eletrosul Centrais Elétricas S.A. (Eletrosul), by means of which ELOS participants (the plaintiffs) require that the options exercised by them of limiting their contributions to ELOS to their salaries, which resulted in the reduction of their retirement benefits, be annulled or, alternately, be declared ineffective. A lower court decision, confirmed by the Appeals Court of the State of Santa Catarina, is against the interests of ELOS and Eletrosul. In 2011 the Company entered into an agreement with most of the plaintiffs, which resulted in the payment of R$2,021 and the assumption of a debt payable in installments to Fundação ELOS in the amount of R$10,811. Due to this agreement, part of the provision, in the amount of R$17,338, was written off and a provision in the amount of R$9,469 (as at 12.31.2011) was accrued to cover the risks relating to the lawsuit of the plaintiffs that did not join the agreement.

Environmental

The Company is party to five environmental public civil lawsuits. The subject matter of three of these actions is the reforestation and implementation of a 100-meter Permanent Preservation Area (PPA) in the surroundings of the reservoirs of the Salto Santiago and Salto Osório hydroelectric power plants. In two of these lawsuits, the Company was ordered to implement the PPA. The subject matter of the other lawsuits are alleged damage caused by the filling of the reservoir of the Cana Brava hydroelectric power plant and the disposal of ashes of the Charqueadas thermoelectric power plant. These lawsuits are proceeding normally.

Occupational diseases and accidents

These refer to lawsuits filed by former employees, mainly related to repetitive stress injuries and possible damages to hearing capacity. The initial forecasts of an adverse judgment have not been confirmed, and the results of these lawsuits have been extensively favorable to the Company. A provision is recorded for each lawsuit, considering the likely future disbursement the Company expects to have to make in order to close the suit through an agreement or by an adverse judgment.

Sundry lawsuits

These refer mainly to lawsuits claiming the rural resettlement or the issue of a letter of credit, and to loss and damage suits filed by individuals and legal entities that claim to have been affected by flooded areas in the Company's plants reservoirs.

a.3) Probable labor risks

Refer to ongoing labor claims filed by former employees, unions and employees of outsourced companies mainly related to the recognition of employment relationships, FGTS (severance pay fund), overtime, supplementation of private pension benefit, and other types of indemnification.

b) Changes in reserves for probable risk

	Parent Company (BRGAAP)			
	Tax	**Civil**	**Labor**	**Total**
As at 12.31.2009	**27,568**	**65,806**	**16,056**	**109,430**
PPESA incoporation	2,315	40,113	-	42,428
Additions	-	3,185	3,370	6,555
Adjustments	2,650	7,116	2,115	11,881
Payments	(31)	(1,522)	(3,123)	(4,676)
Reversals	(242)	(8,806)	(4,839)	(13,887)
As at 12.31.2010	**32,260**	**105,892**	**13,579**	**151,731**
Additions	-	9,620	1,892	11,512
Adjustments	2,939	11,499	1,229	15,667
Payments	-	(15,056)	(2,511)	(17,567)
Reversals	(17,330)	(9,057)	(3,193)	(29,580)
As at 12.31.2011	**17,869**	**102,898**	**10,996**	**131,763**

	Consolidated (BRGAAP and IFRS)			
	Tax	**Civil**	**Labor**	**Total**
As at 12.31.2009	**27,568**	**96,471**	**16,056**	**140,095**
Additions	2,315	10,820	3,370	16,505
Adjustments	2,650	11,480	2,115	16,245
Payments	(31)	(1,522)	(3,123)	(4,676)
Reversals	(242)	(8,806)	(4,839)	(13,887)
As at 12.31.2010	**32,260**	**108,443**	**13,579**	**154,282**
Additions	-	24,760	1,892	26,652
Adjustments	2,939	11,695	1,229	15,863
Payments	-	(15,065)	(2,511)	(17,576)
Reversals	(17,330)	(9,119)	(3,193)	(29,642)
Reclassification to property, plant and equipment	-	(8,373)	-	(8,373)
As at 12.31.2011	**17,869**	**112,341**	**10,996**	**141,206**

c) Possible and remote risks

The Company is also a party to other lawsuits that, in the opinion of our legal advisors do not represent a probable risk of future disbursement. Amounts referring to these lawsuits have not been accrued, and are only disclosed in the notes, as follows:

	Parent Company (BRGAAP)					
	12.31.2011			12.31.2010		
	Possible risk	**Remote risk**	**Total**	**Possible risk**	**Remote risk**	**Total**
Tax	461,053	530,830	991,883	408,986	478,882	887,868
Civil	9,631	371	10,002	14,459	466	14,925
Labor	10,940	15,407	26,347	8,288	20,331	28,619
	481,624	**546,608**	**1,028,232**	**431,733**	**499,679**	**931,412**

	Consolidated (BRGAAP and IFRS)					
	12.31.2011			12.31.2010		
	Possible risk	Remote risk	Total	Possible risk	Remote risk	Total
Tax	499,551	530,830	1,030,381	435,710	478,882	914,592
Civil	12,237	1,351	13,588	17,205	485	17,690
Labor	10,940	15,407	26,347	8,288	20,331	28,619
	522,728	**547,588**	**1,070,316**	**461,203**	**499,698**	**960,901**

c.1) Possible tax risks

The tax risks assessed by the Company and its legal advisors as possible risk are as follows:

Interest on property, plant and equipment in progress (RIC)

On 12.30.2010 the Brazilian Federal Revenue Service issued a tax assessment notice, arguing that in the calendar years of 2005, 2006 and 2007 the Company made unauthorized exclusions in the calculation of income tax and social contribution relating to RIC amounts.

Decree-law no. 1,506/1976 of 12.23.1976, set forth important tax benefits to the Brazilian Electric Energy Sector, exempting the RIC from income tax levied.

Therefore, property, plant and equipment in progress carried out with own capital or through loans bear interest rates of up to 10% p.a., plus the deferred assets linked to the respective construction in progress, the counter entry of which was recorded in profit or loss for the period, creating income exempt from income tax.

On 12.12.1985 the National Department of Water and Power (DNAEE) issued Ordinance no. 250/1985, aiming to change the accounting criteria used as of then and the interest on property, plant and equipment in progress (interest of up to 10% p.a.), purpose of the benefit that exempts the income tax, and due to Decree-law no. 1,506/1976, until then recognized in profit or loss, it now has two distinct accounting classifications: a) the portion of the construction executed with own capital is now recorded in shareholders' equity and, therefore, has no effect in profit or loss for the period; and b) the portion of the construction executed using loans is now credited into deferred charges for later amortization in profit or loss, jointly with the contract prices debited in deferred assets. With this procedure, the exempted revenue originating from construction works executed using loans, previously recorded in profit or loss upon its calculation, started being recognized in profit or loss—except for purposes of calculating the taxable income—only when: i) the originating asset under construction became operative, or (ii) upon the derecognition of the relative asset.

This new accounting procedure remained effective up to 12.31.1995, and was amended by DNAEE Ordinance no. 526 of November 22, 1995, which, among other actions, established the transfer of the existing balance under deferred assets—relatively to the remuneration of property, plant and equipment in progress—to property, plant and equipment and discontinued the calculation and accounting of RIC related to construction executed with third party capital, thus remaining only the remuneration on construction executed with own capital.

The exemption guaranteed by that Decree-Law was revoked by Law no. 9,718 of November 27, 1998, causing the Company to suspend its calculation and recording as of 01.01.1999.

Therefore, the RIC amounts that are being disallowed by the tax authority refer to revenues that had already been deferred, calculated as set forth by the Decree-Law, which are, therefore, eligible for income tax exemption, and which are being recognized in profit or loss during the operation of the plants that originated them.

The Company's Management and its legal advisors understand that the arguments used to challenge the tax credit entry provide an optimistic expectation of a favorable outcome for the claim. The updated amount of this notice is R$350,919 as at 12.31.2011 (R$322,652 as at 12.31.2010).

Voluntary confession

The Company offset credits against income and social contribution taxes payable by means of voluntary confession, through an Electronic Refund or Reimbursement Request and Offset Declaration (PER/DCOMP), not subject to fines. Accordingly, the Brazilian Federal Revenue Service partially approved the offset requests and the Company filed noncompliance notices, which are awaiting judgment. The Company argues that tax authorities will not charge a penalty against a company that held tax credits and voluntarily reported its debts. The updated amount referring to this matter is R$52,809 as at 12.31.2011 (R$47,946 as at 12.31.2010).

São Paulo State VAT (ICMS)

The Company and its subsidiary Tractebel Energia Comercializadora Ltda. (TBLC) were notified by the São Paulo State Revenue Office, claiming that the invoices of electrical energy sold to free consumers are issued in the month following the taxable event. The tax authority understands that this practice postpones for one month the collection of the tax due to the state.

The measurement of the energy used by the client is carried out by the distribution company where the client is connected. After that, the distribution company sends this information to the Electric Power Trade Chamber (CCEE), an entity responsible for adjusting said measurements, allowing for the recording of the energy sold by the agent.

The measurement is completed by the eighth day of the month following the supply. Therefore, only after this date the energy is consumed by the client billed.

Regarding the notices related to subsidiary TBLC, an appeal was filed with the Court of Taxes and Rates (TIT), which reduced the amount and fine in one of the notices, and maintained the amounts in the other.

Tractebel Energia has two notices. In one of them, the amount and fine were reduced, but the São Paulo State Revenue Office filed an appeal against this reduction. The other notice has not been judged yet.

In spite of the partial success of the Company's defenses, Management and its legal advisors understand that the total amounts recorded are subject to appraisal mistakes and legal grounds, and the chance of success for these disputes is still higher than the risk of losses.

The mentioned tax assessment notices are being challenged by the Company and its lawyers. The updated amount of these proceedings is R$13,628 as at 12.31.2011 (R$9,210 as at 12.31.2010) in the parent company, and R$51,694 (R$35,720 as at 12.31.2010) in the consolidated.

Even if the assessment notes are maintained, the Company's Management and its legal advisors understand that the amount effectively payable would be lower than 10% of that recorded by the tax authority, which did not ground its calculation criteria on the law. This would substantially reduce the aforementioned amount.

Offsetting of negative taxable basis in the succession and waiver of fines in voluntary confession

In June 2008, the Company obtained a favorable decision of the Judgment Office of Florianópolis, Santa Catarina State, regarding the tax assessment notice issued by the Brazilian Federal Revenue Service, due to the use of a negative taxable basis for the social contribution in the calendar year of 2003, originating from a merger. In the notice, tax authorities demanded the payment of taxes settled in arrears by the Company, with no fine levied, by offsetting existing tax credit as provided for in the charter of voluntary confession set forth in Article 138 of the National Tax Code (CTN).

Amounts related to the negative taxable basis for the social contribution tax derive from the merger occurred on 04.29.1998 and were used after the amendment to the tax legislation introduced by Provisional Measure (MP) 2.158-35, of 2001, which prohibited the use of a negative taxable basis originating from mergers, combinations or spin-offs of companies.

Because the merger was carried out long before the prohibition determined by the MP, at a time when the use of a negative taxable basis for the social contribution of the merged company was allowed, the Company understands that the new rule does not apply to this merger. The amounts were added to the equity of the Company, in the capacity of merging company, ensuring the Company the right to use them. Such arguments were accepted by the Florianópolis Judgment Office.

Regarding the payment of overdue taxes, without levy of fine and with the use of tax credits, before any administrative procedure or enforcement measure, the Company understands that said situation complies with the charter of voluntary confession set forth in Article 138 of CTN. However, said understanding was not accepted by the Judgment Office of Florianópolis.

The lawsuit is pending decision of the First Panel of the 7th Chamber with mandatory appeal to the Fiscal Resources Managerial Council (CARF), issued by the Brazilian Federal Revenue Service, and with voluntary appeal from the Company exclusively focusing on the non-levy of the delinquency charge. The updated amount of this notice is R$28,524 as at 12.31.2011 (R$23,928 as at 12.31.2010).

c.2) Remote tax risks

The main tax risks assessed by the Company and its legal advisors as remote risk are as follows:

PIS and Cofins – Regulatory Instruction of the Brazilian Federal Revenue Office 658/2006

In July of 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 over stepped the jurisdiction of the Legislative Power by giving a new concept to the term "predetermined price", provided for by article 10 of Law No. 10,833/2003.

Further, Article 109 of Law no. 11,196/2005 authorized the maintenance of the predetermined prices condition for agreements with price adjustment clauses that reflect production cost or the cost of inputs used.

Due to the abovementioned law, in July of 2006 the Regulatory Instruction no. 658/2006 (IN 658/2006) was issued, expressly revoking Regulatory Instruction 468/2004 and incorporated the idea that the price adjustment clause based on indexes that reflect the production cost or the cost of inputs used does not change the predetermined prices of the agreements.

In October 2006, the Regional Federal Court (TRF) of the 4th Region judged the Company's appeal, guaranteeing the Company the right to collect PIS and Cofins according to the cumulative taxation regime, as provided for in Article 10, XI, b of Law no. 10,833/2003, without the illegal and unconstitutional restrictions of Regulatory Instruction no. 468/2004.

According to the amendments brought by Law no. 11,196/2005 and Regulatory Instruction no. 658/2006, and taking into account that such amendments were not considered in the judgment of the Regional Federal Court of the 4th Region, the Company filed a motion for clarification of judgment, so the Court would take note of the new law. However, the Court did not recognize these amendments under the argument that it would not be possible to apply the new legislation to the process given that it was not in effect at the time the injunction was filed.

Exclusively due to this decision, the Company filed a special motion to the Superior Court of Justice.

The Federal Government, on the other hand, filed a special appeal in view of the judgment, seeking the amendment that recognizes the illegality of Regulatory Instruction 468/2004 by the Regional Federal Court of the 4th Region. The Federal Government's special motion was not accepted, reason why in April 2010 the decision of the Regional Federal Court was formally deemed final and unappealable.

Therefore, only the special appeal filed by the Company is pending judgment of the Superior Court of Justice, with the single purpose of removing the superseding rule contained in the Regulatory Instruction 658/2006, there being no other argumentation by the courts about the illegality of IN 468/2004.

In July 2010, the Court granted the authorization request to inquire court deposits as set forth by the Regulatory Instruction IN 468/04, i.e., deposits made by July 2006 in the amount of R$108.578.

Because it did not accept the request, the National treasury filed a Regulatory Appeal [26], which was denied by the Superior Court of Justice.

Despite the abovementioned facts, the Brazilian Federal Revenue Office understands that the Injunction has not yet been formally judged, and thus, it has rejected the request for Proof of Claim of credit from the amounts unduly collected during the period between November 2004 and May 2005, reason why the Company has requested, in the injunction records, that the proof of claim of credit be granted. This credit amounts R$66,009 as at 12.31.2011 (R$62,802 as at 12.31.2010).

[26] Regulatory Appeal is an appeal filed to challenge a decision made individually by the reporting judge of another appeal.

The inquiry of deposits made, supported by Regulatory Instruction 658/2006, amounting to R$41,496 as at 12.31.2011 (R$38,832 as at 12.31.2010), depends on the decision of the special motion by the STJ. The amount referring to the effective period of the abovementioned Regulatory Instruction 658/2006 (from August 2006 on), with remote risk, is R$360,303 as at 12.31.2011 (R$312.933 as at 12.31.2010).

In January 2012, the Judge of the 1st District Court of Florianópolis rejected the request for proof of claim of credit in the amounts unduly collected under IN 468/2004, causing the Company to file an interlocutory appeal with the Regional Federal Court of Appeals of the 4th Region, given what has happened to the deposits with court already released.

Recovery of PIS and Cofins

In 1998, Law 9,718/98 was published, extending the PIS and Cofins calculation basis that, so far, only levied on the companies' gross revenues.

The Company challenged in court the constitutionality of said Law, obtaining a favorable decision, which enabled its settling the contributions calculated on several revenues resulting from the gross revenues for the period assessed from February of 1999 to November of 2002, for PIS, and February of 1999 to January of 2004, for Cofins.

The main revenue calculated in the amount to offset regards the item named "Fuel Consumption Account (CCC) subsidy revenue" ("CCC subsidy").

In 2009, the Brazilian Federal Revenue Service notified the Company to collect the amount of R$135,982 referred to the period from April of 2004 to January of 2007, interest and fines already included, pleading that the "CCC subsidy" represents a billing and, therefore, it should be included in the calculation basis of PIS and Cofins for the mentioned period.

In the management´s evaluation and legal advisors, the arguments of the Federal Revenue Service do not proceed and can be easily contested, considering the concept attributed to the treatment of the "CCC Subsidy", with the purpose of accounting fossil fuel consumed by those generating electrical energy, it mismatched the legal nature of the revenue. Thus, the Company is filing a motion to deny the notification at the administrative level and, if necessary, will do so in court. Even if the "CCC Subsidy" had the revenue nature, which it does not, it would not represent "gross revenue", which was the only revenue subject to taxation by PIS and Cofins.

In fact, up to 2005, the fuel acquired with "CCC Subsidy" and Energy Development Account (CDE) funds were recorded due to its consumption in the plants as "operational cost" against to a "Subsidy" revenue.

Aneel made amendments to the Accounting Manual of the Electric Energy Public Service in order to change the concept that had been used improperly and, as of 2006, the accounting entry was determined as "operational cost" in contra account to an adjustment account to neutralize the result. Such amendment is strongly based on Technical Notes issued by said Agency.

In view of the aforementioned summary, Management understands that the risk of loss in the lawsuit is remote. The lawsuit is pending judgment at the Brazilian Federal Revenue Service of Florianópolis, 4th Panel. The updated amount is R$163,273 as at 12.31.2011 (R$157,529 as at 12.31.2010).

d) Possible civil risks

Civil lawsuits considered as a possible loss risk refer basically to expropriations and indemnity lawsuits filed by individuals and legal entities that allege that their properties were flooded by the Company's plants reservoirs.

e) Possible labor risks

These mainly refer to labor claims filed by former employees, and employees of outsourced companies related to the recognition of employment relationships, joint and several or subsidiary responsibility for amounts payable to third-party employees, supplementation of private pension benefit, other types of indemnification, among others.

24. – POST-EMPLOYMENT BENEFITS

The Company, through PREVIG - Sociedade de Previdência Complementar, provides supplementary pension plans for its employees. PREVIG is a nonprofit private pension entity, sponsored by the Company, as its Founder, and by other International Power GDF SUEZ Group companies in Brazil. The benefit plans managed by PREVIG are Defined Benefit (BD), closed for new adhesions, and Defined Contribution (CD) plans.

The Company also sponsors the BD plan of Fundação Eletrosul de Previdência e Assistência Social (ELOS), also closed for new adhesions. Prior to the constitution of PREVIG, the BD plan was exclusively managed by Fundação ELOS and sponsored by Tractebel Energia and 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 12.23.1997, date of the 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 responsibility of Tractebel Energia. In May 2007, the Company executed agreements with ELOS, Eletrosul, PREVIG and Associação de Aposentados da Eletrosul aiming at reestablishing Tractebel Energia's adherence with ELOS, allowing beneficiaries to choose to stay in ELOS or transfer to PREVIG. In both options the Company sponsors the Plan.

As at 12.31.2011 PREVIG had 452 and ELOS had 2,182 (429 and 2,182 respectively as at 12.31.2010) retirees and pensioners entitled to benefits.

Plans managed by the Company have the following main characteristics:

a) Defined Benefit Plan (BD)

The BD plan has a capitalization system for pensions, survivors' pensions, and other benefits. This plan's funding consists of contributions by the participants and the sponsor. The Company's contribution is equal to twice the contribution of its employees. Benefits granted by the BD plan are:

- 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.

In the PREVIG, there are currently 75 participants in this plan (264 as at 12.31.2010), of which 15 (30 as at 12.31.2010) are in the BD plan and 60 (234 as at 12.31.2010) are in the BSPS Plan (explained below). The number of participants in ELOS remained unchanged, that is, 6 participants in the BD plan in 2011 and 2010.

ELOS' administrative expenses are proportionally apportioned to the equity of the participants under the responsibility of each sponsor. For the year of 2011, 49.64% (50.7% in 2010) of the administrative expenses were paid by Tractebel Energia and the remaining by Eletrosul. The Company was responsible for paying R$2,108 in 2011 (R$1,711 in 2010).

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 fiscal year 2011 was R$1,660 (R$1,686 in 2010).

Settled Proportional Supplementary Benefit (BSPS) Plan

At the end of 2004, Tractebel Energia received authorization from the concerned authorities to create a defined contribution plan (CD) within the PREVIG. This new plan is called "Prevflex" and has been offered to all new hires since 01.01.2005. Tractebel Energia employees could choose to remain in the defined benefit (BD) plan or to transfer to "Prevflex" (CD). However participants that had contributed to INSS for at least 20 years could choose to maintain the existing reserves they had acquired to that date in the BD plan and, from then on, start contributing directly to the CD plan. Employees with at least 10 years in coordination and managerial positions also had that choice, but should they choose to transfer their reserves directly to the CD Plan, they would be entitled to a special contribution, which was accepted by 94% of the participants. The "BSPS" option, which is a combination of the BD and CD plans, was closed for new participants in August 2005.

a.1) Actuarial assumptions

Actuarial and economic assumptions used in the appraisal of post-employment benefits were as follows:

Assumptions	12.31.2011	12.31.2010
Discount rate (p.a.)		
- BD (ELOS) and BD (PREVIG) benefit plans	10.50%	10.50%
- CD (BSPS) benefit plans	9.75%	10.50%
Expected return on plan assets (p.a.)		
- BD (ELOS) and BD (PREVIG) benefit plans	10.50%	11.34%
- CD (BSPS) benefit plans	12.00%	11.34%
Expected profitability	11.00%	10.50%
Future increase in salaries of active and self-sponsored participants (p.a.)	4.50%	4.50%
Increase in the benefits of the Plan sponsored by the Company (p.a.)	4.50%	4.50%
Inflation	4.50%	4.50%
Capacity factor (Salaries and Benefits)	100%	100%

Assumptions	12.31.2011 and 12.31.2010
Mortality table (assets)	AT 2000 (per gender)
Mortality table of participants with permanent disability	RP 2000 *Disabled*
Disability Entry Table	Watson Wyatt 1985 *Disability Class 1*
Turnover Table	T-1 *Service Table*
% married active participants on retirement date	90
Retirement Age	First date when all grace periods expire
Age difference between participant and spouse	Wives are 4 years younger than husbands
SB-40 conversion factor	140%
Participants entitled to the conversion of special pension into pension for time of service (SB-40) who chose the conversion	100%

a.2) Statement of post-employment benefits per plan, net

					Classification on the balance sheet	
	BD Plan	BSPS Plan	GC	Total	Current	Non-current
12.31.2010						
Present value of the liabilities	1,195,993	50,957	2,206	1,249,156		
Fair value of the assets	(1,019,909)	(36,477)	-	(1,056,386)		
Calculated liabilities	**176,084**	**14,480**	**2,206**	**192,770**		
Non-recognized gains (losses)	231,914	11,398	(691)	242,621		
Liabilities as at 12.31.2010	**407,998**	**25,878**	**1,515**	**435,391**	**25,939**	**409,452**
12.31.2011						
Present value of the liabilities	1,263,196	45,775	2,217	1,311,188		
Fair value of the assets	(1,094,637)	(45,171)		(1,139,808)		
Calculated liabilities	**168,559**	**604**	**2,217**	**171,380**		
Non-recognized gains (losses)	144,340	22,012	(723)	165,629		
Liabilities as at 12.31.2011	**312,899**	**22,616**	**1,494**	**337,009**	**36,045**	**300,964**

According to the Brazilian accounting principles in effect prior to the adoption of the IFRS and CPC, set forth in CVM Rule 371/00, accumulated actuarial losses within the limit of 10% of the present value of defined-benefit liabilities ("corridor") were not recognized in the Company's profit or loss. Losses that exceeded this corridor limit were recognized in the Company's profit or loss for the remaining average life time of the participants of the benefit plan. This procedure remained as an option in the new accounting principles established by IFRS 19 and CPC 33 – Employment Benefits.

In its first-time adoption balance sheet, as at 01.01.2009, and as provided for in CPC 37 R1 – First-time Adoption of the International Financial Reporting Standards, the Company recognized actuarial losses that had not been recognized to that date for being within the "corridor" as a supplement to its "Post-employment benefit" liabilities. Under IFRS and CPC standards ruling the first-time adoption, the offsetting account of the liabilities supplement was "retained earnings" under "shareholders' equity". The Company has maintained the corridor approach mentioned above to recognize actuarial gains and losses in profit or loss, since the first-time adoption on 01.01.2009.

The breakdown of the Company's post-employment benefits is as follows:

	Parent Company and Consolidated (BRGAAP and IFRS)					
	12.31.2011			12.31.2010		
	Current	Non-current	Total	Current	Non-current	Total
Contracted liabilities						
Agreements of acknowledgement of past debts	18,646	111,870	130,516	20,111	111,981	132,092
Non-contracted deficit						
Current contributions and Cost coverage	3,575	1,642	5,217	2,185	2,607	4,792
Non-contracted deficit and GC	13,824	21,823	35,647	3,643	52,243	55,886
Actuarial appraisal	**36,045**	**135,335**	**171,380**	**25,939**	**166,831**	**192,770**
Deferred actuarial gains	-	165,629	165,629	-	242,621	242,621
Recorded actuarial liabilities	**36,045**	**300,964**	**337,009**	**25,939**	**409,452**	**435,391**

Part of the actuarial liabilities recognized in the balance sheet is covered by liabilities contracted and/or recognized through a debt acknowledgement agreement and an agreement entered into by the Company and the pension plan entities.

Contracted debts are adjusted based on the INPC consumer price index measured 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
2013	2,335	17,029	19,364
2014	1,894	18,073	19,967
2015	1,710	3,288	4,998
2016	1,812	3,486	5,298
2017	1,921	3,694	5,615
2018 to 2023	11,405	27,319	38,724
2024 to 2027	156	12,131	12,287
2028 to 2029	-	5,617	5,617
	21,233	**90,637**	**111,870**

Changes in post-employment benefits per plan are summarized below:

	BD Plan	BSPS Plan	GC	Total
Liabilities as of 12.31.2009	**490,648**	**25,080**	**1,407**	**517,135**
Impacts on the 2010 profit or loss:				
Current cost of service	70	-	55	125
Cost of interest	114,598	4,880	253	119,731
Expected revenue from assets	(91,758)	(2,976)	-	(94,734)
Amortization of actuarial gains	(74,609)	(615)	(80)	(75,304)
Net gains	**(51,699)**	**1,289**	**228**	**(50,182)**
Contributions	(2,700)	(182)	(120)	(3,002)
Payments of contracted obligations	(28,251)	(309)	-	(28,560)
Liabilities as at 12.31.2010	**407,998**	**25,878**	**1,515**	**435,391**
Impacts on the 2011 profit or loss:				
Current cost of service	79	-	67	146
Cost of interest	120,651	3,852	191	124,694
Expected revenue from assets	(103,844)	(2,685)	-	(106,529)
Amortization of actuarial gains	(80,998)	(924)	40	(81,882)
Net gains	**(64,112)**	**243**	**298**	**(63,571)**
Contributions	(3,052)	(3,174)	(319)	(6,545)
Payments of contracted obligations	(27,936)	(330)	-	(28,266)
Liabilities as at 12.31.2011	**312,898**	**22,617**	**1,494**	**337,009**

Net expenses to be recognized on a monthly basis in profit or loss in 2012, related to the defined benefit plans and the confidentiality bonus, are as follows:

	BD Plan	BSPS Plan	GC	Total
Current cost of service	(43)	-	(64)	(107)
Cost of interest	(127,347)	(3,391)	(190)	(130,928)
Expected return on plan assets	116,654	3,961	-	120,615
Amortization of actuarial gains	4,513	3,479	(43)	7,949
Net expense	**(6,223)**	**4,049**	**(297)**	**(2,471)**

The breakdown of the plan's assets per type of investment is as follows:

	ELOS	PREVIG
Fixed income	87.36%	89.91%
Variable income	7.71%	3.52%
Loans	2.52%	6.32%
Realty	1.95%	-
Other	0.46%	0.25%
	100.00%	**100.00%**
Profitability recorded in 2011	14.65%	15.71%
Profitability expected for 2012	11.00%	11.00%

Fixed income assets are predominantly composed of Government Securities.

a.3) Confidentiality bonus benefit

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

b) Defined Contribution Plan (CD)

In addition to the defined benefit plan, PREVIG manages the defined contribution plan (CD), in which 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.

In 2011, the Company paid R$2,613 (R$2,474 in 2010) in administrative expenses.

25. – DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

	Parent Company (BRGAAP)				
	12.31.2011				12.31.2010
Type of credit	Tax basis	Income tax	Social Contribution	Total	Total
Fair value of property, plant and equipment	1,031,839	257,960	92,866	350,826	382,571
Provision for the sale of energy	107,456	26,864	9,671	36,535	36,535
Fair value of concession fees payable	50,166	12,541	4,515	17,056	15,739
	1,189,461	**297,365**	**107,052**	**404,417**	**434,845**

	Consolidated (BRGAAP and IFRS)				
	12.31.2011				12.31.2010
Type of credit	Tax basis	Income tax	Social Contribution	Total	Total
Fair value of property, plant and equipment	1,031,839	257,960	92,866	350,826	382,571
Sale of energy	107,456	26,864	9,671	36,535	36,535
Fair value of concession fees payable	50,166	12,541	4,515	17,056	15,739
Subsidized accelerated depreciation	53,771	13,443	4,839	18,282	10,846
	1,243,232	**310,808**	**111,891**	**422,699**	**445,691**

Fair value of property, plant and equipment - corresponds to the difference between the book value and the fair value recognized on the first-time adoption of Technical Pronouncements IAS 16 and CPC 27 - Property, Plant and Equipment.

Sale of energy - transactions carried out in the Wholesale Electrical Energy Market (MAE), currently CCEE, from September 2000 to September 2002. The amount of revenue recognized in this period is being challenged in court by agents that disagree with the interpretation adopted by MAE in the application of certain accounting rules, reason why the amounts payable have not been paid by the debtor agents. There was no income tax and social contribution effect on this revenue or on the allowance for doubtful accounts referring to the overdue accounts payable. In order to best reflect both tax effects, the Company accrued income and social contribution tax assets and liabilities in the same amount.

Fair value of concession fees payable - corresponds to the difference between the book value and the fair value of concessions fees payable from a business combination originating from the acquisition of a company.

Subsidized accelerated depreciation – corresponds to the accelerated depreciation of certain construction costs and the acquisition of property, plant and equipment, as provided for in the tax legislation.

Deferred tax liabilities will be realized as follows:

	Parent Company (BRGAAP)	Consolidated (BRGAAP and IFRS)
2012	30,972	30,972
2013	29,061	29,061
2014	22,833	22,833
2015	21,128	21,128
2016	20,103	20,103
2017 to 2021	143,107	143,107
2022 and beyond	137,213	155,495
	404,417	**422,699**

26. – SHAREHOLDERS' EQUITY

a) Authorized capital stock

The Company is authorized to increase its capital stock up to the limit of R$5,000,000, regardless of any amendment to its bylaws. Under the BM&FBOVESPA's Novo Mercado Listing Rules, the Company cannot issue preferred shares or founder shares. The Company does not hold treasury shares.

b) Subscribed and paid-up capital

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, as at 12.31.2011 and 12.31.2010. The book value per share is R$8.35 as at 12.31.2011 (R$7.77 per share as at 12.31.2010).

The Company's shareholding structure as at 12.31.2011 and 12.31.2010 is as follows:

Shareholders	% Capital
GDF SUEZ Energy Latin America Participações Ltda.	68.71
Banco Clássico S.A.	10.00
Other Shareholders	21.29
	100.00

The number of Company outstanding shares was 204,229,568 and 204,229,559 as at 12.31.2010 and 12.31.2011 respectively. On the same dates, the Company's management held 139,589 and 134,775 shares, respectively.

c) Capital reserves

Mostly refers to interest on equity applied to property, plant and equipment in progress, calculated at 10% p.a. for the period from 01.01.1986 to 12.31.1998, pursuant to specific energy sector legislation. This reserve can be used to absorb losses that exceed the retained earnings reserves, and can be added to capital stock.

d) Profit Reserves

- Legal reserve

From the net income for the year, 5% (five percent) are allocated, before any other destination, to establish the legal reserve, which shall not exceed 20% of the capital stock. In 2011 the Company allocated 4.6% of its net income to the legal reserve, reaching the limit of 20% of the paid-up capital stock as allowed in the Brazilian Corporate Law. This reserve can only be used to offset losses or increase the capital stock.

- Tax incentive reserve

This reserve is formed through the allocation of the portion of the income of the period equivalent to the tax benefit granted by the Amazon Development Superintendence (Sudam). This benefit corresponds to a 75% reduction in the income tax calculated over the income from the exploitation of the activities developed by the Ponte da Pedra Hydroelectric Power Plant.

- Retained earnings reserve

This reserve was constituted in prior years, based on a capital budget, with the purpose of funding the installation of the Estreito Hydroelectric Power Plant, the maintenance of the production facilities, and the possible acquisition of an interest in the Jirau Hydroelectric Power Plant.

e) Assets valuation adjustment

As provided for in IAS 16 and CPC 27 - Property, plant and equipment and in compliance with the guidelines of Technical Interpretation ICPC 10 - Interpretation on the initial investment in property, plant and equipment assets, the Company recognized the adjustment to fair value of property, plant and equipment on the date of the first-time adoption of the CPCs (01.01.2009). This adjustment, net of deferred income tax and social contribution, is registered against the shareholder's equity account denominated "Assets valuation adjustment". This reserve is recorded against the retained earnings account to the extent that the depreciation of the adjustment to fair value of property, plant and equipment is recognized in the Company's result. In 2011 and 2010, realization amounts were R$59,827 and R$56,879, respectively.

f) Transaction with non-controlling shareholder

In 2011, the Company recognized a 5% interest held by the non-controlling shareholder of indirect subsidiary Ibitiúva Bioenergética, in the amount of R$2,065.

g) Additional proposed dividends

Additional proposed dividends in the amount of R$517,342 will be submitted for shareholders' approval at the Annual General Meeting, and will remain in shareholders' equity until a final resolution is made, as provided for in CPC 24 - Subsequent Events and Technical Interpretation ICPC 08 - Accounting for Dividend Payment Proposals.

27. – DIVIDENDS

	12.31.2011	12.31.2010
Adjusted calculation basis for dividends		
Net income for the year	1,447,636	1,211,649
Legal reserve	(66,597)	(60,582)
Tax incentives reserve	(9,455)	-
Transaction with non-controlling shareholder	(2,065)	-
Realization of assets valuation adjustment	59,827	56,879
Net income for the year adjusted for dividend purposes	**1,429,346**	**1,207,946**
Proposed Dividends / Interest on Equity		
Interim dividends paid	658,014	286,100
Interest on equity, net of IRRF	217,340	188,011
Additional proposed dividends	517,342	158,270
Sub-total	1,392,696	632,381
IRRF on interest on equity	36,650	31,989
Total	**1,429,346**	**664,370**
Adjusted net income percentage	**100%**	**55%**
Dividends/interest on equity before income tax withheld, per common share **(in R$1.00)**:	2.1897556102	1.0178134249

Tractebel Energia's dividends policy sets a minimum compulsory dividend of 30% of the net income for the period, adjusted under Law 6,404/76. It also determines the intention to pay, in every calendar year, dividends and/or interest on equity in an amount of no less than 55% of the adjusted net income on a semiannual basis.

In a meeting held on July 2011, the Board of Directors approved the payment of interim dividends, based on the financial statements as at 06.30.2011, in the amount of R$658,014, equal to R$1.0080763921 per share, 100% of the adjusted net income of 1H11. Dividends started being paid on 10.06.2011, based on the registration data held at Itaú Unibanco.

The Company's Board of Directors, in a meeting held on November 2011, approved the payment of interest on equity for the period from January 1, 2011 to December 31, 2011, in the amount of R$253,990, equal to R$0.3891122760 per share. This amount, net of income tax withheld, was added to dividends for fiscal year 2011. Interest on equity will start being paid on 02.10.2012.

On 02.07.2012 the Board of Directors approved the proposal for the payment of additional dividends in the amount of R$517,342 (R$0.7925669420 per share), referring to fiscal year 2011. Under the new accounting principles provided for in Technical Interpretation ICPC 08 - Accounting for Dividend Payment Proposals, the amount of dividends that exceed the minimum compulsory dividend provided for in the Law or another legal instrument, and not approved at a General Meeting, must be reported and highlighted in the shareholders' equity. These dividends exceed the minimum compulsory dividend and, therefore, are reported in a shareholders' equity account named "Additional proposed dividends" up to its approval at the Annual General Meeting.

28. – DETAIL OF OPERATING EXPENSES BY NATURE

Costs of electricity production and services provided

	Parent Company (BRGAAP)				Consolidated (BRGAAP and IFRS)			
	12.31.2011		12.31.2010		12.31.2011		12.31.2010	
	Energy sold	Services provided	Energy sold	Services provided	Energy sold	Services provided	Energy sold	Services provided
Personnel	131,649	15,027	123,535	12,383	133,789	15,027	124,301	12,383
Materials	19,122	666	20,468	369	22,314	666	24,093	369
Third party services	84,596	5,299	70,082	4,141	108,687	5,299	95,592	4,141
Fuel for generation	100,375	-	50,263	-	108,799	-	61,062	-
Royalties [27]	136,479	-	111,268	-	159,209	-	133,548	-
Depreciation and amortization	358,974	-	307,529	-	486,663	-	447,213	-
Insurance	7,018	819	7,198	458	8,776	819	9,460	458
Inspection fee	10,295	-	9,379	-	11,947	-	11,250	-
Contributions and donations	1,062	-	1,196	-	1,411	-	2,098	-
Lease	7,106	786	4,919	290	9,191	786	7,244	290
Other	5,119	50	4,007	72	6,075	50	5,284	72
	861,795	**22,647**	**709,844**	**17,713**	**1,056,861**	**22,647**	**921,145**	**17,713**

Personnel Costs

In addition to salaries and social charges, personnel expenses include health insurance, group life insurance, day-care allowance for female employees, food vouchers and transportation allowance, private pension plan, among others. The Company also offers classes and training to employees.

[27] Compensation for the use of water resources (Royalties)

Share-based payment

Tractebel Energia has no specific share-based payment program. However, indirect parent company GDF SUEZ, headquartered in France, has the following share-based payment programs for its key executives and employees: (i) stock options on the Paris Stock Exchange (France), based on the main responsibilities of the employees; (ii) bonus and performance share plans; and (iii) free shares to all employees.

Stock options and performance shares plans mature in four or five years and their values are linked to the achievement of certain GDF SUEZ financial ratios. Because of the global economic scenario, the market values of these performance share options have deteriorated, which is likely to impact the exercise of the options and the benefit of the performance shares upon maturity.

The costs of these plans are fully paid by GDF SUEZ, and Tractebel Energia does not have to make any disbursement relating to them.

As at 12.31.2011, the market value of these plans is as follows:

	Plans before 2010	Plan 2011	Total
Stock options	272	107	379
Performance shares	619	803	1,422
Free Shares	629	460	1,089
	1,520	**1,370**	**2,890**

The market value of the options was calculated by a specialized consulting firm using the "Bjerksund & Stensland (2002)" model for the options that have already vested, and the "Rubinstein (1990)" model for the options that have not vested yet.

Selling, general and administrative expenses:

	Parent Company (BRGAAP)				Consolidated (BRGAAP and IFRS)			
	12.31.2011		12.31.2010		12.31.2011		12.31.2010	
	Selling	General and Administrative	Selling	General and Administrative	Selling	General and Administrative	Selling	General and Administrative
Personnel	9,160	46,257	9,323	44,132	9,160	47,893	9,323	45,159
Management	-	15,019	-	15,288	-	15,794	-	16,001
Materials	63	3,363	53	1,249	63	3,407	53	1,276
Third party services	3,891	34,956	3,796	36,747	5,731	37,611	4,028	39,359
Depreciation and amortization	-	9,356	-	6,665	-	14,436	-	14,112
Insurance	-	422	-	367	-	422	-	367
Contributions and donations	-	3,861	-	12,037	-	3,863	-	12,074
Sector contributions	-	4,186	-	3,240	932	4,575	732	2,925
Lease	214	4,872	215	4,072	236	5,500	222	4,226
Indemnities	-	7,766	-	4,728	-	7,766	-	4,728
PREVIG Contribution	-	3,206	-	2,030	-	3,206	-	2,030
Other	2	12,234	3	11,168	704	12,587	5	17,678
	13,330	**145,498**	**13,390**	**141,723**	**16,826**	**157,060**	**14,363**	**159,935**

29. – REVERSAL (CONSTITUTION) OF OPERATING PROVISIONS

	Parent Company (BRGAAP)		Consolidated (BRGAAP and IFRS)	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Post-employment benefits	89,470	77,901	89,470	77,901
Tax risks	14,391	(1,652)	14,391	(3,967)
Civil risks	2,994	28	(3,834)	(11,812)
Labor risks	2,583	2,476	2,583	2,476
Doubtful accounts	(6,043)	-	(6,180)	-
Other	683	1,921	605	1,921
	104,078	**80,674**	**97,035**	**66,519**

The reversal in item "Post-employment benefits" mostly corresponds to the recognition of the amortization of deferred actuarial gains that exceeded the allowed limit of 10% ("corridor"), under IAS 19 and CPC 33 - Post-employment benefits.

30. – FINANCIAL RESULT

	Parent Company (BRGAAP)		Consolidated (BRGAAP and IFRS)	
	12.31.2011	**12.31.2010**	**12.31.2011**	**12.31.2010**
Financial income				
Income from financial investments	62,176	66,024	89,436	92,056
Interest on receivables	22,654	8,682	23,917	10,768
Monetary variation on judicial deposits	9,982	13,364	9,996	13,364
Monetary variation on other amounts receivable	9,107	13,079	10,323	14,439
	103,919	**101,149**	**133,672**	**130,627**
Financial expenses				
Interest on debts	122,389	176,727	238,687	278,405
Interest on concession fees payable	66,543	31,414	104,899	92,220
Interest on net actuarial liabilities	18,165	24,623	18,165	24,623
Interest on taxes	1,477	20,656	1,747	21,082
Monetary variation on debts	33,640	39,381	34,727	42,729
Monetary variation on concession fees payable	43,333	34,884	66,795	87,669
Monetary variation - other	340	12,023	346	12,023
Exchange variation on debts	17,942	(15,330)	17,942	(15,330)
Other financial expenses	20,938	13,397	24,174	16,048
	324,767	**337,775**	**507,482**	**559,469**
Financial expenses, net	**220,848**	**236,626**	**373,810**	**428,842**

31. – GAINS IN LAWSUITS

In 2010, the Company recognized non-recurring revenues in the amount of R$45,803 from a final and unappealable court decision favorable to the Company in a lawsuit in which it claimed the right to levy PIS and Cofins, cumulatively, over revenues from agreements executed before the relevant tax law was changed to the non-cumulative regime. In 2011 the Company recognized the complement of judicial gain above mentioned, in the amount of R$8,812.

32. – TAX RECONCILIATION, IN THE INCOME STATEMENT

	Parent Company (BRGAAP)			
	12.31.2011		12.31.2010	
	Income tax	Social Contribution	Income tax	Social Contribution
Income before taxes	**1,929,930**	**1,929,930**	**1,709,507**	**1,709,507**
Permanent Differences				
Goodwill amortization/ Concession rights	1,843	1,843	2,411	2,411
Management bonuses and year-end bonuses	2,831	-	5,025	-
Non-deductible donations	250	250	8,489	8,489
Equity in subsidiaries	(186,690)	(186,690)	22,483	22,483
Interest on equity	(253,990)	(253,990)	(220,000)	(220,000)
Goodwill amortized in the incorporation	-	-	(41,931)	(41,931)
Capital gain taxes at the subsidiary	(11,212)	(11,212)	-	-
Other permanent differences	420	420	4,810	4,440
Tax basis	**1,483,382**	**1,480,551**	**1,490,794**	**1,485,399**
Tax rates	25%	9%	25%	9%
Income tax and social contribution	**(370,846)**	**(133,250)**	**(372,699)**	**(133,686)**
Tax incentive	10,856	-	8,529	-
Other	10,545	401	(470)	468
Total in profit or loss	**(349,445)**	**(132,849)**	**(364,640)**	**(133,218)**
Breakdown of taxes in the income statement:				
Current	(336,430)	(126,814)	(368,764)	(136,054)
Deferred	(13,015)	(6,035)	4,124	2,836
	(349,445)	**(132,849)**	**(364,640)**	**(133,218)**

	Consolidated (BRGAAP and IFRS)			
	12.31.2011		12.31.2010	
	Income tax	Social Contribution	Income tax	Social Contribution
Income before taxes	**2,034,788**	**2,034,788**	**1,721,310**	**1,721,310**
Permanent Differences				
Goodwill amortization/ Concession rights	12,632	12,632	29,530	29,530
Management bonuses and year-end bonuses	2,831	-	5,136	-
Non-deductible donations	305	305	8,489	8,489
Interest on equity	(253,990)	(253,990)	(220,000)	(220,000)
Goodwill amortized in the incorporation	-	-	(41,931)	(41,931)
Difference between the taxable bases in the actual or estimated profit taxation	(14,074)	(9,874)	(3,591)	(1,137)
Other permanent differences	214	(136)	2,425	5,935
Tax basis	**1,782,706**	**1,783,725**	**1,501,368**	**1,502,196**
Tax rates	25%	9%	25%	9%
Income tax and social contribution	**(445,677)**	**(160,535)**	**(375,342)**	**(135,198)**
Tax incentive	10,856	-	11,315	-
Other	9,349	(675)	(6,777)	(3,659)
Total in profit or loss	**(425,472)**	**(161,210)**	**(370,804)**	**(138,857)**
Breakdown of taxes in the income statement:				
Current	(409,566)	(153,559)	(386,507)	(145,677)
Deferred	(15,906)	(7,651)	15,703	6,820
	(425,472)	**(161,210)**	**(370,804)**	**(138,857)**

Tax incentive mostly corresponds to the 75% reduction in income tax calculated over the profit from the exploitation of the operation of the Ponte de Pedra Hydroelectric Power Plant. This benefit was granted because the plant is located in an incentive area of the Amazon Development Superintendence (Sudam). The exemption is valid for 10 years as from 2006.

33. – FINANCIAL INSTRUMENTS

a) Financial instruments category

	Parent Company (BRGAAP)		Consolidated (BRGAAP and IFRS)	
	12.31.2011	**12.31.2010**	**12.31.2011**	**12.31.2010**
Financial assets				
Measured at fair value through profit or loss				
Financial investments	566,159	794,407	776,534	1,073,698
Receivables and loans				
Cash and bank deposits in cash	960	1,710	5,274	8,882
Clients	410,903	446,165	542,149	531,106
Collateral and restricted deposits	32,159	69,665	129,490	132,797
Sale of asset	86,886	86,886	86,886	86,886
Judicial deposits	104,059	131,315	105,832	133,464
Credits with subsidiaries	14,927	13,290	-	-
Asset available for sale	-	23,856	-	23,057
	1,216,053	**1,567,294**	**1,646,165**	**1,989,890**
Financial liabilities				
Financial liabilities measured at amortized cost:				
Suppliers	219,640	174,086	234,336	268,851
Loans and financing	671,045	262,994	3,157,806	2,756,559
Debentures	491,394	1,661,14	491,394	1,687,361
Concession fees payable	828,373	721,025	1,265,952	1,134,947
	2,210,452	**2,819,247**	**5,149,488**	**5,847,718**

b) Fair value of financial instruments

The fair value of financial instruments was determined based on future cash flows discounted to present value at interest rates that reflect current market conditions for transactions with characteristics that are similar to those of the Company's.

Differences between the balance sheet value and the fair value were identified for loans and financing, debentures and concessions fees payable. These differences occur mainly because such instruments have long repayment terms and differentiated costs as compared to the interest rates currently practiced for similar agreements.

The book value and the fair value of these financial instruments are as follows:

	Parent Company (BRGAAP)			
	12.31.2011		12.31.2010	
	Book	Market	Book	Market
Loans and financing				
- Domestic currency	458,839	457,188	49,414	49,135
- Foreign currency	212,206	239,702	213,580	211,784
Debentures	491,394	493,908	1,661,142	1,557,388
Concession fees payable	828,373	1,227,435	721,025	1,024,567
	1,990,812	**2,418,233**	**2,645,161**	**2,842,874**

	Consolidated (BRGAAP and IFRS)			
	12.31.2011		12.31.2010	
	Book	Market	Book	Market
Loans and financing				
- Domestic currency	2,945,600	2,947,085	2,542,979	2,546,069
- Foreign currency	212,206	239,702	213,580	211,784
Debentures	491,394	493,908	1,687,361	1,583,608
Concession fees payable	1,265,952	1,811,391	1,134,947	1,558,491
	4,915,152	**5,492,086**	**5,578,867**	**5,899,952**

Fair value measurement

Accounting principles define fair value as the amount that would be received to sell an asset or paid to settle a liability, in a transaction between knowledgeable and willing parties that reflects the respective interests of those parties. To measure the fair value of its financial instruments, the Company used asset or interest rate quotations to calculate the present value in an active market, which is defined as Level I according to the accounting principles.

c) Risk Management

In order to ensure increased efficiency in its risk assessment and monitoring process, the Company has a Risk Management Committee responsible for: (i) raising awareness for treating risks; (ii) setting goals and guidelines to manage risks; (iii) fostering and suggesting improvements in the assessment process; and (iv) rating and setting control procedures.

The Company's business, the financial conditions and the results of operations may be adversely affected by any of the risk factors described below.

c.1) Market risk

The Company has a committee that manages these risks, formed by a representative member appointed by each of the following areas: financial planning, regulation and market, energy supply planning, finance, trade, audit, project implementation and power production. The Planning and Control Officer is responsible for the coordination of the Committee.

The Company and its subsidiaries use financial instruments to hedge assets and liabilities, minimizing exposure to market risks, mainly in connection with interest rate, price indexes and currency fluctuations. These risks 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 financial investments in derivatives or any other risk assets.

As mentioned in Note 18 – Loans and Financing, in June 2011, the Company contracted a swap transaction to fully hedge a U.S. dollar-denominated loan from exchange and cash flow risks. This transaction was considered and reported as a single synthetic financial instrument.

There were no changes in the Company's exposure to market risks or in the management and measurement of these risks in the current year.

The main market risks to which the Company is exposed are the following:

- Risks related to financial investments

The Company adopts a conservative fund investment policy, which is formalized and disclosed to the market through the Company's website, in the document "Investment and Derivatives Policy". Financial investments of the Company and its subsidiaries comply with the allocation of at least 90% of the resources to Government Securities – in the final purchase and/or repurchase agreement mode – and at most 10% of the resources to Private Securities – acquisitions of CDB contracts from eligible banks and also repurchase agreements with debentures issued by leasing companies controlled by eligible banks.

The Company uses Fitch Ratings (Fitch), Moody's and Standard & Poors (S&P) ratings to identify eligible banks to receive these funds. Such banks meet the two following criteria: (i) Shareholders' Equity of at least R$1 billion; and (ii) domestic scale rating of at least AA- (S&P and Fitch) or Aa3 (Moody's).

The Company's available funds are invested in an Exclusive Fixed Income Investment Fund, whose policy is to allocate the funds to very low-risk assets. As at 12.31.2011, this fund's entire portfolio was invested in assets with Brazilian Government credit risk, with daily liquidity and floating interest rate, linked to the variation of the Selic.

According to the Company's financial planning, these funds will be used in the short-term, substantially reducing the risk of any significant effects on earnings due to an eventual decrease in the Brazilian prime rate.

The "Investment and Derivatives Policy" imposes strong restrictions on operations with derivatives and establishes continued follow up when contracting this type of operation. The swap transaction mentioned above was carried out with the sole and exclusive purpose of hedging a loan from cash flow foreign exchange risk. Currently, the Company has not contracted other transactions with derivatives.

- Risk related to debts with floating interest rates and indexes

This risk is related to possible losses the Company may have from the fluctuation of interest rates applied to the Company's liabilities, which may affect its financial expenses. The Company and its subsidiaries are exposed to floating interest rates and indexes related to Libor, Euribor, TJLP, DI rate, IGP-M and IPCA variations.

As per the floating interest rate risk, most of its debts are linked to the TJLP, and this rate, despite the fact that this is a "floating" rate, it has been stable at 6% for several years, making it an almost fixed rate.

Regarding the risk of accelerated inflation, it is worth noting that all energy sales agreements in force have an inflation adjustment clause (adjustment by the IGPM or IPCA), which is a long-term natural hedge for debts and obligations adjusted by inflation rates and/or linked to inflation acceleration (debts linked to the CDI).

The U.S. dollar-denominated loan from Bank Of America Merrill Lynch, with a 100% swap for the CDI, is considered a debt linked to the CDI.

- Foreign currency-denominated debt risk

The foreign exchange risk is associated with the variation of foreign exchange rates, affecting the financial result and the balance of liabilities indexed to a foreign currency. The Company's foreign exchange risk hedging policy seeks a low level of foreign exchange exposure for its foreign currency-denominated liabilities. This exposure is permanently monitored by the Company's Financial Management Committee.

As explained below, the Company's level of foreign exchange exposure has remained very low as compared to the Company's total indebtedness. The portion of loans linked to a foreign currency that are not hedged, in the amount of R$212,206 as at 12.31.2011, corresponds to 5.8% of the Company's consolidated indebtedness, 3.1% of which are denominated in U.S. dollars and 2.7% in Euro. These debts' maturities are distributed in the long term, concentrating on 2015 and 2024. Considering that the effect of the maturity of this indebtedness is minimum in the short term and due to the impossibility of making an effective hedge for the balance sheet since there is no long-term forward curve, the Company does not hold any derivative instrument to hedge these debts.

As mentioned in Note 18 – Loans and Financing, the U.S. dollar-denominated loan from Bank Of America Merrill Lynch is fully hedged through a swap transaction, which eliminates any exposure the Company may have to the variation of the U.S. dollar against the Brazilian Real.

- Sensitivity analysis for exposure to interest rate and floating indexes risks and foreign exchange variation risks

The Company, as a reference, and in compliance with CVM Instruction no. 475/08, prepared a sensitivity analysis regarding its loans and financing, debentures and concession fees payable exposed to risks of interest rate and floating index risks and foreign exchange variation risks.

The basic probable scenario for 2012 was designed using the premises available to the market (source: Focus Report - Brazilian Central Bank) and the sensitivity calculation was based on the variation between the scenario rates and indexes expected for 2012 and those prevailing in 2011.

The sensitivity analysis also considered a variation of 25% and 50% over the interest rates, floating indexes and exchange variations considered in the probable scenario. The estimated impacts of these variations on the Company's financial result for 2012 are shown below.

Interest rates and floating indexes risks:	**Balance as of 12.31.2011**	**Probable scenario**	**Scenario Δ 25%**	**Scenario Δ 50%**
Loans and financing				
- TJLP	2,449,427	-	35,412	71,297
- CDI	438,801	(7,605)	9,618	19,114
- US dollar	111,737	(4,343)	22,505	49,354
- Euro	100,469	(4,570)	19,404	43,379
		(16,518)	**86,939**	**183,144**
Debentures				
- TJLP	24,988	-	361	727
- IPCA	466,406	(3,682)	4,155	8,308
		(3,682)	**4,516**	**9,035**
Concession fees payable				
- IGP-M	864,820	(150)	11,725	22,385
- IPCA	401,132	(4,611)	5,378	10,445
		(4,761)	**17,103**	**32,830**

	2011 Variation	**Probable scenario**	**Scenario Δ 25%**	**Scenario Δ 50%**
Indexes variation:				
- TJLP	6.00%	6.00%	1.50 p.p.	3.00 p.p.
- CDI	11.60%	9.69%	2.42 p.p.	4.85 p.p.
- IPCA	6.50%	5.32%	1.33 p.p.	2.66 p.p.
- IGP-M	5.10%	5.08%	1.27 p.p.	2.54 p.p.
Foreign exchange variation:				
- US dollar	1.86	1.79	2.23	2.68
- Euro	2.43	2.32	2.90	3.48

Variations of the floating Libor and Euribor rates on 12.31.2011 were 0.35 p.p. and 0.44 p.p., respectively, and the loans indexed to these interest rates on the same date totaled R$68,803 e R$100,469, respectively. Any variations of these rates would not result in significant impacts on the Company's financial result, for this reason their effects were not presented in sensitivity analysis above.

c.2) Capital management risk

The Company manages its capital so as to maximize return to investors by optimizing the debt and equity balances, seeking to structure capital and maintaining indebtedness and debt coverage ratios that provide return to investors.

The Company's capital structure comprises net debt (loans, financings and debentures, minus cash and cash equivalents) and shareholders' equity, which includes capital, reserves and retained earnings incorporated to the income reserves.

Tractebel Energia and its subsidiaries have debts that establish a maximum gross debt limit, calculated based on the EBITDA. Currently, the most restrictive of these debts limits at 2.5x EBITDA. Due to the new liquidity scenario of the market and a better risk perception of the industry in general and of the Company specifically, the recently contracted debts have limits of 3.5x EBITDA. The Company's Management, through the Financial and Investor Relations Department, monitors the Company's indebtedness level which should remain at around 2x EBITDA, but that can, however, vary according to the policy for acquisition of the Company's new power plants.

c.3) Credit risk

In long-term agreements entered into with distributors, including Energy Trading Agreements in the Regulated Environment (CCEAR), the Company minimizes its credit risk with the use of a collateral mechanism involving receivables from its customers.

To minimize credit risk in the agreements to sell electrical energy to free consumers, sellers and generating companies, as well as in former bilateral agreements with the distribution companies, the Company requires a bank guarantee and secured CDB. For the parties willing to present other types of guarantees, the Company, through its credit department, carries out a credit analysis and establishes the guarantees that must be presented according to its policy. Additionally, the Company annually revises the credit analysis of all its clients and periodically evaluates its exposure to the different industries, seeking portfolio diversification and reduction of this exposure to any specific industry risk.

In financial market investment transactions, the Company gives priority to investments in public securities and also has a credit limit policy with financial institutions, which is regularly reviewed by the Financial Management Committee, based on in-house criteria and ratings disclosed by risk rating agencies.

As previously mentioned, the Company has financial investments in an Exclusive Fixed Income Investment Fund. The amount of investments by financial institution is within the limits defined by the Company in its investments and derivatives policy for financial institutions.

The Company is guarantor in several agreements with its subsidiaries to guarantee financing and does not have any type of guarantee for protection against these risks.

c.4) Liquidity risk

The Financial Management Committee is responsible for managing the Company's liquidity risk, which manages the needs to raise funds and to manage short-, medium- and long-term liquidity by permanently monitoring forecast and real cash flows. To guarantee the capacity to pay its obligations, the Company uses the policy of minimum cash, which is annually revised based on cash projections, and monitored each month at the Committee's meetings. The management of financial investments focuses on short-term instruments, especially those with daily maturities, in order to provide maximum liquidity and cover disbursements. The Company's cash generation feature and the low volatility for receivables and long-term obligations within the year, ensure stable flows, thus reducing its liquidity risk.

The following statement shows the financial liabilities by maturity. The amounts were determined according to the expected non-discounted cash flows, considering the amortization of principal and future interest payment estimates when applicable. For debts with floating interest rates the value was based on the interest curve at year's end.

	Parent Company (BRGAAP)					
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Instruments subject to interest rate:						
- floating rate						
Loans and financing	10,304	2,948	55,829	606,571	362	676,014
Debentures	-	-	198,591	339,675	-	538,266
- fixed rate						
Loans and financing	-	17	15,244	41,562	129,178	186,001
Concession fees payable	221	441	2,004	10,952	3,250,775	3,264,393
Total flow	**10,525**	**3,406**	**271,668**	**998,760**	**3,380,315**	**4,664,674**

	Consolidated (BRGAAP and IFRS)					
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Instruments subject to interest rate:						
- floating rate						
Loans and financing	39,614	59,417	327,866	1,893,422	2,338,666	4,658,985
Debentures	-	-	198,591	339,675	-	538,266
- fixed rate						
Loans and financing	953	1,906	23,663	76,106	152,328	254,956
Concession fees payable	3,964	7,927	36,095	195,015	4,192,801	4,435,802
Total flow	**44,531**	**69,250**	**586,215**	**2,504,218**	**6,683,795**	**9,888,009**

The liquidation of a substantial part of the trade accounts balance that, on 12.31.2011, equals R$219,640 in the parent company and R$234,336 in the consolidated, is expected to happen in up to 3 (three) months after the end of the fiscal year and no interest is expected until the payment date.

34. – TRANSACTIONS WITH RELATED PARTIES

a) Amounts recorded in balance sheet and income statement accounts:

	Assets				Liabilities			
12.31.2011	**Accounts Receivable**	**Dividends**	**Intercompany Loans**	**Total**	**Suppliers**	**Dividends and Interest on Equity**	**Other**	**Total**
Itasa	2,237	6,318	-	8,555	6,093	-	132	6,225
CEE	18,259	-	-	18,259	42,833	-	-	42,833
Lages	1,719	-	-	1,719	-	-	-	-
TBLC	92,327	-	-	92,327	164	-	-	164
CESS	157	1,628	-	1,785	-	-	-	-
Ceste	1,475	-	-	1,475	-	-	-	-
Ibitiúva	4	-	6,981	6,985	-	-	-	-
GSELA	4	-	-	4	-	148,344	-	148,344
Outras	159	-	-	159	434	-	-	434
TOTAL	**116,341**	**7,946**	**6,981**	**131,268**	**49,524**	**148,344**	**132**	**198,000**
12.31.2010	**87,167**	**6,525**	**6,765**	**100,457**	**11,719**	**129,186**	**31**	**140,936**

	Income Statement								
	Operating Revenue				Revenue	Costs	Expenses		
		Services Revenue							
12.31.2011	Energy Supply	Operation and Maintenance	Management	Total	Financial	Energy and Fuel Purchases	General and Administrative	Total	Equity in subsidiaries
Itasa	-	13,204	-	13,204	-	133,389	-	133,389	26,280
CEE	30,369	-	-	30,369	-	171,778	-	171,778	46,899
Lages	15,840	1,864	197	17,901	-	-	-	-	3,005
TBLC	1,053,051	-	393	1,053,444	-	-	-	-	102,823
CESS	5,975	1,078	216	7,269	-	3,403	-	3,403	9,042
Ceste	-	13,561	-	13,561	-	-	-	-	-
TBLP	-	-	-	-	-	-	-	-	- 1,359
Others	-	-	888	888	721	-	1,119	1,119	-
TOTAL	1,105,235	29,707	1,694	1,136,636	721	308,570	1,119	309,689	186,690
12.31.2010	328,252	19,249	1,650	349,151	6,322	136,155	4,676	147,153	(26,491)

The transactions with related parties carried out by the Company include: (i) agreements for the purchase and sale of energy; (ii) operation and maintenance service for power plants; (iii) the provision of administrative services; and (iv) guarantees granted to third parties. The details of the most important transactions are shown below:

b) Purchase and sale of energy

Company	Average MW	Maturity	Annual restatement index	Future Obligation (Base 12.31.2011)
Purchase:				
Itasa	167	10.16.2030	IGP-M	2,268,001
Itasa	61	10.16.2030	US dollar variation + US inflation	499,041
Sale:				
TBLC	150	12.31.2015	IPCA	403,046
TBLC	190	12.31.2016	IPCA	638,240
TBLC	778	12.31.2012	IGP-M	789,021
Lages	16	03.31.2017	Annual price revision	83,596
CESS	5	04.22.2037	IPCA	153,756

As per the Company's commercial policy, sales to free consumers are mostly carried out via wholly-owned subsidiary TBLC, which purchases electrical energy from the Company in order to have electrical energy sufficient to meet its commitments.

c) Operation and maintenance

Related party	Maturity	Annual restatement index	Future Obligation (Base 12.31.2011)
Itasa	10.16.2030	IGP-M	209,472
Ceste	05.01.2025	INPC (80%) and IPCA (20%)	207,572
CESS	10.15.2023	IGP-M	11,893
Lages	03.31.2012	Wages adjustments	464

The Company's strategy is to centralize the operation and maintenance activities at subsidiaries with Tractebel Energia, which provides these services to its subsidiaries that do not outsource them. Prices are based on the personnel costs of Tractebel Energia directly involved in these activities.

d) Administrative services

Tractebel Energia provides those services necessary to the administrative activities of the direct and indirect subsidiaries. The contracts are for indefinite terms and the contracted values are annually readjusted by the INPC. The contracted values are based on a percentage over the real or expected revenue for the companies in a pre-operating stage. The annual revenue from these provided services was R$1,816.

e) Guarantees

The Company is the intervening party in the loan agreements signed by its direct and indirect subsidiaries with the BNDES, Banks (BNDES Onlending) and other financial agents. The main guarantees are shown below:

Bank	Type of guarantee	Amount of debt on 12.31.2011
BNDES and Banks (BNDES Onlending)	Pledge of all shares issued and held by the following subsidiaries: Itasa, CESS, CEE, Beberibe, Pedra do Sal, Areia Branca and Ibitiúva	2,548,899
Banco do Brasil	Pledge of all shares issued by Hidropower and held by its wholly-owned subsidiary TBLP.	23,290
BRDE	Pledge of the equity shares held at the Lages subsidiary	4,572

f) Sureties and guarantees

The Company is a guarantor of certain subsidiaries in the energy purchase transactions in the total amounts of R$30,795 and R$70,451, respectively. All guarantees will mature in 2012.

g) Intercompany loan – credits with subsidiaries

The Company granted funds to indirect subsidiary Ibitiúva by mutual operations, in order to continue the execution of the works on the Ibitiúva Bioenergética power plant while the funds from BNDES had not been released. The amounts are received as the BNDES releases the funds from the financing for the subsidiary. The remuneration of the agreement corresponds to 100% of the Selic rate. The remaining amount on 12.31.2011 is R$6,981 (R$6,260 in 12.31.2010).

h) Advisory Services

SUEZ-Tractebel S.A. (Indirect Parent Company)

The Company executed an agreement with SUEZ-Tractebel S.A., its indirect parent company, the purpose of which is the provision of specific advisory services in the management, operational, financial, accounting, legal, marketing and project development areas, as the Company requires. Fees are limited to the annual amount of 1,500,000.00 euros. In the fiscal years of 2010 and 2011 there was no charge for the execution of this contract, for this reason there is no obligation registered at the Company.

i) Other transactions

GDF SUEZ Energy Latin America Participações Ltda. (GSELA)

The Company has an amount to pay to its holding at R$148,344, regarding the interest on equity credited on 12.31.2011.

j) Compensation of Management's key personnel

The compensation, charges and benefits related to the Management's key personnel are presented as follows. The only long-term benefit granted by the Company is the pension (post-employment benefit). The management's compensation is not based on shares of Tractebel Energia.

	Parent Company (BRGAAP)		Consolidated (BRGAAP and IFRS)	
	12.31.2011	**12.31.2010**	**12.31.2011**	**12.31.2010**
Short-term benefits and fees	9,594	7,752	10,239	8,346
Management bonus and charges	2,657	4,824	2,657	4,824
Post-employment benefits	627	602	627	602
Social charges	2,141	2,110	2,271	2,229
	15,019	**15,288**	**15,794**	**16,001**

35. – INSURANCE

On 12.31.2011, Tractebel Energia has comprehensive insurance policies for the operating risks with declared value for material damages amounted to R$9,567,408 at the parent company and R$13,409,114 for the year, and for lost profits in the amount of R$628,339 at the parent company and R$821,446 for the year. The maximum combined limit of indemnification for material damages and lost profits is R$553,000 per event.

In addition to these policies, the Company has civil liability insurance policies with coverage of R$87,215.

In the 2011/2012 cycle, the Company decided to adhere to the international insurance policy – Property Damage and Business Interruption (PDBI) - of GDF SUEZ's insurance program, since it understands that business and coverage conditions prove to be more favorable than those available on the domestic market.

Estreito consortium currently has engineering risk insurance for units which are still not in commercial operation for material damage of R$3,236,120 and expected loss of profit of R$591,204. The Company's share in these policies equals R$1,296,713 and R$236,895, respectively, equivalent to its share in the Consortium.

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

36. – LONG-TERM AGREEMENTS

The Company has the following main long-term commitments:

a) Connection agreement

The Company has a connection agreement with Eletrosul and Furnas Centrais Elétricas S.A. (Furnas), effective until the termination date of the Company's concessions for the generation units. For the Ponte de Pedra Power Plant, the Company has an agreement with Centrais Elétricas do Norte do Brasil S.A. (Eletronorte). Regarding to the subsidiaries, connection usage agreements are the following:

- Eólica Beberibe S.A.: Companhia Energética do Ceará (Coelce).
- Eólica Pedra do Sal S.A.: Companhia Energética do Piauí (Cepisa).

The remaining amount on 12.31.2011 of the future obligations from connection agreements is R$248,242 (R$249,324 on 12.31.2010).

b) Transmission and Distribution Grid Usage Agreement (CUST and CUSD)

In order to use the transmission system and basic grid, the Company and its subsidiaries CESS, CEE and Itasa have agreements with the ONS. For power plants which are not directly connected to the basic grid, companies maintain distribution usage agreements with the energy distributors of the plants regions.

Most agreements are effective up to the termination date of the concessions or authorizations of the Company's generation units. On 12.31.2011 the agreements' remaining balance amounts to R$7,039,804 (R$5,802,137 on 12.31.2010).

c) Bilateral electrical energy purchase and sale agreements

According to the assured energy information and purchase and sale agreements in force, the Company's energy balance shows that the current capacity has the following contracting levels for the next six years:

	Average MW [28]					
Year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Own Resources	3,575	3,658	3,681	3,681	3,681	3,681
Purchases for resale	599	404	316	215	205	200
Total availability	4,174	4,062	3,997	3,896	3,886	3,881
Contracted availability	4,103	4,031	3,716	3,375	2,787	2,238
% Contracted	98.30%	99.24%	92.97%	86.63%	71.72%	57.67%

The Company's consolidated net operating revenue on 12.31.2011, broken down by type of customers, is as follows:

	Consolidated (BRGAAP and IFRS)			
	12.31.2011		12.31.2010	
	Amount	**%**	**Amount**	**%**
Distributors	2,463,320	56.93	2,425,442	59.15
Traders	477,798	11.04	554,657	13.53
Free Consumers	1,126,955	26.05	816,717	19.92
CCEE	88,042	2.03	259,903	6.34
Energy export	153,060	3.54	30,074	0.73
Other	17,776	0.41	13,588	0.33
	4,326,951	**100.00**	**4,100,381**	**100.00**

The customers that, on 12.31.2011, represented more than 5% at the Company's net revenue: Celesc, Cemig Distribuição S.A., Rio Grande Energia S.A. (RGE), CPFL Comercialização Brasil S.A. and Companhia Paulista de Força e Luz.

d) Purchase of electrical energy from Argentina

In May of 1998, Tractebel Energia and Cien entered into an Agreement through which Cien undertook to supply Tractebel Energia 300 MW of firm power with associated energy, for a 20-year term, counted from the commercial start-up of the transmission system between Brazil and Argentina, occurred on 06.21.2000.

In 2006, it was verified that Cien was not able to provide the amount of energy contracted, which made Aneel issue a Normative Resolution to reduce the amounts of the physical power guarantee to "zero" to comply with the agreement with Tractebel Energia. The reduction to "zero" would be valid until Cien could prove the availability exists, which has not happened.

[28] Information on average MW is not revised by the independent auditors.

Due to the need to resolve this matter, which has been going on for many years without any prospect for solution, Tractebel Energia, in view of the total default of Cien, filed a lawsuit, mainly requiring the agreement termination, with the payment of the due fine, and reimbursement of losses caused by not receiving the contracted energy. At the moment, it is not possible to estimate any amount involved in said lawsuit. As of now, all necessary measures to carry out Tractebel's commercial operations, as well as to rebalance its portfolio, were already taken in the previous years.

The lawsuit is in its normal course and Tractebel Energia answered Cien's reply in rebuttal filed in October, 2011. Currently, the lawsuit is concluded awaiting sentencing.

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 in 2001, the startup of William Arjona Thermoelectric Power Plant (UTWA), renewable for an additional five years.

With the expiration of the contract period, on 05.22.2006, 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 gas seller to MSGÁS and the consenting party in the contract.

Petrobras filed a special appeal with the High Court of Justice (STJ), where, in a Writ of Prevention, it was granted the stay of the lawsuit, authorizing it, as of November of 2007, to suspend the supply. As a result, the Company has bought energy in the CCEE to supply the energy sold by UTWA. When convenient and necessary, the Company has been operating with diesel oil as fuel, since the plant has this flexibility.

As a consequence of the filing of the Preparatory Writ of Prevention, the Company filed an Ordinary Lawsuit which was judged valid for the purpose of setting forth that purchase and sale agreement 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 05.23.2006. The period in which the gas supply was interrupted as a result of this litigation, until November of 2009, shall be added to the end of the agreement, which shall end proportionally to the term extended. Gas price and quantity shall be as contracted and restated as per Thermoelectric Power Plant Priority Program (PPT).

The High Court of Justice has recently dismissed the Writ of Prevention and Petrobras's Special Appeal as being moot. As a consequence, the Preparatory Writ of Prevention included an order for MSGÁS and Petrobras to continue supplying gas to Arjona Power Plant as of 11.26.2009.

Petrobras filed an appeal in view of the decision in the records of the lawsuit, which did not affect the gas supply. The Court of Justice of the State of Mato Grosso do Sul denied the appeal filed by Petrobras and maintained the decision of the first court.

Considering the prevailing legal decisions and the period during which Petrobras did not supply gas to William Arjona, the Contract is postponed until 06.12.2013.

f) Leasing agreements

The leasing agreements listed below have been classified as "operating", because the ownership of the asset cannot be transferred to the lessee at the end of the agreement's duration, and because there is no option to purchase the asset, in addition to not meeting the other conditions set forth in IAS 17 and CPC 17 (Leasing) for its classification as financial leasing.

- Company Headquarters

The Company signed a contract for using the property in which its headquarters are located. The term of the agreement is ten years and may be renewed. Amounts contracted are monetarily restated by the annual IPCA variations and the agreed upon amount is subject to periodic revisions. On 12.31.2011 the nominal value of future obligations was R$37,368.

- Eólicas Beberibe, Pedra do Sal and Projeto Trairí

Eólica Beberibe has four land lease agreements used for the installation and edification of towers of wind turbines, substation and transmission associated stations. Agreements will end from May of 2027 to September of 2032, and amounts comprise fixed and variable installments, corresponding to a percentage over gross revenue of the subsidiary. Fixed installments are restated by IGP-M, by the dollar variation and the inflation rate in the United States of America (USA), depending on each agreement.

Pedra do Sal has one lease agreement of the land where the generating complex is located, valid until 2029. The contracted monthly payment corresponds to a percentage over gross operating revenue.

Companies that are part of the Trairí Project have eight leasing contracts of properties used for the installation and edification of wind turbines and associated substation and transmission stations. The agreements' will expire from 2032 to 2042, and payments are composed of fixed and variable installments. Variable installments will be collected as of the beginning of operations of each project.

In 2011 expenses with operating leasing in the referred companies was R$1,691 (R$1,609 in 2010). The total estimated minimum future payments are:

Year	Amount
2012	1,658
2013 to 2016	8,941
2017 and beyond	33,220
	43,819

g) Certified Emission Reductions (CER)

The Lages subsidiary has a carbon credit sales contract with Prototype Carbon Fund (PCF), which has a volume of about 40% of the estimated CERs to be generated through 2014. The number of CERs to be transferred annually to PCF is 88,000 by 2013 and 134,000 in 2014. The remaining balance on 12.31.2011 is 486,000 CER (R$9,137 in 12.31.2011).

h) Construction agreements in progress

- Ibitiúva Bioenergética TPP

Indirect subsidiary Ibitiúva signed an agreement with Areva Koblitz S.A. for engineering services, acquisition of equipment and construction of Ibitiúva Bioenergética Thermoelectric Power Plant, whose remaining balance on 12.31.2011 is R$873 (R$3,373 on 12.31.2010).

- São Salvador HPP

Subsidiary CESS has an agreement with Consórcio São Salvador to provide engineering services, acquisition of equipment and construction of São Salvador Hydroelectric Power Plant. On 12.31.2011 the future obligations regarding the contract totaled R$10,581.

- Estreito HPP

Estreito Energia Consortium, of which subsidiary CEE has a 40.07% interest, has agreements connected to the implementation of Estreito Hydroelectric Power Plant, with outstanding future obligations of R$176,406 on 12.31.2011 (R$410,285 on 12.31.2010), out of which R$70,686 (R$164,401) correspond to CEE's interest.

- Energias Eólicas do Nordeste (EEN)

EEN and its subsidiaries have contracts related to the implementation of wind farms in the states of Piauí and Ceará, expiring on 12.31.2012. Future obligations related to said contract as of 12.31.2011 were R$488,516.

i) Determinants of the environmental licenses

The Company is committed to comply with certain environmental conditions in order to keep its operating licenses. The budget for environmental expenses for 2012, of R$17,140 in the parent company and R$30,204 for the consolidated, include these conditions.

37. – HYDROLOGICAL, ENVIRONMENTAL, SOCIAL AND LABOR RISKS SPECIFIC TO THE ENERGY GENERATION ACTIVITY

- Hydrological risks

According to data from the ONS, most of the energy supply from the National Interconnected System (SIN) is generated by Hydroelectric Plants (HPPs). Since the SIN operates with an optimized dispatch system centralized by the ONS, each HPP, including the Company's HPPs, is subject to variations in the hydrological conditions verified, both in the geographical region in which they operate and in other regions in the country. Hydroelectric generation represented about 79.9% of the Company's installed capacity, which equals 5,341.9 MW. In the event of the occurrence of unfavorable hydrological conditions in the SIN, jointly with the obligation of delivery of assured energy, the Company may be exposed to the spot energy market, which could affect its future financial results.

- Environmental risks

The activities in the energy sector may cause significant 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 provided for the personal liability of managers, in order to make feasible the refund of losses caused to the quality of the environment. As a consequence, partners and managers of the polluting company may be obliged to pay for environmental reparation costs. The payment of large amounts related to the environmental reparation costs and environmental compensations may cause the Company to postpone or make investments in different areas, which may adversely impact the Company.

The Company's Environment Policy guarantees the balance between environmental conservation and the development of its activities establishing guidelines and practices that should be complied with, in order to reduce the impact on the environment and focus on the sustainable development of its business.

- Social and labor risks

In order to minimize labor risks in its activities, the Company has human resources policies and guidelines based on three pillars, which are: recognition and motivation, development and health and well-being. These guidelines assure the creation and maintenance of a good organizational climate and mitigate social and labor risks. Yearly, collective bargaining agreements are established in conformity with the International Labor Organization (ILO), and they cover all Tractebel employees and address matters such as labor benefits, health and safety, safety equipment, and training and education for the members of emergency brigades and CIPAs.

38. – CONCILIATION OF THE NET REVENUE FROM SALES

In compliance with the requirements of CPC 30 – Revenues, the following table shows the reconciliation of the gross operating revenue and the net revenue from sales:

	Parent Company (BRGAAP)		Consolidated (BRGAAP and IFRS)	
	12.31.2011	**12.31.2010**	**12.31.2011**	**12.31.2010**
GROSS OPERATING REVENUE				
Energy supply	3,365,753	2,867,270	3,225,091	3,238,743
Energy provision	263,431	284,774	1,348,992	1,011,021
Transactions with CCEE	90,853	279,550	96,749	287,415
Energy export	153,060	30,074	153,060	30,074
Other revenues	35,195	25,991	24,588	18,880
	3,908,292	**3,487,659**	**4,848,480**	**4,586,133**
DEDUCTIONS FROM OPERATING REVENUE				
PIS and Cofins	(300,896)	(263,558)	(389,511)	(358,410)
ICMS	(34,217)	(52,484)	(94,177)	(92,962)
ISS	(1,246)	(653)	(1,246)	(661)
Research and Development	(31,790)	(29,796)	(36,595)	(33,719)
	(368,149)	**(346,491)**	**(521,529)**	**(485,752)**
NET OPERATING REVENUES FROM SALES	**3,540,143**	**3,141,168**	**4,326,951**	**4,100,381**

39. – ADDITIONAL INFORMATION TO THE CASH FLOW

Transactions that do not impact cash and cash equivalents in 2011 and 2010 are the following:

	Parent Company (BRGAAP)		Consolidated (BRGAAP and IFRS)	
	12.31.2011	**12.31.2010**	**12.31.2011**	**12.31.2010**
Compensation from Income Tax and Social Contribution	3,312		8,928	6,535
Property, plant and equipment suppliers	1,900		13,331	32,061
Interest on financing and concessions capitalized			101,033	37,237
Proposed dividends and interest on equity paid	771,332	378,270	771,332	378,270
Dividends proposed receivable from subsidiaries	7,946	4,897		
Recognition of concession fees payable				31,643

STATEMENT FROM THE COMPANY'S MANAGEMENT

The Company's officers hereby declare they have examined, discussed and revised all the information in the Company's Financial Statements (separate and consolidated), and they also agree with the opinion of the Company's independent auditors, Deloitte Touche Tohmatsu, referenced in the Independent Auditors' Report that follows.

Manoel Arlindo Zaroni Torres
CEO

Eduardo Antonio Gori Sattamini
Chief Financial and Investor Relations Officer

Marco Antônio Amaral Sureck
Energy Commercialization Officer

José Luiz Jansson Laydner
Project and Development Implementation Officer

José Carlos Cauduro Minuzzo
Energy Production Officer

Edson Luiz da Silva
Planning and Control Officer

Luciano Flávio Andriani
Administrative Officer

Florianópolis, February 7, 2012.

(The List of signature of the Financial Statements as at December 31, 2011 is on the next page)

(List of signature of the Financial Statements as at December 31, 2011 of Tractebel Energia S.A.)

BOARD OF DIRECTORS

Maurício Stolle Bähr
CEO

Jan Franciscus María Flachet
Vice-CEO

Manoel Arlindo Zaroni Torres
Board Member

Victor-Frank de Paula Rosa Paranhos
Board Member

Dirk Achiel Marc Beeuwsaert
Board Member

Philip Gotsall Cox
Board Member

Luiz Antônio Barbosa
Board Member

José Pais Rangel
Board Member

Antonio Alberto Gouvêa Vieira
Board Member

EXECUTIVE BOARD

Manoel Arlindo Zaroni Torres
CEO

Eduardo Antonio Gori Sattamini
Chief Financial and Investor Relations Officer

Marco Antônio Amaral Sureck
Energy Commercialization Officer

José Luiz Jansson Laydner
Project and Development Implementation Officer

José Carlos Cauduro Minuzzo
Energy Production Officer

Edson Luiz da Silva
Planning and Control Officer

Luciano Flávio Andriani
Administrative Officer

ACCOUNTING DEPARTMENT

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

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(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying individual and consolidated financial statements of Tractebel Energia S.A. ("Company"), identified as Parent and Consolidated, respectively, which comprise the balance sheet as at December 31, 2011, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with accounting practices adopted in Brazil and the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board - IASB, and in accordance with accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Individual Financial Statements

In our opinion, the individual financial statements present fairly, in all material respects, the financial position of Tractebel Energia S.A as at December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Tractebel Energia S.A as at December 31, 2011, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board – IASB and accounting practices adopted in Brazil .

Emphasis of Matter

We draw attention to Note 2 to the financial statements, which states that the individual financial statements have been prepared in accordance with accounting practices adopted in Brazil. In the case of Tractebel Energia S.A. these accounting practices differ from the IFRSs, applicable to separate financial statements, only with respect to the measurement of investments in subsidiaries, associates and joint ventures by the equity method of accounting, which, for purposes of IFRS would be measured at cost or fair value.

Other Matters

Statements of Value Added

We have also audited the individual and consolidated statements of value added ("DVA"), for the year ended December 31, 2011, prepared under the responsibility of the Company's management, the presentation of which is required by the Brazilian Corporate Law for publicly-traded companies, and as supplemental information for IFRS that does not require a presentation of DVA. These statements were subject to the same auditing procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

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

Rio de Janeiro, February 7, 2012

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Paulo Roberto Marques Garrucho
Engagement Partner

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FISCAL COUNCIL REPORT

The members of the Fiscal Council of Tractebel Energia S.A., Paulo de Resende Salgado, Carlos Guerreiro Pinto and Manoel Eduardo Lima Lopes, as per signatures below, after reviewing the Annual Management Report, the Financial Statements and the Management Proposal for Distribution of Dividends related to the 2011 fiscal year, based on the report of independent auditors Deloitte Touche Tohmatsu issued on February 7, 2012 regarding these financial statements, declare that said financial statements adequately represent in all relevant aspects the equity and financial position of Tractebel Energia S.A. on December 31, 2011 and are appropriate for the appreciation of the Company's Annual General Meeting.

Rio de Janeiro, February 7, 2012.

Paulo de Resende Salgado
Chairman

Carlos Guerreiro Pinto
Board Member

Manoel Eduardo Lima Lopes
Board Member