Tractebel Energia
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# Corporate Information/Capital Breakdown

| Number of Shares (Units) | Current Quarter 6/30/2011 |
|---|---|
| **Paid-Up Capital** | |
| **Common** | 652,742,192 |
| **Preferred** | 0 |
| **Total** | 652,742,192 |
| **In Treasury** | |
| **Common** | 0 |
| **Preferred** | 0 |
| **Total** | 0 |

## Corporate Information/ Cash Remuneration

| Event | Approval | Remuneration | Start Payment | Type of Share | Class of Share | Remuneration per Share (Reais/Share) |
|---|---|---|---|---|---|---|
| Annual General Meeting | 04/05/2011 | Dividends | 05/27/2011 | Common | | 0.24247 |
| Board of Directors Meeting | 11/05/2010 | Interest on Equity | 05/27/2011 | Common | | 0.33704 |
| Board of Directors Meeting | 7/29/2011 | Dividends | 06/10/2011 | Common | | 1.00807 |

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# Individual Financial Statements/Asset Balance Sheet
# (Thousands of Reais)

| Code | Description | Current Quarter 06/30/2011 | Previous Year 12/31/2010 |
|---|---|---|---|
| 1 | Total Assets | 9,034,501 | 9,687,063 |
| 1.01 | Current Assets | 930,934 | 1,496,412 |
| 1.01.01 | Cash and Cash Equivalents | 336,254 | 796,117 |
| 1.01.03 | Accounts Receivable | 404,340 | 452,690 |
| 1.01.03.01 | Trade Accounts Receivable | 392,512 | 446,165 |
| 1.01.03.02 | Other Accounts Receivable | 11,828 | 6,525 |
| 1.01.03.02.01 | Dividends Receivable from Subsidiaries | 1,628 | 6,525 |
| 1.01.03.02.02 | Credits with Related Parties | 10,200 | 0 |
| 1.01.04 | Inventories | 39,447 | 43,041 |
| 1.01.06 | Taxes Recoverable | 66,094 | 62,633 |
| 1.01.06.01 | Current Taxes Recoverable | 66,094 | 62,633 |
| 1.01.08 | Other Current Assets | 84,799 | 141,931 |
| 1.01.08.01 | Non-Current Assets for Sale | 0 | 23,856 |
| 1.01.08.03 | Other | 84,799 | 118,075 |
| 1.01.08.03.01 | Collateral and Restricted Deposits | 7,307 | 69,665 |
| 1.01.08.03.02 | Fuel reimbursement | 46,609 | 0 |
| 1.01.08.03.03 | Other | 30,883 | 48,410 |
| 1.02 | Noncurrent Assets | 8,103,567 | 8,190,651 |
| 1.02.01 | Long-term Assets | 534,975 | 573,147 |
| 1.02.01.06 | Deferred Taxes | 278,637 | 288,413 |
| 1.02.01.06.01 | Deferred Income Tax and Social Contribution | 278,637 | 288,413 |
| 1.02.01.08 | Credits with Related Parties | 6,603 | 6,765 |
| 1.02.01.08.02 | Credits with Subsidiaries | 6,603 | 6,765 |
| 1.02.01.09 | Other Non-Current Assets | 249,735 | 277,969 |
| 1.02.01.09.03 | Asset Sales | 86,886 | 86,886 |
| 1.02.01.09.04 | Taxes Recoverable | 27,046 | 28,473 |
| 1.02.01.09.05 | Judicial Deposits | 104,241 | 131,315 |
| 1.02.01.09.06 | Other | 31,562 | 31,295 |
| 1.02.02 | Investments | 2,354,855 | 2,282,763 |
| 1.02.02.01 | Equity Participations | 2,354,855 | 2,282,763 |
| 1.02.02.01.02 | Shares in Subsidiaries | 2,048,985 | 1,991,020 |
| 1.02.02.01.03 | Shares in Joint Ventures | 305,870 | 291,743 |
| 1.02.03 | Property, Plant and Equipment | 5,194,923 | 5,315,270 |
| 1.02.03.01 | Property, Plant and Equipment in Operation | 5,081,297 | 5,238,884 |
| 1.02.03.03 | Property, Plant and Equipment in Progress | 113,626 | 76,386 |
| 1.02.04 | Intangible Assets | 18,814 | 19,471 |
| 1.02.04.01 | Intangible Assets | 18,814 | 19,471 |

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# Individual Financial Statements/Liability Balance Sheet
# (Thousands of Reais)

| Code | Description | Current Quarter 06/30/2011 | Previous Year 12/31/2010 |
|---|---|---|---|
| 2 | Total Liabilities | 9,034,501 | 9,687,063 |
| 2.01 | Current Liabilities | 928,237 | 1,885,026 |
| 2.01.01 | Social and Labor Obligations | 39,141 | 54,084 |
| 2.01.01.02 | Labor Obligations | 39,141 | 54,084 |
| 2.01.02 | Suppliers | 201,246 | 174,086 |
| 2.01.02.01 | Domestic Suppliers | 201,246 | 174,086 |
| 2.01.03 | Tax Obligations | 267,106 | 431,088 |
| 2.01.03.01 | Federal Tax Obligations | 251,935 | 420,038 |
| 2.01.03.01.01 | Income Tax and Social Contribution Payable | 228,669 | 394,178 |
| 2.01.03.01.02 | Pis and Cofins | 18,762 | 20,082 |
| 2.01.03.01.03 | INSS | 3,683 | 4,593 |
| 2.01.03.01.04 | Other | 821 | 1,185 |
| 2.01.03.02 | State Tax Obligations | 14,313 | 10,461 |
| 2.01.03.02.01 | ICMS Payable | 14,313 | 10,461 |
| 2.01.03.03 | Municipal Tax Obligations | 858 | 589 |
| 2.01.03.03.01 | ISS Payable | 858 | 589 |
| 2.01.04 | Loans and Financing | 287,024 | 944,755 |
| 2.01.04.01 | Loans and Financing | 38,042 | 49,577 |
| 2.01.04.01.01 | In Domestic Currency | 16,849 | 29,461 |
| 2.01.04.01.02 | In Foreign Currency | 21,193 | 20,116 |
| 2.01.04.02 | Debentures | 248,982 | 895,178 |
| 2.01.05 | Other Obligations | 121,161 | 270,293 |
| 2.01.05.02 | Other | 121,161 | 270,293 |
| 2.01.05.02.01 | Dividends and Interest on Equity Payable | 1,814 | 189,509 |
| 2.01.05.02.04 | Obligations with Research and Development Program | 19,140 | 11,995 |
| 2.01.05.02.05 | Concession Fees Payable | 2,621 | 2,499 |
| 2.01.05.02.06 | Post-employment Benefits | 52,680 | 25,939 |
| 2.01.05.02.07 | Other | 44,906 | 40,351 |
| 2.01.06 | Provisions | 12,595 | 10,720 |
| 2.01.06.01 | Tax, Social Security, Labor and Civil Provisions | 12,595 | 10,720 |
| 2.01.06.01.02 | Social Security and Labor Provisions | 1,995 | 4,000 |
| 2.01.06.01.04 | Civil Provisions | 10,600 | 6,720 |
| 2.02 | Non-Current Liabilities | 2,526,086 | 2,729,353 |
| 2.02.01 | Loans and Financing | 823,842 | 979,381 |
| 2.02.01.01 | Loans and Financing | 192,117 | 213,417 |
| 2.02.01.01.01 | In Domestic Currency | 12,470 | 19,953 |
| 2.02.01.01.02 | In Foreign Currency | 179,647 | 193,464 |
| 2.02.01.02 | Debentures | 631,725 | 765,964 |

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# Individual Financial Statements / Liability Balance Sheet (Thousand of Reais)

| Code | Description | Current Quarter 06/30/2011 | Previous Year 12/31/2010 |
|---|---|---|---|
| 2.02.02 | Other Obligations | 1,140,266 | 1,174,116 |
| 2.02.02.02 | Other | 1,140,266 | 1,174,116 |
| 2.02.02.02.03 | Obligations with Research and Development Program | 29,948 | 40,622 |
| 2.02.02.02.04 | Concession Fees Payable | 775,780 | 718,526 |
| 2.02.02.02.05 | Post-employment Benefits | 330,731 | 409,452 |
| 2.02.02.02.06 | Other Obligations | 3,807 | 5,516 |
| 2.02.03 | Deferred Taxes | 421,426 | 434,845 |
| 2.02.03.01 | Deferred Income Tax and Social Contribution | 421,426 | 434,845 |
| 2.02.04 | Provisions | 140,552 | 141,011 |
| 2.02.04.01 | Tax, Social Security, Labor and Civil Provisions | 140,552 | 141,011 |
| 2.02.04.01.01 | Tax Provisions | 33,887 | 32,260 |
| 2.02.04.01.02 | Social Security and Labor Provisions | 10,867 | 9,579 |
| 2.02.04.01.04 | Civil Provisions | 95,798 | 99,172 |
| 2.03 | Shareholders' Equity | 5,580,142 | 5,072,684 |
| 2.03.01 | Paid-Up Capital Stock | 2,445,766 | 2,445,766 |
| 2.03.02 | Capital Reserves | 91,695 | 91,695 |
| 2.03.04 | Profit Reserves | 1,671,628 | 1,827,033 |
| 2.03.04.01 | Legal Reserve | 422,556 | 422,556 |
| 2.03.04.05 | Retained Earnings Reserve | 1,229,380 | 1,229,380 |
| 2.03.04.07 | Tax Incentive Reserve | 19,692 | 16,827 |
| 2.03.04.08 | Proposed Additional Dividends | 0 | 158,270 |
| 2.03.05 | Accumulated Profits/Losses | 691,301 | 0 |
| 2.03.06 | Asset Value Adjustments | 679,752 | 708,190 |

# Individual Financial Statements / Statement of Income (Thousands of Reais)

| Code | Description | Current Quarter 04/01/2011 to 06/30/2011 | Accumulated Current Year 01/01/2011 to 06/30/2011 | Same Quarter of Previous Year 04/01/2011 to 06/30/2011 | Accumulated Previous Year 01/01/2010 to 06/30/2010 |
|---|---|---|---|---|---|
| 3.01 | Income from Sale of Goods and/or Services | 870,071 | 1,707,133 | 727,059 | 1,453,442 |
| 3.02 | Cost of Goods and/or Services Sold | -352,402 | -664,054 | -279,279 | -541,553 |
| 3.02.01 | Power Purchased for Resale | -68,100 | -120,813 | -48,558 | -96,436 |
| 3.02.02 | Transactions via CCEE | -6,276 | -20,230 | 0 | -702 |
| 3.02.03 | Electric network usage and connection charges | -57,029 | -115,016 | -55,508 | -111,054 |
| 3.02.04 | Cost of Power Production | -215,206 | -397,198 | -171,071 | -326,932 |
| 3.02.05 | Cost of Services Provided | -5,791 | -10,797 | -4,142 | -6,429 |
| 3.03 | Gross Income | 517,669 | 1,037,079 | 447,780 | 911,889 |
| 3.04 | Operating Income/Expenses | 29,835 | 32,489 | 26,218 | -4,581 |
| 3.04.01 | Selling Expenses | -3,533 | -6,434 | -3,297 | -6,611 |
| 3.04.02 | General and Administrative Expenses | -41,095 | -76,453 | -33,088 | -64,380 |
| 3.04.04 | Other Operating Income | 39,941 | 50,496 | 63,395 | 82,927 |
| 3.04.04.01 | Reversal of Operating Provisions, Net | 28,718 | 39,174 | 17,279 | 36,808 |
| 3.04.04.02 | Gains in Law suits | 0 | 0 | 45,803 | 45,803 |
| 3.04.04.03 | Other | 11,223 | 11,322 | 313 | 316 |
| 3.04.05 | Other Operating Expenses | -454 | -122 | 0 | 0 |
| 3.04.06 | Income from Equity Pick-up | 34,976 | 65,002 | -792 | -16,517 |
| 3.04.06.01 | Equity Pick-up | 35,360 | 65,703 | 97 | -14,739 |
| 3.04.06.02 | Goodwill Amortization/Concession Rights | -384 | -701 | -889 | -1,778 |
| 3.05 | Income Before Financial Income and Taxes | 547,504 | 1,069,568 | 473,998 | 907,308 |
| 3.06 | Financial Income | -43,904 | -117,218 | -67,144 | -119,606 |
| 3.06.01 | Financial Revenues | 15,640 | 48,243 | 23,449 | 46,196 |
| 3.06.02 | Financial Expenses | -59,544 | -165,461 | -90,593 | -165,802 |
| 3.07 | Income Before Taxes on Profits | 503,600 | 952,350 | 406,854 | 787,702 |
| 3.08 | Income Tax and Social Contribution on Profits | -144,826 | -286,622 | -137,353 | -271,481 |
| 3.08.01 | Current | -146,641 | -290,266 | -129,129 | -264,837 |
| 3.08.02 | Deferred | 1,815 | 3,644 | -8,224 | -6,644 |
| 3.09 | Net Income from Continued Operations | 358,774 | 665,728 | 269,501 | 516,221 |
| 3.11 | Profit/Loss in the Period | 358,774 | 665,728 | 269,501 | 516,221 |
| 3.99 | Income per Share (Reais/Share) | | | | |
| 3.99.01 | Basic Income per Share | | | | |
| 3.99.01.01 | Common Shares | 0.54964 | 1.01989 | 0.41288 | 0.79085 |
| 3.99.02 | Diluted Income per Share | | | | |
| 3.99.02.01 | Common Shares | 0.54964 | 1.01989 | 0.41288 | 0.79085 |

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# Individual Financial Statements / Statement of Cash Flow – Indirect Method (Thousands of Reais)

| Code | Description | Accumulated Current Year 01/01/2011 to 06/30/2011 | Accumulated Previous Year 01/01/2010 to 06/30/2010 |
|---|---|---|---|
| 6.01 | Net Cash Operating Activities | 708,978 | 459,714 |
| 6.01.01 | Operating Cash Flow | 1,164,149 | 1,050,411 |
| 6.01.01.01 | Net Income for the Year | 665,728 | 516,221 |
| 6.01.01.02 | Depreciation and Amortization | 182,063 | 155,520 |
| 6.01.01.03 | Equity Pick-up | -65,703 | 14,739 |
| 6.01.01.04 | Monetary and Foreign Exchange Variation, Net | 40,252 | 19,914 |
| 6.01.01.05 | Net Interest | 102,388 | 106,340 |
| 6.01.01.06 | Reversal of Operating Provisions, Net | -36,705 | -34,551 |
| 6.01.01.07 | Deferred Income Tax and Social Contribution | -3,644 | 6,644 |
| 6.01.01.08 | Current Income Tax and Social Contribution | 290,266 | 264,837 |
| 6.01.01.09 | Other | -10,496 | 747 |
| 6.01.02 | Variations in Assets and Liabilities | -455,171 | -590,697 |
| 6.01.02.01 | Accounts Receivable from Clients | 52,774 | -58,878 |
| 6.01.02.02 | Taxes Recoverable | -46,609 | -15 |
| 6.01.02.03 | Inventories | -2,034 | -42,626 |
| 6.01.02.04 | Collateral and Restricted/Judicial Deposits | 3,594 | 1,969 |
| 6.01.02.05 | Suppliers | 98,015 | 27,538 |
| 6.01.02.06 | Income Tax and Social Contribution Paid | 27,160 | -596 |
| 6.01.02.07 | Interest on Loans, Financing and Debentures Paid | -457,044 | -380,462 |
| 6.01.02.08 | Labor Obligations | -113,175 | -103,851 |
| 6.01.02.09 | Post-employment Benefits | -20,284 | -15,536 |
| 6.01.02.10 | Obligations with Research and Development Program | -3,529 | 3,047 |
| 6.01.02.11 | Other | 5,961 | -21,287 |
| 6.02 | Net Cash Investment Activities | -33,128 | -548,099 |
| 6.02.01 | Increase in Investments, Net of Cash and Cash Equivalents Acquired | -22,811 | -202,953 |
| 6.02.02 | Investments in Property, Plant and Equipment | -52,290 | -43,388 |
| 6.02.03 | Investments in Intangible Assets | -2,895 | -2,131 |
| 6.02.04 | Dividends Received from Subsidiaries | 24,547 | 0 |
| 6.02.05 | Advance for investment acquisition | 0 | -304,556 |
| 6.02.06 | Dividends Received from Subsidiaries | 20,312 | 4,929 |
| 6.03 | Net Cash Financing Activities | -1,135,713 | -343,334 |
| 6.03.01 | Loan, Financing and Debenture Payments | -789,125 | -102,522 |
| 6.03.02 | Concession Fees Payable | -1,241 | -928 |
| 6.03.03 | Related Parties | 618 | 10,236 |
| 6.03.04 | Dividend and Interest on Equity Payments | -345,965 | -250,120 |
| 6.05 | Increase (Reduction) in Cash and Cash Equivalents | -459,863 | -431,719 |
| 6.05.01 | Opening Balance of Cash and Cash Equivalents | 796,117 | 1,093,839 |
| 6.05.02 | Closing Balance of Cash and Cash Equivalents | 336,254 | 662,120 |

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# Individual Financial Statements / Statement of Changes in Shareholders' Equity 01/01/2011 to 06/30/2011 (Thousands of Reais)

| Code | Description | Paid-Up Capital | Capital Reserves, Options Granted and Treasury Shares | Profit Reserves | Accumulated Profit or Loss | Other Comprehensive Income | Shareholders' Equity |
|---|---|---|---|---|---|---|---|
| 5.01 | Opening Balances | 2,445,766 | 91,695 | 1,827,033 | 0 | 708,190 | 5,072,684 |
| 5.03 | Adjusted Opening Balances | 2,445,766 | 91,695 | 1,827,033 | 0 | 708,190 | 5,072,684 |
| 5.04 | Capital Transactions with Partners | 0 | 0 | -158,270 | 0 | 0 | -158,270 |
| 5.04.06 | Dividends | 0 | 0 | -158,270 | 0 | 0 | -158,270 |
| 5.05 | Total Comprehensive Income | 0 | 0 | 0 | 665,728 | 0 | 665,728 |
| 5.05.01 | Net Income in the Period | 0 | 0 | 0 | 665,728 | 0 | 665,728 |
| 5.06 | Internal Changes in Shareholders' Equity | 0 | 0 | 2,865 | 25,573 | -28,438 | 0 |
| 5.06.04 | Adjustment to Fair Value of Property, Plant and Equipment | 0 | 0 | 0 | 28,438 | -28,438 | 0 |
| 5.06.05 | Tax Incentive Reserve | 0 | 0 | 2,865 | -2,865 | 0 | 0 |
| 5.07 | Closing Balances | 2,445,766 | 91,695 | 1,671,628 | 691,301 | 679,752 | 5,580,142 |

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# Individual Financial Statements / Statement of Changes in Shareholders' Equity 01/01/2010 to 06/30/2010 (Thousands of Reais)

| Code | Description | Paid-Up Capital | Capital Reserves, Options Granted and Treasury Shares | Profit Reserves | Accumulated Profit or Loss | Other Comprehensive Income | Shareholders' Equity |
|---|---|---|---|---|---|---|---|
| 5.01 | Opening Balances | 2,445,766 | 91,695 | 1,146,518 | 0 | 765,069 | 4,449,048 |
| 5.03 | Adjusted Opening Balances | 2,445,766 | 91,695 | 1,146,518 | 0 | 765,069 | 4,449,048 |
| 5.04 | Capital Transactions with Partners | 0 | 0 | -81,913 | 0 | 0 | -81,913 |
| 5.04.06 | Dividends | 0 | 0 | -81,913 | 0 | 0 | -81,913 |
| 5.05 | Total Comprehensive Income | 0 | 0 | 0 | 516,221 | 0 | 516,221 |
| 5.05.01 | Net Income in the Period | 0 | 0 | 0 | 516,221 | 0 | 516,221 |
| 5.06 | Internal Changes in Shareholders' Equity | 0 | 0 | 0 | 28,439 | -28,439 | 0 |
| 5.06.04 | Adjustment to Fair Value of Property, Plant and Equipment | 0 | 0 | 0 | 28,439 | -28,439 | 0 |
| 5.07 | Closing Balances | 2,445,766 | 91,695 | 1,064,605 | 544,660 | 736,630 | 4,883,356 |

# Individual Financial Statements / Statement of Value Added (Thousands of Reais)

| Code | Description | Accumulated Current Year 01/01/2011 to 06/30/2011 | Accumulated Previous Year 1/1/2010 to 6/30/2010 |
|---|---|---|---|
| 7.01 | Income | 1,891,709 | 1,657,710 |
| 7.01.01 | Sales of Merchandise, Products and Services | 1,886,552 | 1,611,591 |
| 7.01.02 | Other Revenues | 11,200 | 46,119 |
| 7.01.04 | Provision/Reversal of Doubtful Accounts | -6,043 | 0 |
| 7.02 | Inputs Acquired from Third Parties | -341,621 | -279,523 |
| 7.02.01 | Cost of Products, Merchandise and Services Sold | -300,175 | -226,310 |
| 7.02.02 | Materials, Energy, Third Party Services and Other | -72,987 | -59,793 |
| 7.02.04 | Other | 31,541 | 6,580 |
| 7.02.04.01 | Reversal of Operating Provisions, Net | 45,217 | 36,808 |
| 7.02.04.02 | Other | -13,676 | -30,228 |
| 7.03 | Gross Value Added | 1,550,088 | 1,378,187 |
| 7.04 | Retentions | -182,063 | -155,520 |
| 7.04.01 | Depreciation, Amortization and Depletion | -182,063 | -155,520 |
| 7.05 | Net Value Added Produced | 1,368,025 | 1,222,667 |
| 7.06 | Value Added Received in Transfer | 113,245 | 29,679 |
| 7.06.01 | Income from Equity Pick-up | 65,002 | -16,517 |
| 7.06.02 | Financial Revenue | 48,243 | 46,196 |
| 7.07 | Total Value Added Distributable | 1,481,270 | 1,252,346 |
| 7.08 | Distribution of Value Added | 1,481,270 | 1,252,346 |
| 7.08.01 | Personnel | 87,656 | 82,738 |
| 7.08.01.01 | Direct Compensation | 55,909 | 54,665 |
| 7.08.01.02 | Benefits | 17,658 | 15,938 |
| 7.08.01.03 | F. G. T. S. | 4,446 | 3,860 |
| 7.08.01.04 | Other | 9,643 | 8,275 |
| 7.08.02 | Taxes, Fees and Contributions | 472,488 | 430,580 |
| 7.08.02.01 | Federal | 448,662 | 405,119 |
| 7.08.02.02 | State | 22,751 | 24,825 |
| 7.08.02.03 | Municipal | 1,075 | 636 |
| 7.08.03 | Third Party Capital Remuneration | 113,022 | 119,906 |
| 7.08.03.01 | Interest | 99,098 | 110,370 |
| 7.08.03.02 | Rents | 6,756 | 4,102 |
| 7.08.03.03 | Other | 7,168 | 5,434 |
| 7.08.04 | Ow n Capital Remuneration | 665,728 | 516,221 |
| 7.08.04.03 | Retained Profits/Losses in the Period | 665,728 | 516,221 |
| 7.08.05 | Other | 142,376 | 102,901 |
| 7.08.05.01 | Industry Charges | 83,759 | 73,124 |
| 7.08.05.02 | Concession Charges Payable | 58,617 | 29,777 |

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## Consolidated Financial Statements / Asset Balance Sheet
## (Thousands of Reais)

| Code | Description | Current Quarter 06/30/2011 | Previous Year 12/31/2010 |
|---|---|---|---|
| 1 | Total Assets | 12,197,897 | 12,850,288 |
| 1.01 | Current Assets | 1,314,913 | 1,906,733 |
| 1.01.01 | Cash and Cash Equivalents | 542,494 | 1,082,580 |
| 1.01.03 | Accounts Receivable | 523,016 | 531,106 |
| 1.01.03.01 | Trade Accounts Receivable | 523,016 | 531,106 |
| 1.01.04 | Inventories | 43,217 | 46,032 |
| 1.01.06 | Taxes Recoverable | 108,476 | 91,818 |
| 1.01.06.01 | Current Taxes Recoverable | 108,476 | 91,818 |
| 1.01.08 | Other Current Assets | 97,710 | 155,197 |
| 1.01.08.01 | Non-Current Assets for Sale | 0 | 23,057 |
| 1.01.08.03 | Other | 97,710 | 132,140 |
| 1.01.08.03.01 | Collateral and Restricted Deposits | 8,372 | 81,553 |
| 1.01.08.03.02 | Non-Current Assets for Sale | 46,609 | 0 |
| 1.01.08.03.03 | Other | 42,729 | 50,587 |
| 1.02 | Non-Current Assets | 10,882,984 | 10,943,555 |
| 1.02.01 | Long-term Assets | 829,547 | 872,025 |
| 1.02.01.06 | Deferred Taxes | 321,877 | 328,240 |
| 1.02.01.06.01 | Deferred Income Tax and Social Contribution | 321,877 | 328,240 |
| 1.02.01.09 | Other Non-Current Assets | 507,670 | 543,785 |
| 1.02.01.09.03 | Collateral and Restricted Deposits | 47,669 | 51,244 |
| 1.02.01.09.04 | Asset Sales | 86,886 | 86,886 |
| 1.02.01.09.05 | Taxes Recoverable | 215,469 | 219,880 |
| 1.02.01.09.06 | Judicial Deposits | 106,336 | 133,464 |
| 1.02.01.09.07 | Other | 51,310 | 52,311 |
| 1.02.03 | Property, Plant and Equipment | 9,961,062 | 9,976,009 |
| 1.02.03.01 | Property, Plant and Equipment in Operation | 9,279,222 | 7,719,897 |
| 1.02.03.03 | Property, Plant and Equipment in Progress | 681,840 | 2,256,112 |
| 1.02.04 | Intangible Assets | 92,375 | 95,521 |
| 1.02.04.01 | Intangible Assets | 92,375 | 95,521 |

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# Consolidated Financial Statements / Liability Balance Sheet (Thousands of Reais)

| Code | Description | Current Quarter 06/30/2011 | Previous year 12/31/2010 |
|---|---|---|---|
| 2 | Total Liabilities | 12.197.897 | 12.850.288 |
| 2,01 | Current Liabilities | 1.289.422 | 2.259.838 |
| 2.01.01 | Social and Labor Obligations | 40.165 | 54.881 |
| 2.01.01.02 | Labor Obligations | 40.165 | 54.881 |
| 2.01.02 | Suppliers | 264.264 | 268.851 |
| 2.01.02.01 | Domestic Suppliers | 264.264 | 268.851 |
| 2.01.03 | Tax Obligations | 300.915 | 457.937 |
| 2.01.03.01 | Federal Tax Obligations | 265.024 | 424.481 |
| 2.01.03.01.01 | Income Tax and Social Contribution Payable | 240.242 | 398.032 |
| 2.01.03.01.02 | Pis and Cofins | 19.809 | 21.212 |
| 2.01.03.01.03 | INSS | 3.935 | 3.960 |
| 2.01.03.01.04 | Other | 1.038 | 1.277 |
| 2.01.03.02 | State Tax Obligations | 34.657 | 32.225 |
| 2.01.03.02.01 | ICMS Payable | 34.657 | 32.225 |
| 2.01.03.03 | Municipal Tax Obligations | 1.234 | 1.231 |
| 2.01.03.03.01 | ISS Payable | 1.234 | 1.231 |
| 2.01.04 | Loans and Financing | 474.926 | 1.094.431 |
| 2.01.04.01 | Loans and Financing | 220.684 | 189.414 |
| 2.01.04.01.01 | In Domestic Currency | 199.491 | 169.298 |
| 2.01.04.01.02 | In Foreign Currency | 21.193 | 20.116 |
| 2.01.04.02 | Debentures | 254.242 | 905.017 |
| 2.01.05 | Other Obligations | 196.410 | 372.872 |
| 2.01.05.02 | Other | 196.410 | 372.872 |
| 2.01.05.02.01 | Dividends and Interest on Equity Payable | 1.814 | 189.509 |
| 2.01.05.02.04 | Obligations with Research and Development Program | 22.912 | 14.991 |
| 2.01.05.02.05 | Concession Fees Payable | 44.761 | 42.297 |
| 2.01.05.02.06 | Post-employment Benefits | 52.680 | 25.939 |
| 2.01.05.02.07 | Other | 74.243 | 100.136 |
| 2.01.06 | Provisions | 12.742 | 10.866 |
| 2.01.06.01 | Tax, Social Security, Labor and Civil Provisions | 12.742 | 10.866 |
| 2.01.06.01.02 | Social Security and Labor Provisions | 1.995 | 4.000 |
| 2.01.06.01.04 | Civil Provisions | 10.747 | 6.866 |
| 2,02 | Non-Current Liabilities | 5.328.333 | 5.517.766 |
| 2.02.01 | Loans and Financing | 3.201.961 | 3.349.489 |
| 2.02.01.01 | Loans and Financing | 2.562.046 | 2.567.145 |
| 2.02.01.01.01 | In Domestic Currency | 2.382.399 | 2.373.681 |
| 2.02.01.01.02 | In Foreign Currency | 179.647 | 193.464 |
| 2.02.01.02 | Debentures | 639.915 | 782.344 |

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## Consolidated Financial Statements / Liability Balance Sheet (Thousands of Reais)

| Code | Description | Current Quarter 06/30/2011 | Previous Year 12/31/2010 |
|---|---|---|---|
| 2.02.02 | Other Obligations | 1,546,208 | 1,579,170 |
| 2.02.02.02 | Other | 1,546,208 | 1,579,170 |
| 2.02.02.02.03 | Obligations with Research and Development Program | 30,626 | 41,260 |
| 2.02.02.02.04 | Concession Fees Payable | 1,161,963 | 1,092,650 |
| 2.02.02.02.05 | Post-employment Benefits | 330,731 | 409,452 |
| 2.02.02.02.06 | Other Obligations | 22,888 | 35,808 |
| 2.02.03 | Deferred Taxes | 436,879 | 445,691 |
| 2.02.03.01 | Deferred Income Tax and Social Contribution | 436,879 | 445,691 |
| 2.02.04 | Provisions | 143,285 | 143,416 |
| 2.02.04.01 | Tax, Social Security, Labor and Civil Provisions | 143,285 | 143,416 |
| 2.02.04.01.01 | Tax Provisions | 33,887 | 32,260 |
| 2.02.04.01.02 | Social Security and Labor Provisions | 10,867 | 9,579 |
| 2.02.04.01.04 | Civil Provisions | 98,531 | 101,577 |
| 2.03 | Consolidated Shareholders' Equity | 5,580,142 | 5,072,684 |
| 2.03.01 | Paid-Up Capital Stock | 2,445,766 | 2,445,766 |
| 2.03.02 | Capital Reserves | 91,695 | 91,695 |
| 2.03.04 | Profit Reserves | 1,671,628 | 1,827,033 |
| 2.03.04.01 | Legal Reserve | 422,556 | 422,556 |
| 2.03.04.05 | Retained Earnings Reserve | 1,229,380 | 1,229,380 |
| 2.03.04.07 | Tax Incentive Reserve | 19,692 | 16,827 |
| 2.03.04.08 | Proposed Additional Dividends | 0 | 158,270 |
| 2.03.05 | Accumulated Profits/Losses | 691,301 | 0 |
| 2.03.06 | Asset Valuation Adjustments | 679,752 | 708,190 |

# Consolidated Financial Statements / Statement of Income (Thousands of Reais)

| Code | Description | Current Quarter 04/01/2011 to 06/30/2011 | Accumulated Current Year 01/01/2011 to 06/30/2011 | Same Quarter Previous Year 04/01/2010 to 06/30/2010 | Accumulated Previous Year 01/01/2010 to 06/30/2010 |
|---|---|---|---|---|---|
| 3.01 | Income from Sale of Goods and/or Services | 1,057,843 | 2,079,972 | 964,245 | 1,909,769 |
| 3.02 | Cost of Goods and/or Services Sold | -448,884 | -863,242 | -462,076 | -909,431 |
| 3.02.01 | Power Purchased for Resale | -110,590 | -215,816 | -162,815 | -337,741 |
| 3.02.02 | Transactions via CCEE | -6,770 | -20,952 | -321 | -1,023 |
| 3.02.03 | Electric network usage and connection charge | -66,922 | -133,208 | -68,659 | -137,255 |
| 3.02.04 | Cost of Power Production | -258,811 | -482,469 | -226,139 | -426,983 |
| 3.02.05 | Cost of Services Provided | -5,791 | -10,797 | -4,142 | -6,429 |
| 3.03 | Gross Income | 608,959 | 1,216,730 | 502,169 | 1,000,338 |
| 3.04 | Operating Income/Expenses | -4,117 | -38,027 | 20,916 | 403 |
| 3.04.01 | Selling Expenses | -3,748 | -8,604 | -3,581 | -7,205 |
| 3.04.02 | General and Administrative Expenses | -44,603 | -82,906 | -35,898 | -69,430 |
| 3.04.04 | Other Operating Income | 44,250 | 54,344 | 60,395 | 77,038 |
| 3.04.04.01 | Reversal of Operating Provisions, Net | 28,745 | 38,743 | 14,278 | 30,917 |
| 3.04.04.02 | Gains in Law suits | 0 | 0 | 45,803 | 45,803 |
| 3.04.04.03 | Other | 15,505 | 15,601 | 314 | 318 |
| 3.04.05 | Other Operating Expenses | -16 | -861 | 0 | 0 |
| 3.05 | Income Before Financial Income and Taxes | 604,842 | 1,178,703 | 523,085 | 1,000,741 |
| 3.06 | Financial Income | -79,376 | -187,788 | -116,583 | -220,169 |
| 3.06.01 | Financial Revenues | 22,561 | 62,246 | 29,463 | 57,895 |
| 3.06.02 | Financial Expenses | -101,937 | -250,034 | -146,046 | -278,064 |
| 3.07 | Income Before Taxes on Profits | 525,466 | 990,915 | 406,502 | 780,572 |
| 3.08 | Income Tax and Social Contribution on Profits | -166,692 | -325,187 | -137,001 | -264,351 |
| 3.08.01 | Current | -166,573 | -329,238 | -133,507 | -273,403 |
| 3.08.02 | Deferred | -119 | 4,051 | -3,494 | 9,052 |
| 3.09 | Net Income from Continued Operations | 358,774 | 665,728 | 269,501 | 516,221 |
| 3.11 | Consolidated Profit/Loss in the Period | 358,774 | 665,728 | 269,501 | 516,221 |
| 3.11.01 | Attributed to Controlling Shareholders | 358,774 | 665,728 | 269,501 | 516,221 |
| 3.99 | Income per Share (Reais/Share) | | | | |
| 3.99.01 | Basic Income per Share | | | | |
| 3.99.01.01 | Common Shares | 0.54964 | 1.01989 | 0.41288 | 0.79085 |
| 3.99.02 | Diluted Income per Share | | | | |
| 3.99.02.01 | Common Shares | 0.54964 | 1.01989 | 0.41288 | 0.79085 |

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# Consolidated Financial Statements / Statement of Cash Flow – Indirect Method (Thousands of Reais)

| Code | Description | Accumulated Current Year 01/01/2011 to 06/30/2011 | Accumulated Previous Year 01/01/2010 to 06/30/2010 |
|---|---|---|---|
| 6.01 | Net Cash Operating Activities | 812,305 | 608,340 |
| 6.01.01 | Operating Cash Flow | 1,417,244 | 1,148,565 |
| 6.01.01.01 | Net Income for the Year | 665,728 | 516,221 |
| 6.01.01.02 | Depreciation and Amortization | 239,311 | 226,023 |
| 6.01.01.03 | Monetary and Foreign Exchange Variation, Net | 53,069 | 47,269 |
| 6.01.01.04 | Net Interest | 169,816 | 136,116 |
| 6.01.01.05 | Reversal of Operating Provisions, Net | -36,567 | -32,347 |
| 6.01.01.06 | Deferred Income Tax and Social Contribution | -4,051 | -9,052 |
| 6.01.01.07 | Current Income Tax and Social Contribution | 329,238 | 264,837 |
| 6.01.01.08 | Other | 700 | -502 |
| 6.01.02 | Variations in Assets and Liabilities | -604,939 | -540,225 |
| 6.01.02.01 | Accounts Receivable from Clients | 7,503 | -23,984 |
| 6.01.02.02 | Fuel Reimbursement | -46,609 | -15 |
| 6.01.02.03 | Taxes Recoverable | 1,159 | -40,068 |
| 6.01.02.04 | Inventories | 2,786 | 3,369 |
| 6.01.02.05 | Collateral and Restricted/Judicial Deposits | 109,090 | 25,627 |
| 6.01.02.06 | Non-current Assets for Sale | 23,057 | 0 |
| 6.01.02.07 | Suppliers | 1,880 | 15,427 |
| 6.01.02.08 | Tax Obligations | 3,619 | -29,920 |
| 6.01.02.09 | Income Tax and Social Contribution Paid | -488,649 | -380,462 |
| 6.01.02.10 | Interest on Loans, Financing and Debentures Paid | -158,932 | -103,851 |
| 6.01.02.11 | Post-employment Benefits | -20,284 | -15,536 |
| 6.01.02.12 | Obligations with Research and Development Program | -2,713 | 4,039 |
| 6.01.02.13 | Advances from clients | -24,219 | 11,100 |
| 6.01.02.14 | Other | -12,627 | -5,951 |
| 6.02 | Net Cash Investment Activities | -185,750 | -403,509 |
| 6.02.02 | Investments in Property, Plant and Equipment | -182,669 | -96,403 |
| 6.02.03 | Investments in Intangible Assets | -3,081 | -2,550 |
| 6.02.04 | Advances for acquisitions | 0 | -304,556 |
| 6.03 | Net Cash Financing Activities | -1,166,641 | -598,391 |
| 6.03.01 | Financing | 54,007 | 35,657 |
| 6.03.02 | Loan, Financing and Debenture Payments | -857,976 | -381,129 |
| 6.03.03 | Dividends and Interest on Equity Payments | -345,965 | -250,120 |
| 6.03.04 | Concession Fees Payable | -20,948 | -19,604 |
| 6.03.05 | Collateral and Restricted/Judicial Deposits | 4,241 | 16,805 |
| 6.05 | Increase (Reduction) in Cash and Cash Equivalents | -540,086 | -393,560 |
| 6.05.01 | Opening Balance of Cash and Cash Equivalents | 1,082,580 | 1,254,642 |
| 6.05.02 | Closing Balance of Cash and Cash Equivalents | 542,494 | 861,082 |

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# Consolidated Financial Statements / Statement of Changes in Shareholders' Equity 01/01/2011 to 06/30/2011 (Thousands of Reais)

| Code | Description | Paid-Up Capital | Capital Reserves, Options Granted and Treasury Shares | Profit Reserves | Accumulated Profit or Loss | Other Comprehensive Income | Shareholders' Equity |
|---|---|---|---|---|---|---|---|
| 5.01 | Opening Balances | 2,445,766 | 91,695 | 1,827,033 | 0 | 708,190 | 5,072,684 |
| 5.03 | Adjusted Opening Balances | 2,445,766 | 91,695 | 1,827,033 | 0 | 708,190 | 5,072,684 |
| 5.04 | Capital Transactions with Partners | 0 | 0 | -158,270 | 0 | 0 | -158,270 |
| 5.04.06 | Dividends | 0 | 0 | -158,270 | 0 | 0 | -158,270 |
| 5.05 | Total Comprehensive Income | 0 | 0 | 0 | 665,728 | 0 | 665,728 |
| 5.05.01 | Net Income in the Period | 0 | 0 | 0 | 665,728 | 0 | 665,728 |
| 5.06 | Internal Changes in Shareholders' Equity | 0 | 0 | 2,865 | 25,573 | -28,438 | 0 |
| 5.06.04 | Adjustment to Fair Value of Property, Plant and Equipement | 0 | 0 | 0 | 28,438 | -28,438 | 0 |
| 5.06.05 | Tax Incentive Reserve | 0 | 0 | 2,865 | -2,865 | 0 | 0 |
| 5.07 | Closing Balances | 2,445,766 | 91,695 | 1,671,628 | 691,301 | 679,752 | 5,580,142 |

# Consolidated Financial Statements / Statement of Changes in Shareholders' Equity 01/01/2010 to 06/30/2010 (Thousands of Reais)

| Code | Description | Paid-Up Capital | Capital Reserves, Options Granted and Treasury Shares | Profit Reserves | Accumulated Profit or Loss | Other Comprehensive Income | Shareholders' Equity | Non-Controlling Shareholdings | Consolidated Shareholders' Equity |
|---|---|---|---|---|---|---|---|---|---|
| 5.01 | Opening Balances | 2,445,766 | 91,695 | 1,146,518 | 0 | 765,069 | 4,449,048 | 0 | 4,449,048 |
| 5.03 | Adjusted Opening Balances | 2,445,766 | 91,695 | 1,146,518 | 0 | 765,069 | 4,449,048 | 0 | 4,449,048 |
| 5.04 | Capital Transactions with Partners | 0 | 0 | -81,913 | 0 | 0 | -81,913 | 0 | -81,913 |
| 5.04.06 | Dividends | 0 | 0 | -81,913 | 0 | 0 | -81,913 | 0 | -81,913 |
| 5.05 | Total Comprehensive Income | 0 | 0 | 0 | 516,221 | 0 | 516,221 | 0 | 516,221 |
| 5.05.01 | Net Income in the Period | 0 | 0 | 0 | 516,221 | 0 | 516,221 | 0 | 516,221 |
| 5.06 | Internal Changes in Shareholders' Equity | 0 | 0 | 0 | 28,439 | -28,439 | 0 | 0 | 0 |
| 5.06.04 | Adjustment to Fair Value of Property, Plant and Equipement | 0 | 0 | 0 | 28,439 | -28,439 | 0 | 0 | 0 |
| 5.07 | Closing Balances | 2,445,766 | 91,695 | 1,064,605 | 544,660 | 736,630 | 4,883,356 | 0 | 4,883,356 |

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# Consolidated Financial Statements / Statement of Value Added (Thousands of Reais)

| Code | Description | Accumulated Current Year 01/01/2011 to 06/30/2011 | Accumulated Previous Year 01/01/2010 to 06/30/2010 |
|---|---|---|---|
| 7.01 | Income | 2,562,480 | 2,195,996 |
| 7.01.01 | Sales of Merchandise, Products and Services | 2,334,189 | 2,131,671 |
| 7.01.02 | Other Revenues | 14,740 | 46,121 |
| 7.01.03 | Revenues Relative to Construction of Own Assets | 219,731 | 18,204 |
| 7.01.04 | Provision/Reversal of Doubtful Accounts | -6,180 | 0 |
| 7.02 | Inputs Acquired from Third Parties | -640,197 | -591,833 |
| 7.02.01 | Cost of Products, Merchandise and Services Sold | -419,734 | -500,504 |
| 7.02.02 | Materials, Energy, Third Party Services and Other | -88,322 | -73,608 |
| 7.02.04 | Other | -132,141 | -17,721 |
| 7.02.04.01 | Expenses with Plant Construction | -163,232 | -18,204 |
| 7.02.04.02 | Reversal of Operating Provisions, Net | 44,923 | 30,917 |
| 7.02.04.03 | Other | -13,832 | -30,434 |
| 7.03 | Gross Value Added | 1,922,283 | 1,604,163 |
| 7.04 | Retentions | -239,311 | -226,023 |
| 7.04.01 | Depreciation, Amortization and Depletion | -239,311 | -226,023 |
| 7.05 | Net Value Added Produced | 1,682,972 | 1,378,140 |
| 7.06 | Value Added Received in Transfer | 62,246 | 57,895 |
| 7.06.02 | Financial Revenue | 62,246 | 57,895 |
| 7.07 | Total Value Added Distributable | 1,745,218 | 1,436,035 |
| 7.08 | Distribution of Value Added | 1,745,218 | 1,436,035 |
| 7.08.01 | Personnel | 89,502 | 83,628 |
| 7.08.01.01 | Direct Compensation | 57,463 | 55,480 |
| 7.08.01.02 | Benefits | 17,834 | 15,957 |
| 7.08.01.03 | F. G. T. S. | 4,562 | 3,916 |
| 7.08.01.04 | Other | 9,643 | 8,275 |
| 7.08.02 | Taxes, Fees and Contributions | 579,488 | 486,348 |
| 7.08.02.01 | Federal | 526,672 | 443,077 |
| 7.08.02.02 | State | 51,543 | 42,595 |
| 7.08.02.03 | Municipal | 1,273 | 676 |
| 7.08.03 | Third Party Capital Remuneration | 222,411 | 176,880 |
| 7.08.03.01 | Interest | 149,384 | 164,286 |
| 7.08.03.02 | Rents | 8,082 | 5,180 |
| 7.08.03.03 | Other | 64,945 | 7,414 |
| 7.08.03.03.01 | Capitalized Financial Interest | 56,499 | 0 |
| 7.08.03.03.02 | Other | 8,446 | 7,414 |
| 7.08.04 | Own Capital Remuneration | 665,728 | 516,221 |
| 7.08.04.03 | Retained Profits/Losses in the Period | 665,728 | 516,221 |
| 7.08.05 | Other | 188,089 | 172,958 |
| 7.08.05.01 | Industry Charges | 96,827 | 87,019 |
| 7.08.05.02 | Concession Charges Payable | 91,262 | 85,939 |

# ECONOMIC AND FINANCIAL PERFORMANCE

## ADOPTION OF THE NEW ACCOUNTING PROCEDURES AND ECONOMIC AND FINANCIAL PERFORMANCE

### Adoption of the new accounting procedures

During the course of 2010, the Company adopted the option permitted by the Brazilian Securities and Exchange Commission - CVM of presenting the information with respect to 2Q10 in accordance with the accounting practices prevailing up to December 31, 2009. The companies which adopted this course of action are obliged to republish this information before the date for submitting the 1st ITR (1Q Quarterly Information) 2011, adjusted to the new standards issued by the Accounting Pronouncement Committee (CPC) and approved by the CVM, and consistent with the International Financial Reporting Standards (IFRS). In view of this, information included in this document already contemplates the adjustments arising from the adoption of these accounting practices.

### Economic and Financial Performance

### Net Sales Revenue

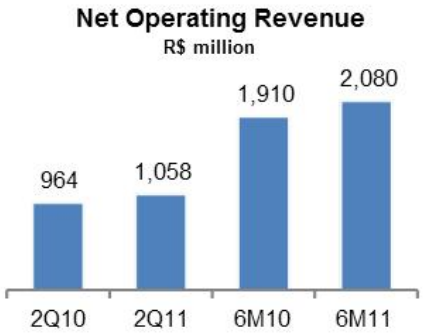
Net sales revenue was R$ 1,057.8 million in 2Q11 against R$ 964.2 million recorded in the same period for the preceding year and an increase of 9.7%. Variation in average price and sales volume are commented below.

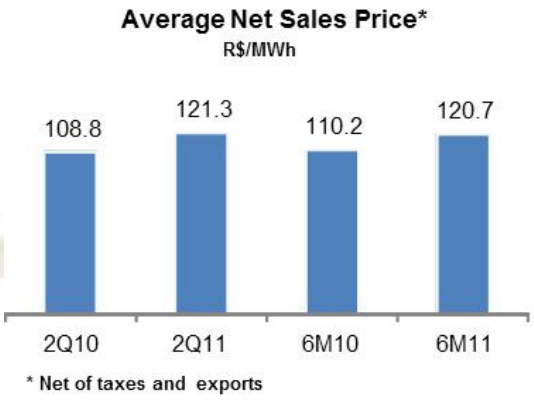
- **Net average selling price**

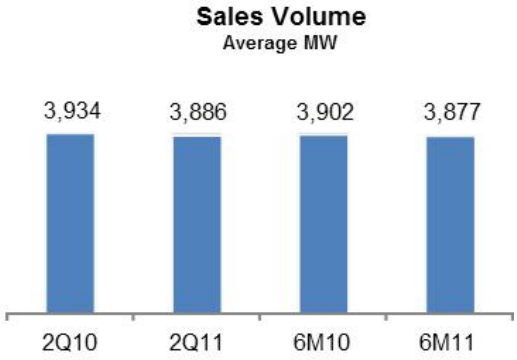
The average price of contracted energy sales, net of exports and deductions on gross operating revenue, reached R$ 121.30/MWh in the second quarter of 2011, 11.5% up on the R$ 108.82/MWh sale price in the same period in 2010. This increase reflects the readjustment in the prices of existing contracts and the higher prices practiced in the new contracts for free consumers and energy trading companies.

- **Sales Volume**

Sales volume in 2Q11 was 8,488 GWh (3,886 average MW), 1.2% down on the 8,592 GWh (3,934 average MW) sold in the same quarter in 2010. Discounting energy exports, which between comparative periods jumped from 30 GWh (14 average MW) in 2Q10 to 303 GWh (139 average MW) in the quarter under review, the reduction in sales would have been 4.4%, or 377 GWh (172 average MW). The decline reflects a combination of the following principal factors: (i) termination or reduction in bilateral sales contracts signed with distribution companies prior to the auctions conducted in the Regulated Contracting Market (ACR) as well as lower supplies of energy to clients with the flexibility for defining purchasing volume or reduction of contracts; (ii) the startup in operations of the first generating unit at the Estreito Hydroelectric Power Plant (Estreito HPP), which added a further 75 GWh (34 average MW) to the Company's commercial capacity; and (iii) a lesser amount of energy sold in the form of spot commercialization transactions due to lower prices practiced in this market in 2Q11. The reduction in physical sales, however, is related to the fall of 476 GWh (218 average MW) in the purchase of energy for resale.




**Gross Operating Revenue**

In 2Q11, gross operating revenue amounted to R$ 1,184.3 million, 10.2% more than the R$ 1,074.6 million in 2Q10. This improvement is essentially due to the combination of the following factors: (i) an increase of R$ 110.5 million as a result of a 12.9% hike in the average gross sale price; (ii) an increase of R$ 49.8 million in the export of electricity to Argentina and Uruguay; (iii) a reduction of R$ 28.4 million due to the decline of 377 GWh (172 average MW) in energy sales volume, discounting exports; and (iv) a decrease of R$ 25.3 million in revenue from transactions conducted through the Electrical Energy Commercialization (CCEE), as described in a specific item below.

Gross operating revenue is made up of the following principal accounts relating to electric energy operations:

**a) Wholesale market for electric energy**

Revenue from the wholesale supply of energy, namely energy sales to distributors and trading companies, reached R$ 784.0 million in 2Q11 against R$ 795.2 million reported for the same quarter in 2010, representing a reduction of 1.4%. This variation reflects the following factors: (i) a decline of R$ 18.6 million in sales to distributors, principally a function of the termination or reduction of contracts signed prior to the auctions in the Regulated Contracting Market (ACR) and the lower wholesale supply of energy to distributors - which have the flexibility to decide purchasing volume - of the order of 451 GWh (208 average MW), combined with the beginning of supplies from the São Salvador Hydroelectric Power Plant in 2011 in the ACR of 148 average MW; (ii) a fall of R$ 69.3 million (720 GWh or 329 average MW) in commercialization revenue as a result of the termination or reduction of certain contracts and a lower volume of spot sales operations, which were settled in 2Q11 at lower prices than in 2Q10; and (iii) an increase of R$ 76.6 million due to a rise of 7.0% and 25.4% in the average sale prices to distributors and trading companies, respectively.

It is worth pointing out that a substantial part of the energy freed up due to termination of contracts with distributors and trading companies has been redirected to new contracts with free consumers as discussed in the following item.

**b) Retail market for electric energy**

Revenue from retail market sales (sales to free consumers) reported a year-on-year increase of 38.3% from R$ 243.6 million in 2Q10 to R$ 336.9 million in 2Q11. This trend reflected the following increases: (i) R$ 33.8 million due to the increase of 12.5% in the average energy selling price; and (ii) R$ 59.5 million due to the growth of 474 GWh (217 average MW) in the amount of energy sold as a result of new sales contracts and growth in consumption of existing industrial customers.

**c) Transactions channeled through the Eletrical Energy Commercialization (CCEE)**

In 2Q11, revenue recorded under this item reported a decline of R$ 25.3 million - from R$ 26.9 million in 2Q10 to R$ 1.6 million in the quarter under review. More detailed explanations on these operations and variation can be found below under the item “Details of CCEE operations”.

**d) Electric energy exports**

Energy exports to Argentina and Uruguay amounted to R$ 56.3 million in 2Q11, an increase of R$ 49.8 million over the total exported of R$ 6.5 million in 2Q10. Export volumes from each plant in the Brazilian Electricity System are decided by the National Electrical System Operator (ONS) based on plant uptime and the declared cost of the plants themselves.

**Deductions from Operating Revenue**

The deductions from gross operating revenue increased 14.6% between two quarters from R$ 110.4 million in 2Q10 to R$ 126.5 million in the quarter under review, representing 10.3% and 11.2%, respectively, of the gross operating revenue excluding exports, which are not computed in the calculation base for the purpose of these deductions.

In relative terms, the trend of the deductions reflects largely the increase (i) of PIS and Cofins due to the maturity of sales contracts, which were being taxed on a cumulative basis (a rate of 3.65%), but due to the recontracting of this energy, charges are now being collected on a non-cumulative basis (rate of 9.25%, but enjoying a tax credit on certain purchases); and (ii) of ICMS due to higher sales to industrial consumers, on which the tax is charged, there being no deferral in the calculation of this tax.

**Costs of Electric Energy and Services**

The costs of energy sales and services fell 2.9% or R$ 13.2 million from R$ 462.1 million in 2Q10 to R$ 448.9 million in the current quarter. The variation basically reflected the trend in the following components:

a) **Electric power purchased for resale:** reduction of R$ 52.2 million in 2Q11 or 476 GWh (218 average MW) due principally to the maturity of sales agreements on energy supplied during 2010. The average purchase price remained stable between the comparable periods.

b) **Transactions channeled through the (CCEE):** there was a year-on-year increase of R$ 6.5 million as described in a specific item below.

c) **Fuel Expenses:** a growth of R$ 25.1 million during 2Q11 due principally to the consumption of thermal coal used in the generation of energy for export.

d) **Charges for the use of and connection to the electricity grid:** a reduction of R$ 1.7 million compared with the same period in 2010 due to the combination of the following: (i) a net reduction of R$ 3.2 million of expenses relative to the Tariff for the Use of the Transmission System (TUST) as part of the tariff revision process for transmission companies; and (ii) an increase of R$ 1.5 million due to the startup in commercial operations of the first generating unit at Estreito HPP.

e) **Financial compensation for the use of water resources:** fall of R$ 0.6 million in the second quarter 2011, the result of a year-on-year reduction in hydroelectric generation.

f) **Personnel:** an increase of R$ 4.2 million in 2Q11 justified largely by the annual collective bargaining agreement on compensation for employees and the increase in payroll to meet the growth in the Company's business.

g) **Third party services:** an increase of R$ 2.9 million in 2Q11 due to greater demand for maintenance and conservation services at the Company's generation units as well as an increase in consultancy fees, especially those relating to environmental and engineering questions at the units already mentioned.

h) **Depreciation and amortization:** this item posted an increase of R$ 3.8 million in 2Q11 due principally to the depreciation resulting from the startup of the commercial operations of the first generating unit at Estreito HPP as well as the conclusion of repowering work on certain plants during 2010 and 2011.

**Energy Trading Board – Details of CCEE Operations**

The various monthly credit or debit entries to the account of a CCEE agent are summarized in a single billing as a receivable or a payable. This therefore requires an entry to either an income or an expenses account. In this context it is worth pointing out that due to adaptations to the Company's portfolio management strategy, changes have been taking place in the billing profile in the past few years. Such fluctuations complicate the direct comparison of the elements comprising each billing in the two years-the reason for including this specific topic, allowing us to analyzethe oscillations of the principal elements involved in spite of allocation being 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 short or long position in the monthly accounting) which will be settled at the spot price.

In 2Q11, the Company recorded a net negative result (difference between income and expenses) arising out of transactions conducted within the scope of the CCEE of R$ 5.2 million against a net positive result of R$ 26.6 million posted in the same period in the preceding year, a negative variation of R$ 31.8 million between comparable periods.

This variation was principally due to the following factors: (i) an increase in expenses due to a shorter position held at the CCEE, though partially compensated by the reduction in average spot prices; (ii) despite the larger volume, there was a reduction in revenue from secondary energy (hydroelectricity generated by the whole system over the global self-declared assured energy) due to the accentuated fall of 49.3% in average spot prices in the South and Southeast/Midwest submarkets, varying from R$ 40.31/MWh in 2Q10 to R$ 20.45/MWh in 2Q11; and (iii) lower revenue in the MRE consequent to the lower hydroelectric generation volume between comparable periods.

**General and Administrative Expenses**

General and administrative expenses increased R$ 8.7 million or 24.2% from R$ 35.9 million in 2Q10 to R$ 44.6 million in 2Q11 due to the following combination of events: (i) an increase of R$ 2.5 million in payroll expenses reflecting the annual collective bargaining agreement on compensation for the employees and an increased workforce in line with the growth in the Company's business; (ii) the growth of R$ 1.3 million in contributions and donations to community entities and cultural projects; and (iii) a non-recurring expense item of R$ 5.0 million relating to the agreement for complementing the mathematical reserve of the private pension plan sponsored by the Company. This value was reversed from the provisions account as mentioned below, there being no impact on the Company's net result. If this effect is discounted then general and administrative expenses in the quarter would have been R$ 39.6 million, that is, 10.7% more than recorded in the same period last year.

**Reversals of Operating Provisions, Net**

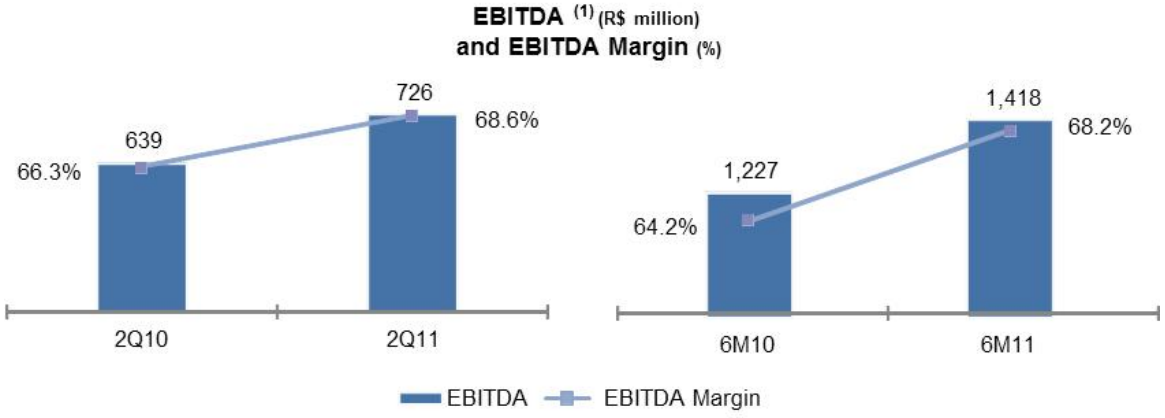
The increase of R$ 14.5 million in the account reversals of net operating provisions between the comparable quarters is essentially a reflection of reversals of provisions for: (i) R$ 6.4 million with respect to an agreement on litigation with some of the plaintiffs for an amount less than provisioned by the Company, in a lawsuit where a claim was made for waiving the social security ceiling for the purposes of revising retirement pension values to be paid by the pension plan sponsored by Tractebel; (ii) R$ 2.1 million relating principally to an increase in the recorded actuarial gain; and (iii) R$ 5.0 million with respect to the agreement for complementing the mathematical reserve as already mentioned.

**Other Revenues and Operational Expenses**

In the quarter under review, the Company recognized a non-recurring capital gain of R$ 15.4 million, resulting from the conclusion of the sale of assets of the Seival Project. In 2Q10, the Company had already recognized non-recurring revenue of R$ 45.8 million as a result of a ruling with no right of appeal for a lawsuit claiming the right to collect PIS and Cofins charges on revenues from contracts signed prior to October 31, 2003, with a maturity of more than one year and at a predetermined price based on the cumulative tax regime applicable under the previous legislation.

**EBITDA and EBITDA Margin**

Reflecting the effects already commented, EBITDA in 2Q11 reached R$ 725.5 million, 13.5% above the R$ 639.4 million for 2Q10. The EBITDA margin was 68.6%, against the 66.3% reported in the same period in the preceding year. The increase in margin reflects: (i) higher average selling prices; (ii) the decrease in the volume of energy purchased for resale; and (iii) the lower energy spot sale transaction volume. The transactions mentioned both in (ii) and (iii) presented margins that were thinner than that for energy sold under medium and long-term contracts.




(1) EBITDA represents: operating profits + financial result + depreciation and amortization.

To allow the reconciliation of the operating result with EBITDA, we show the following table:

| (in thousand R$) | 2Q11 | 2Q10 | Chg. % | 6M11 | 6M10 | Chg. % |
|---|---|---|---|---|---|---|
| Operating income | 525,466 | 406,502 | 29.3 | 990,915 | 780,572 | 26.9 |
| (+/-) Financial Result | 79,376 | 116,583 | -31.9 | 187,788 | 220,169 | -14.7 |
| (+) Depreciation and Amortization | 120,680 | 116,352 | 3.7 | 239,311 | 226,023 | 5.9 |
| **EBITDA** | **725,522** | **639,437** | **13.5** | **1,418,014** | **1,226,764** | **15.6** |

Tractebel Energia
GDF SUEZ

**Financial Result**

**Financial income:** in 2Q11, this item reported R$ 22.6 million, R$ 6.9 million less than compared with the R$ 29.5 million for the same quarter in 2010. The variation reflects the following reductions: (i) R$ 3.2 million in income on financial investments due to lower invested volume as a result of debenture amortizations in 2Q11; (ii) R$ 2.4 million in interest on accounts receivable on energy sales operations; and (iii) R$ 1.5 million in monetary restatement on court escrow deposits, due to a lower volume held in these deposits.

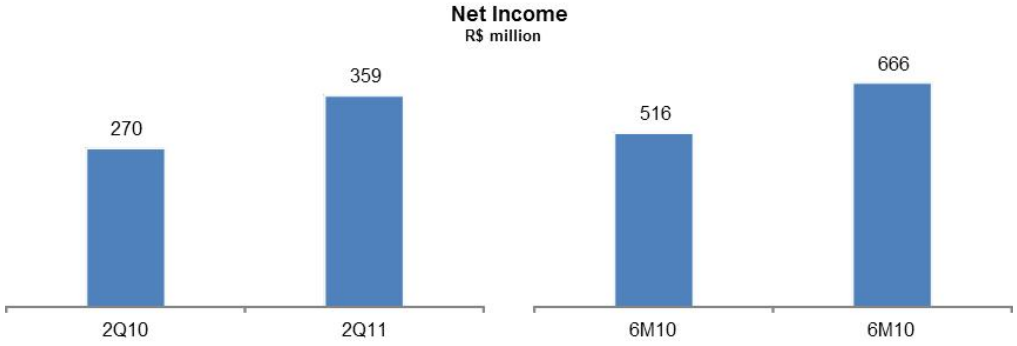
**Financial expenses:** a decline of R$ 44.1 million from R$ 146.0 million in 2Q10 to R$ 101.9 million in 2Q11. This variation reflected the combination of the following factors: (i) a reduction of R$ 18.9 million in interest on loans, financing and debentures largely the result of the amortizations of debentures in 2Q11 totaling R$ 821.2 million; (ii) a decrease of R$ 10.1 million in monetary restatement on debt principally due to the amortization of debentures, as already commented, and the reduction in the adjustment in the IGP-M inflation index in the periods compared; (iii) a decline of R$ 4.4 million in the foreign exchange rate translation gain on debt due to the increased appreciation of the Real against a basket of currencies comprising Company debt; (iv) an increase of R$ 3.5 million in interest on concessions payable due to the higher outstanding balance resulting from its monetary restatement; and (v) recognition of a non-recurring loss in 2Q10 of R$ 20.2 million due to an unfavorable ruling without right of appeal against the tax amnesty claimed by the Company for interest and a fine, both payable in installments on Social Contribution on Net Income (CSLL) debits, the amount for which had not been provisioned given that the Company had received favorable rulings from lower courts and for that reason had not classified the loss of the law suit as probable.

**Income Tax and Social Contribution on Net Income**

Income Tax and Social Contribution expenses in 2Q11 were R$ 166.7 million, R$ 29.7 million greater than the same period in 2010 when this item was R$ 137.0 million. This variation largely reflects the increase in pre-income tax and social contribution result.

**Net Income**

Net income for 2Q11 recorded an advance of R$ 89.3 million, or 33.1% over the value reported for the same period in 2010 increasing from R$ 269.5 million to R$ 358.8 million in the quarter under review. This improvement essentially reflects the combination of the following factors: (i) an increase in the average net selling price of 11.5%; (ii) the substantial increase in energy exports; (iii) reduction in energy purchases due to the maturing of contracts, the prices of which were high; (iv) the fall in financial expenses largely due to the amortization of debentures and the smaller variation in monetary restatement year-on-year; (v) the negative impact on transactions executed within the scope of the CCEE; and (vi) reduction in non-recurring gains due to law suits, reversal of provisions and capital gain.



**TRACTEBEL ENERGIA S.A.**
**CORPORATE TAXPAYER'S ID (CNPJ) 02.474.103/0001-19 | CORPORATE REGISTRY ID (NIRE) 42 3 0002438-4**
**NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR JUNE 30 2011**
**(in thousands of Reais or other currencies, except when indicated otherwise)**

## 1 - OPERATIONS

Tractebel Energia S.A. (Company or Tractebel) is a publicly-held corporation listed on the BM&FBOVESPA's Novo Mercado, and an independent utility concessionaire with its registered headquarters Florianópolis, Santa Catarina State. The Company is engaged in the generation and sale of power, 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 Brussels, Belgium. After the combination of assets between GDF SUEZ and International Power PLC (IP) on February 4, 2011, SUEZ-Tractebel S.A. became a company under IP's control, integrating the GDF SUEZ group headquartered in France.

The Company is the largest private company in power generation in Brazil [1], responsible for about 7% of the country's installed capacity. The Company's installed capacity, including its stakes in the Itá and Machadinho consortiums, increased from 6,472 MW [1] on March 31, 2011 to 6,580.9 MW on June 30, 2011, after two of eight generating units in Estreito Hydroelectric Power Plant (Estreito HPP) start their commercial operations. Out of this total, approximately 79.5% [1] is derived from hydroelectric power plants, 18% [1] from thermoelectric power plants and 2.5% [1] from alternative energy (Small Hydroelectric Power Plants - SHPP, wind farms and biomass-fired plants). Power ensured to commercialization increased from average 3,554 MW [1] on March 31, 2011 to average 3,657.7 MW on June 30, 2011, with the starting operations of two units of Estreito HPP.

The Company's generator complex comprises the following power generating sources: 9 (nine) hydroelectric power plants, 6 (six) thermoelectric [2], 3 (three) small hydroelectric power plants, 2 (two) wind farms and 2 (two) biomass-fired power plants.

Subsidiaries in operation and under construction or the entities under common control (*joint ventures*) are listed in Note 12 - Investments.

The Company's quarterly information is presented taking into account only one operating segment composed by the sale of power generated and acquired through long-term agreements. This segment concentrates about 99.6% of the Company's total revenue in the periods ended on June 30, 2011 and June 30, 2010. The Company manages such activities as a single segment.

[1] Non-financial information provided herein, such as MW, average MW, installed capacity, number of employees, among others, is not examined by the independent auditors.
[2] The Jorge Lacerda Thermoelectric complex is composed of 3 plants.

The main events carried out in the second quarter of 2011 are summarized as follows:

**a) Payment of interest on equity and complementary dividends for 2010**

On May 27, 2011, the Company began payment of the complementary dividends and interest on equity for the 2010 fiscal year at R$158,270 (R$0.2424687839 per share) and R$188,011 (R$0.3370396501 per share), respectively, ratified by the General Meeting held on April 5, 2011.

**b) Commercial start-up of the 1st and 2nd generator units at the Estreito Hydroelectric Power Plant**

The first of the eight generator units at the Estreito HPP, with installed capacity of 135.8 MW and assured energy of 52.01 average MW, started up on April 29, 2011, after authorization from Aneel. The second unit was cleared for test operation on June 28, 2011.

**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 6 – Non-current Assets for Sale.

## 2 - PRESENTATION OF THE QUARTERLY INFORMATION

The consolidated quarterly information, identified as "Consolidated," was prepared in compliance with Technical Pronouncement CPC 21– Interim Statements of the Accounting Pronouncements Committee and international rule IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB). Said pronouncements are entirely compliant with Brazilian and international accounting practices.

The individual quarterly information of Tractebel Energia, identified as "Controller," was prepared according to CPC 21. These individual statements differ from the International Financial Reporting Standards (IFRS) only with respect to the assessment of investments by the equity method which, according to IFRS, should be assessed and presented at cost or fair value.

Said quarterly information was prepared according to the rules of the Brazilian Securities and Exchange Commission (CVM) applicable to the elaboration of the Quarterly Information (ITR), using the historic cost as a base value, except for the evaluation at fair value of certain financial instruments, when required by applicable rules.

In the preparation of the quarterly information it is necessary that the Company's management rely on estimates when recording certain transactions that affect its assets, liabilities, income and expenses, as well as the disclosure of information in its notes.

The accounting policies and calculation methods, as well as the main judgments and uncertainties in the estimates used in the application of accounting practices, observed in the preparation of quarterly information are the same as those used in the preparation of the financial statements for the fiscal year ended December 31, 2010. In addition to the accounting practice relative to depreciation of property, plant and equipment mentioned in the financial statements as at December 31, 2010, the depreciation method adopted for the assets of the Estreito Plant during the period of its installation is that of "produced units." By this method, depreciation of assets that become operations is recognized proportionally to the commercial capacity aggregated to the business as of the start of the commercial operation of each turbine throughout the construction of the plant. The Company's management understands that this method is that which best reflects the relation between the depreciation expense and the generation of future economic benefits from the asset's operation.

The content and amounts of certain notes presented in the financial statements for the fiscal year ended December 31, 2010 that do not require significant updating were not repeated in the selected notes for the quarterly information of June 30, 2011 and therefore, these two financial statements should be read together.

It is worth noting that the table "Statement of Changes in Shareholders' Equity" of the CVM's "EmpresasNet" System, the adjustment of equity assessments mentioned in Note 22.d – Shareholders' Equity, although it does not correspond to "Other Comprehensive Income," is presented in the column as such as there is no more appropriate option in the statement for the presentation of said transaction.

The referred quarterly information was approved by the Board of Directors on July 29, 2011.

**New IFRS standards and interpretations of IFRIC (International Financial Reporting Interpretations Committee of IASB)**

Some new IASB accounting procedures and IFRIC interpretations were published and/or reviewed and their adoption is optional or mandatory for the annual periods ending as of January 1, 2011. Those issued in previous periods are mentioned in the financial statements for the fiscal year ended December 31, 2010 and were not repeated in this quarterly information as the same evaluations regarding their application has been maintained. The Company's assessment of the impacts of these new procedures and interpretations issued in 2011 is as follows:

**IAS 27 – Separate Financial Statements**

In May of 2011, the IASB issued a revised rule IAS 27 removing the requirements related to the consolidated financial statements that were substituted by IFRS 10 - Consolidated Financial Statements. At the same time, the IASB reallocated to IAS 27 requirements from rules IAS 28 - Investments in Associates and IAS 31 – Interests in Joint Ventures with regards to separate financial statements.

The alterations to IAS 27 are effective for annual periods beginning on/after January 1, 2013. The Company is evaluating possible effects of the application of the alterations to said procedure.

**IAS 28 – Investments in Associates and Joint Ventures**

In May of 2011, IASB issued a revision to IAS 28 incorporating the procedures for recording joint ventures as the equity method is applicable both to joint ventures and associates. On the other hand, the disclosure requirements for investments in associates and joint ventures were combined in a single, comprehensive procedure, IFRS 12 - Disclosure of Interests in Other Entities.

The alterations to IAS 28 are effective for annual periods beginning on/after January 1, 2013. The Company is evaluating possible effects of the application of the alterations to said procedure.

**IFRS 10 – Consolidated Financial Statement**

In May of 2011, IASB issued rule IFRS 10, which substituted IAS 27 and interpretation SIC 12 – Consolidation – Special Purpose Entities regarding the applicable requirements to consolidated financial statements.

IFRS 10 defines "control" using a single model of consolidation for all types of entities, stating that an investor can exercise power over an investment in several ways, not just through management of financial and operating policies. Although the exposure to risks and benefits is an indicator of control, it is not an isolated reason for consolidation of any type of entity.

This procedure is valid for annual periods beginning on/after January 1, 2013. The Company is assessing the effects of its application and any differences in relation to IAS 27.

**IFRS 11 – Joint Arrangements**

In May of 2011, the IASB issued IFRS 11, classifying joint ventures in 2 types: operations with shared control and ventures with shared control. Parties with shared control of an operation have rights over the assets and obligations over the liabilities, while parties with shared control of a venture have rights over net assets. For this reason, the proportional consolidation method for ventures with shared control was eliminated and substituted with the equity method.

IFRS 11 will be effective for annual periods beginning January 1, 2013. According to the Company's preliminary evaluation, as a result of the adoption of this rule, investments in joint venture Itá Energética will no longer be consolidated in proportion to the Company's interest in its capital and will be book by the equity method.

**IFRS 12 – Disclosure of Interests in Other Entities**

In May of 2011, IASB issued IFRS 12, which substituted the disclosure requirements of IAS 27, IAS 28 and IAS 31, except for those applicable for the preparation of separate financial statements, maintained in the revised IAS 27.

IFRS 12 expands the disclosure requirements for consolidated entities, as well as introducing disclosures regarding unconsolidated entities.

This procedure will be effective for annual periods beginning January 1, 2013. The Company is evaluated the effects of the application of this procedure and any differences in relation to IAS 28.

**IFRS 13 – Fair Value Measurement**

In May of 2011, IASB issued IFRS 13 to establish unified information regarding the procedures for fair value measurements required or permitted under IFRS, reducing its complexity and improving the consistency of its application, thus increasing the comparability of information presented in the financial statements.

However, IFRS 13 does not alter the original requirements of IFRS rules, but merely clarifies the definition of fair value, provides guidance on determining fair value and improves disclosure of fair value measurements.

This procedure will be effective for annual periods beginning January 1, 2013. The Company believes that the alterations in said procedure will not impact its Consolidated Financial Statement.

**IAS 19 – Employee Benefits**

In June of 2011, IASB issued a revised IAS 19, eliminating the "corridor" approach by which accumulated actuarial gains and losses within the limit of 10% of the current value of obligations with established benefit plans are not recognized in the entity's result, while gains or losses above the corridor limit are registered in the result during the average remaining lifespan of participants of the established benefit plan. According to the revised IAS 19, actuarial gains and losses derived from re-measurement of actuarial liabilities as of the date of the change in the accounting practice should be recognized in other comprehensive income.

The alterations to IAS 19 will be effective for annual periods beginning January 1, 2013. According to the Company's preliminary evaluation, as a consequence of the adoption of this procedure, off-balance actuarial gains, as mentioned in Note 19, will be recognized in a contra account to shareholders' equity, according to the rules relative to the change in accounting practices.

**IAS 1 – Presentation of Items of Other Comprehensive Income**

In June of 2011, IASB issued a revised IAS 1 requiring the separation in other comprehensive income of items that may and may not be reclassified as profit or loss when certain conditions are met.

The alterations to IAS 1 will be effective for annual periods beginning January 1, 2013. The Company believes that the alterations in said procedure will not impact its Consolidated Financial Statement.

The CPC has not yet made its respective technical pronouncements and correlated alterations to the abovementioned new and existing IFRS procedures or IFRIC interpretations. Due to the commitment of the CPC and CVM to maintain procedures issued up to date based on IASB revisions, these pronouncements and alterations are expected to be published by the CPC and approved by the CVM by the date of mandatory application.

## 3 - CASH AND CASH EQUIVALENTS

| | Company (BRGAAP) | | Consolidated (BRGAAP and IFRS) | |
|---|---|---|---|---|
| | 06.30.2011 | 12.31.2010 | 06.30.2011 | 12.31.2010 |
| **Cash and bank deposits in cash** | **2,292** | **1,710** | **16,699** | **8,882** |
| **Citibank – Exclusive Investment Fund** | | | | |
| **Repurchase agreements with Federal Government Securities** [3] | | | | |
| National Treasury Notes (NTN – B) | - | 741,573 | - | 934,407 |
| National Treasury Bill (LTN) | 331,829 | 50,812 | 471,958 | 64,025 |
| | **331,829** | **792,385** | **471,958** | **998,432** |
| **Financial Institutions** [4] | | | | |
| Bank Deposit Certificates (CDB) | 2,133 | 2,022 | 34,264 | 48,106 |
| Repurchase agreements with Debentures | - | - | 19,573 | 27,160 |
| | **2,133** | **2,022** | **53,837** | **75,266** |
| **Total cash and cash equivalents** | **333,962** | **794,407** | **525,795** | **1,073,698** |
| | **336,254** | **796,117** | **542,494** | **1,082,580** |

The Company structured its investments to concentrate funds in an Exclusive Investment Fund in Fixed Income, the units of which can be redeemed at any time without prejudice to gains.

The average profitability of the fund in the second quarter of 2011 was 100.5% of the interbank deposit rate (CDI).

## 4 - TRADE ACCOUNTS RECEIVABLE

| | Company (BRGAAP) | | | | |
|---|---|---|---|---|---|
| | 06.30.2011 | | | | 12.31.2010 |
| | | Past-due | | | |
| | Current | Up to 90 days | Over 90 days | Total | Total |
| Concessionaires | 205,929 | - | 25 | 205,954 | 216,600 |
| Traders | 118,400 | - | 6,043 | 124,443 | 125,682 |
| Free Consumers | 23,669 | 490 | 143 | 24,302 | 24,685 |
| Exports | 38,000 | - | 740 | 38,740 | 740 |
| Transactions with CCEE [5] | | | | | |
| - Current | 1,886 | - | 563 | 2,449 | 77,402 |
| - Agents with lawsuits or in default | 110,498 | - | 12,076 | 122,574 | 122,574 |
| - Special Tariff Recovery (RTE) | 1,056 | - | 1,611 | 2,667 | 1,056 |
| | **499,438** | **490** | **21,201** | **521,129** | **568,739** |
| (-) Allowance for doubtful accounts | (110,498) | - | (18,119) | (128,617) | (122,574) |
| | **388,940** | **490** | **3,082** | **392,512** | **446,165** |

[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] Banco Safra, Banco Itaú Unibanco Holding S.A. (Itaú), Banco do Brasil (BB) and Banco Votorantim.
[5] Eletrical Energy Commercialization (CCEE)

| | Consolidated (BRGAAP and IFRS) | | | | |
|---|---|---|---|---|---|
| | 06.30. 2011 | | | | 12.31.2010 |
| | | Past-due | | | |
| | Current | Up to 90 days | Over 90 days | Total | Total |
| Concessionaires | 283,153 | - | 302 | 283,455 | 271,921 |
| Traders | 45,399 | - | 6,180 | 51,579 | 56,524 |
| Free Consumers | 147,132 | 2,719 | 143 | 149,994 | 121,788 |
| Exports | 38,000 | - | 740 | 38,740 | 740 |
| Transactions with CCEE | | | | | |
| - Current | 2,076 | 120 | 565 | 2,761 | 79,077 |
| - Agents with lawsuits or in default | 110,498 | - | 12,076 | 122,574 | 122,574 |
| - Special Tariff Recovery (RTE) | 1,056 | - | 1,611 | 2,667 | 1,056 |
| | **627,314** | **2,839** | **21,617** | **651,770** | **653,680** |
| (-) Allowance for doubtful accounts | (110,498) | - | (18,256) | (128,754) | (122,574) |
| | **516,816** | **2,839** | **3,361** | **523,016** | **531,106** |

The average term for receiving amounts relative to power sale invoices is 25 days from the billing date.

In the first quarter of 2011, the Company constituted a provision for doubtful accounts in the amount of R$6,043 in the parent company and R$6,180 in the consolidated statements due to the long-term default of the Chamber of Eletrical Energy Commercialization (CCEE).

**Agents with lawsuits or in default**

The allowance for doubtful accounts related to outstanding amounts, in the amount of R$110,498 identified as "Agents with lawsuits or in default", was recognized due to the uncertainties as to the realization of receivables arising from transactions made on the Wholesale Energy Market (MAE), currently the CCEE in the period from September of 2000 to September of 2002, whose debtor agents filed lawsuits because they disagreed with the interpretation adopted by MAE related to the Overall Agreement for the Power Sector.

Amounts past-due for more than 90 days, corresponding to R$12,076, refer substantially to debts of agents in default during the 1st settlement of the MAE, on December 30, 2002, related to transactions made within MAE. Such amounts are under bilateral negotiations. However, due to uncertainties as to receipt of said credits, the Company maintains an allowance for doubtful accounts, regardless of the actions applicable to the case.

## 5 - TAXES RECOVERBALE

| | Company (BRGAAP) | | Consolidated (BRGAAP and IFRS) | |
|---|---|---|---|---|
| | 06.30.2011 | 12.31.2010 | 06.30.2011 | 12.31.2010 |
| **Current** | | | | |
| ICMS (state VAT) [6] | 7,319 | 4,178 | 7,829 | 4,855 |
| Income Tax | 4,960 | 4,719 | 15,035 | 14,895 |
| Social Contribution tax | 1,256 | 1,042 | 3,828 | 4,184 |
| Cofins (tax on revenue) [7] | 41,587 | 42,122 | 65,700 | 54,687 |
| PIS (tax on revenue) [8] | 9,429 | 9,518 | 14,541 | 12,135 |
| INSS (social security contribution) [9] | 1,543 | 1,054 | 1,543 | 1,062 |
| | **66,094** | **62,633** | **108,476** | **91,818** |
| **Non-current** | | | | |
| ICMS (state VAT) | 11,178 | 11,178 | 16,174 | 16,090 |
| Income Tax and Social Contribution | - | - | 2,877 | - |
| Cofins (tax on revenue) | 9,998 | 11,147 | 158,236 | 164,293 |
| PIS (tax on revenue) | 2,171 | 2,448 | 34,477 | 35,797 |
| INSS (social security contribution) | 3,699 | 3,700 | 3,705 | 3,700 |
| | **27,046** | **28,473** | **215,469** | **219,880** |

Recoverable PIS/Cofins amounts mainly refer to the option for using the right to credits on building construction and purchases, acquisition of machines and equipment, pursuant to specific laws, credits which are being offset in 24 and 48 months, respectively, from the beginning of commercial operation of the Plants.

## 6 - NON-CURRENT ASSETS FOR SALE

In June of 2011, after fulfillment of all conditions established in the sales contract, including prior consent from Aneel and the approval of the Administrative Economic Defense Council (CADE), the sale of all shares in Seival Participações S.A. (Seival) was concluded.

The total corrected selling price was R$38,523. Due to the conclusion of the operation, the final payment of R$14,304 was fully received and capital gains of R$15,436 were recognized in the Company's results.

Seival Participações S.A. is a Special Purpose Entity that holds 99.99% of the capital stock of Usina Termelétrica Seival Ltda, which, in turn 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 continues to develop other coal-fired thermoelectric projects in the Candiota region, according to its growth strategy in the Brazilian power sector.

[6] São Paulo State VAT (ICMS)
[7] Contribution for Social Security Financing (Cofins)
[8] Social Integration Program (PIS)
[9] Brazilian Social Security Institute (INSS)

## 7 - COLLATERAL AND RESTRICTED DEPOSITS

| | Company (BRGAAP) | | Consolidated (BRGAAP and IFRS) | |
|---|---|---|---|---|
| | 06.30.2011 | 12.31.2010 | 06.30.2011 | 12.31.2010 |
| **Current** | | | | |
| **Reserve account – CCEE transactions** | | | | |
| CDB | - | - | 86 | 81 |
| Repurchase agreements with debentures | - | 21,793 | 979 | 33,600 |
| Investment funds | 7,307 | 47,872 | 7,307 | 47,872 |
| | **7,307** | **69,665** | **8,372** | **81,553** |
| **Non-current** | | | | |
| **Reserve account – debt service** | | | | |
| CDB | - | - | 7,589 | 7,196 |
| Repurchase operations with debentures | - | - | - | 1,965 |
| Investment funds | - | - | 40,080 | 42,083 |
| | **-** | **-** | **47,669** | **51,244** |

The decrease in the balance of the "Reserve account for CCEE transactions" is the result of reduced need for constitution of a financial reserve to guarantee CCEE transations due to the Company's reduced exposure in this market in the first half of 2011.

The average earnings of said collateral and judicial deposits in the second quarter of 2011 was 100% of the CDI.

## 8 - DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION - ASSET

| | Company (BRGAAP) | | | | |
|---|---|---|---|---|---|
| | 06.30.2011 | | | | 12.31.2010 |
| Type of credit | Tax basis | Income tax | Social Contrib. | Total | Total |
| Interest on property, plant and equipment in progress (RIC) | 155,626 | 38,907 | - | 38,907 | 41,098 |
| Post-employment benefits | 256,753 | 64,188 | 23,108 | 87,296 | 102,910 |
| Allowance for doubtful accounts | 128,616 | 32,154 | 11,575 | 43,729 | 41,675 |
| Provision for tax, civil and labor risks | 150,832 | 37,708 | 13,575 | 51,283 | 43,280 |
| Accelerated depreciation | 13,497 | 3,374 | 1,215 | 4,589 | 5,157 |
| Adjustment to present value of receivables | 13,875 | 3,469 | 1,249 | 4,718 | 4,718 |
| Incorporated goodwill | 49,609 | 12,402 | 4,465 | 16,867 | 17,650 |
| Other | 91,908 | 22,977 | 8,271 | 31,248 | 31,925 |
| | | **215,179** | **63,458** | **278,637** | **288,413** |

| Type of credit | Company (BRGAAP and IFRS) | | | | |
|---|---|---|---|---|---|
| | 06.30.2011 | | | | 12.31.2010 |
| | Tax basis | Income tax | Social Contrib. | Total | Total |
| Interest on property, plant and equipment in progress (RIC) | 155,626 | 38,907 | - | 38,907 | 41,098 |
| Post-employment benefits | 256,753 | 64,188 | 23,108 | 87,296 | 102,910 |
| Allowance for doubtful accounts | 128,753 | 32,187 | 11,588 | 43,775 | 41,675 |
| Provision for tax, civil and labor risks | 151,897 | 37,974 | 13,671 | 51,645 | 43,596 |
| Accelerated depreciation | 13,497 | 3,374 | 1,215 | 4,589 | 5,157 |
| Adjustment to present value of receivables | 13,875 | 3,469 | 1,249 | 4,718 | 4,718 |
| Adjustment to fair value of property, plant and equipment | 50,832 | 12,708 | 4,575 | 17,283 | 17,745 |
| Incorporated goodwill | 49,609 | 12,402 | 4,465 | 16,867 | 17,650 |
| Tax loss carryforwards and negative basis of social contribution | 69,655 | 17,414 | 6,269 | 23,683 | 20,499 |
| Other | 97,399 | 24,349 | 8,765 | 33,114 | 33,192 |
| | | **246,972** | **74,905** | **321,877** | **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. Income tax and social contribution loss carryforwards will be realized through the generation of future taxable income of the subsidiary that extraordinarily recorded losses.

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

| | Company (BRGAAP) | Consolidated (BRGAAP and IFRS) |
|---|---|---|
| July to December, 2011 | 20,128 | 20,803 |
| 2012 | 27,272 | 28,645 |
| 2013 | 35,952 | 37,334 |
| 2014 | 26,074 | 27,439 |
| 2015 | 18,599 | 21,648 |
| 2016 to 2017 | 84,207 | 91,442 |
| 2018 to 2019 | 27,791 | 38,855 |
| 2020 onwards | 38,614 | 55,711 |
| | **278,637** | **321,877** |

## 9 - ASSET SALES

Corresponds to the book balance receivable from Elétrica Jacuí S.A. (Eleja) related to the sale of the Jacuí thermoelectric project. From February 2009, Eleja failed to pay the due monthly installments, whose total historical amount on June 30, 2011 was R$ 68,163 (R$ 50,862 on December 31, 2010).

In July 2009, after many unsuccessful attempts to induce Eleja to resume payments due, the Company concluded that it had no other option than to file for foreclosure of such contract in an amount equivalent to the total debt, since Eleja's delinquency anticipated the maturity of all existing debt and is automatically considered overdue and payable.

The Company understands that the balance reflects the best estimate of the fair value of this asset on those dates. On June 30, 2011, the nominal value of the debt, restated by the IGP-DI, was R$114,921 (R$106,228 on December 31, 2010).

The foreclosure filed against Eleja has been in progress in the court of Florianópolis (Santa Catarina State), and the seizure of assets used as collateral at the registry of deeds and documents of Charqueadas (state of Rio Grande do Sul) was granted. In March of 2011, the seizure of assets given as guarantee was converted into a lien and the Company expects the procedures to occur normally.

Currently, these assets, which have already been placed under lien, have a market value that in the Company's assessment corresponds to an amount sufficient to recover the debt registered, for which reason the Management does not beleive it necessary to constitute any provision for losses in recovering the funds owed.

## 10 - JUDICIAL DEPOSITS

**a) Breakdown:**

| | Company (BRGAAP) | | Consolidated (BRGAAP and IFRS) | |
|---|---|---|---|---|
| | **06.30.2011** | **12.31.2010** | **06.30.2011** | **12.31.2010** |
| Tax | 89,288 | 84,720 | 89,705 | 85,075 |
| Civil | 9,365 | 40,996 | 10,744 | 42,485 |
| Labor | 5,588 | 5,599 | 5,887 | 5,904 |
| | **104,241** | **131,315** | **106,336** | **133,464** |

Refers to amounts from existing legal and administrative proceedings. From the amount deposited on June 30, 2011, R$37,923 (R$68,568 on December 31, 2010) is directly related to provisions for tax, civil and labor risks, as their likehood of loss is probable, as described in Note 21 – Provisions for Tax, Civil and Labor Risks.

## b) Changes:

| | Company (BRGAAP) | | | | Consolidated (BRGAAP and IFRS) | | | |
|---|---|---|---|---|---|---|---|---|
| | Tax | Civil | Labor | Total | Tax | Civil | Labor | Total |
| **Balance as of 12.31.2010** | **84,720** | **40,996** | **5,599** | **131,315** | **85,075** | **42,485** | **5,904** | **133,464** |
| Additions | - | 8,985 | 30 | 9,015 | - | 8,991 | 70 | 9,061 |
| Transfers | - | - | - | - | - | (108) | - | (108) |
| Adjustments | 2,161 | 864 | 77 | 3,102 | 2,164 | 864 | 77 | 3,105 |
| Write-offs and redemptions | - | (8,859) | - | (8,859) | - | (8,985) | - | (8,985) |
| **Balance as of 03.31.2011** | **86,881** | **41,986** | **5,706** | **134,573** | **87,239** | **43,247** | **6,051** | **136,537** |
| Additions | - | 564 | 198 | 762 | - | 987 | 217 | 1,204 |
| Transfers | - | - | - | - | 56 | - | (56) | - |
| Adjustments | 2,407 | 175 | 79 | 2,661 | 2,410 | 175 | 79 | 2,664 |
| Write-offs and redemptions | - | (33,360) | (395) | (33,755) | - | (33,665) | (404) | (34,069) |
| **Balance as of 06.30.2011** | **89,288** | **9,365** | **5,588** | **104,241** | **89,705** | **10,744** | **5,887** | **106,336** |

Due to the incorporation of Ponte de Pedra and the reduced credit risk of Tractebel Energia, the Bank no long requires that the company make financial investments connected to the issued of bank guarantees to guarantee the lawsuit that contests the amount of the Transmission System Use Tariff (TUST) of the Ponte de Pedra plant. Thus, in this quarter, the Company redeemed the financial investment in the amount of R$32,936.

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## 11 - TAX RECONCILIATION

| | Company (BRGAAP) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2011 | | | | 2010 | | | |
| | 2Q | | Accumulated | | 2Q | | Accumulated | |
| | Income tax | Social Contrib. | Income tax | Social Contrib. | Income tax | Social Contrib. | Income tax | Social Contrib. |
| **Income before taxes** | **503,600** | **503,600** | **952,350** | **952,350** | **406,854** | **406,854** | **787,702** | **787,702** |
| **Permanent Differences** | | | | | | | | |
| Management bonuses and 13th salary | 324 | - | 1,445 | - | 1,114 | - | 1,937 | - |
| Donations | 2,452 | 2,452 | 3,204 | 3,204 | 1,098 | 1,098 | 2,158 | 2,158 |
| Equity pick-up | (35,360) | (35,360) | (65,703) | (65,703) | (97) | (97) | 14,739 | 14,739 |
| Other | (10,989) | (8,544) | (8,304) | (6,818) | (2,326) | 957 | (3,825) | 2,000 |
| **Tax Basis** | **460,027** | **462,148** | **882,992** | **883,033** | **406,643** | **408,812** | **802,711** | **806,599** |
| Tax rates | 25% | 9% | 25% | 9% | 25% | 9% | 25% | 9% |
| **Icome Tax and Social Contribution** | **(115,007)** | **(41,593)** | **(220,748)** | **(79,473)** | **(101,661)** | **(36,793)** | **(200,678)** | **(72,594)** |
| Income tax and Social Contribution of previous periods | - | - | - | - | - | - | (844) | 469 |
| Tax incentives | 4,708 | - | 6,119 | - | 1,098 | - | 2,158 | - |
| Other | 6,909 | 157 | 7,166 | 314 | 6 | (3) | 12 | (4) |
| **Income Tax and Social Contribution – Income Statement** | **(103,390)** | **(41,436)** | **(207,463)** | **(79,159)** | **(100,557)** | **(36,796)** | **(199,352)** | **(72,129)** |
| **Breakdown of taxes in the statement of income:** | | | | | | | | |
| Current | (106,306) | (40,335) | (211,320) | (78,946) | (94,461) | (34,668) | (194,369) | (70,468) |
| Deferred | 2,916 | (1,101) | 3,857 | (213) | (6,096) | (2,128) | (4,983) | (1,661) |
| | **(103,390)** | **(41,436)** | **(207,463)** | **(79,159)** | **(100,557)** | **(36,796)** | **(199,352)** | **(72,129)** |

| | Consolidated (BRGAAP and IFRS) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2011 | | | | 2010 | | | |
| | 2Q | | Accumulated | | 2Q | | Accumulated | |
| | Income Tax | Social Contrib. | Income Tax | Social Contrib. | Income Tax | Social Contrib. | Income Tax | Social Contrib. |
| **Income before taxes** | **525,466** | **525,466** | **990,915** | **990,915** | **406,502** | **406,502** | **780,572** | **780,572** |
| **Permanent Differences** | | | | | | | | |
| Management bonuses and 13th salary | 324 | - | 1,445 | - | 1,151 | - | 2,011 | - |
| Donations | 2,452 | 2,452 | 3,204 | 3,204 | 1,098 | 1,098 | 2,158 | 2,158 |
| Differences in calculation basis for taxes subsidiaries based on presumed profit | (6,940) | (5,842) | (5,033) | (3,036) | (2,945) | (2,269) | (7,784) | (6,299) |
| Other | (7,812) | (5,371) | (1,602) | (119) | (2,221) | 1,042 | (854) | 4,935 |
| **Tax Basis** | **513,490** | **516,705** | **988,929** | **990,964** | **403,585** | **406,373** | **776,103** | **781,366** |
| Tax rates | 25% | 9% | 25% | 9% | 25% | 9% | 25% | 9% |
| **Income Tax and Social Contribution** | **(128,373)** | **(46,503)** | **(247,232)** | **(89,187)** | **(100,896)** | **(36,573)** | **(194,026)** | **(70,323)** |
| Income tax and social contribution of preivous periods | - | - | 1,587 | (5) | - | - | (2,532) | (139) |
| Tax incentives | 4,708 | - | 6,119 | - | 2,171 | - | 3,973 | - |
| Other | 4,285 | (809) | 4,287 | (756) | (1,585) | (118) | (1,627) | 323 |
| **Income Tax and Social Contribution – Income Statement** | **(119,380)** | **(47,312)** | **(235,239)** | **(89,948)** | **(100,310)** | **(36,691)** | **(194,212)** | **(70,139)** |
| **Breakdwon of taxes in the statement of income:** | | | | | | | | |
| Current | (120,875) | (45,698) | (239,819) | (89,419) | (97,341) | (36,166) | (200,072) | (73,331) |
| Deferred | 1,495 | (1,614) | 4,580 | (529) | (2,969) | (525) | 5,860 | 3,192 |
| | **(119,380)** | **(47,312)** | **(235,239)** | **(89,948)** | **(100,310)** | **(36,691)** | **(194,212)** | **(70,139)** |

## 12 - INVESTMENTS

### a) Breakdown

| | Company (BRGAAP) | |
|---|---|---|
| | 06.30.2011 | 12.31.2010 |
| Investments in subsidiaries: | | |
| Booked as per the equity method | | |
| Equity pick-up | 2,235,739 | 2,162,946 |
| Goodwill/Concession rights | 119,116 | 119,817 |
| | **2,354,855** | **2,282,763** |

## b) Assessed by the Equity Method

### b.1) Financial information of subsidiaries

| | Itasa | CESS | Lages | TBLC | EAS [10] | TBLP | CEE |
|---|---|---|---|---|---|---|---|
| **12.31.2010** | | | | | | | |
| Interest (%) | 48.75 | 99.99 | 99.99 | 99.99 | 99.99 | 99.99 | 99.99 |
| Total assets | 852,035 | 1,385,165 | 84,226 | 259,985 | - | 934,031 | 2,336,439 |
| Shareholders' equity | 598,445 | 351,733 | 71,193 | 65,431 | - | 514,067 | 868,509 |
| **06.30.2011** | | | | | | | |
| Interest (%) | 48.75 | 99.99 | 99.99 | 99.99 | 99.99 | 99.99 | 99.99 |
| Total assets | 817,262 | 1,371,043 | 67,060 | 295,041 | - | 937,921 | 2,442,805 |
| Shareholders' equity | 627,422 | 352,813 | 56,332 | 111,930 | - | 539,999 | 868,525 |
| Net revenue | 119,286 | 99,251 | 18,074 | 731,031 | - | 53,818 | 10,572 |
| Net income | 29,846 | 1,080 | 139 | 46,499 | - | 3,418 | 16 |

### b.2) Changes in investments

| | Itasa | CESS | Lages | TBLC | TBLP | CEE | Outras | Total |
|---|---|---|---|---|---|---|---|---|
| **Balance as of 12.31.2010** | **291,743** | **351,733** | **71,193** | **65,431** | **514,067** | **868,509** | **270** | **2,162,946** |
| AFAC [11] | - | - | - | - | 1,563 | - | - | **1,563** |
| Equity pick-up | 6,548 | (2,191) | 159 | 29,376 | (2,584) | (965) | - | **30,343** |
| Dividends | (424) | - | - | - | - | - | - | **(424)** |
| Reclassification | - | - | - | - | (297) | - | - | **(297)** |
| **Balance as of 03.31.2011** | **297,867** | **349,542** | **71,352** | **94,807** | **512,749** | **867,544** | **270** | **2,194,131** |
| AFAC | - | - | - | - | 21,248 | - | - | **21,248** |
| Equity pick-up | 8,003 | 3,271 | (20) | 17,123 | 6,002 | 981 | - | **35,360** |
| Dividends | - | - | (15,000) | - | - | - | - | **(15,000)** |
| **Balance as of 06.30.2011** | **305,870** | **352,813** | **56,332** | **111,930** | **539,999** | **868,525** | **270** | **2,235,739** |

On March 22, 2011, the Company's Board of Directors approved the implementation of five wind power projects to sell power on the Spot Market, totalling 145.4 MW, with total estimated investments of R$640,000. The Company is negotiationg with suppliers for equipment and assembly and with the BNDES for financing. The conclusion of construction for the wind farms is scheduled for the fourth quarter of 2012. A significant portion of the commercial capacity of the energy to be generated is sold to free customers in medium and long term contracts.

Information on the projects:

| Companies | Plant | Installed Capacity | Location |
|---|---|---|---|
| Central Eólica Mundaú S.A. | Central Eólica Mundaú | 30.0 MW | Trairi - CE |
| Central Eólica Guajirú S.A. | Central Eólica Guajirú | 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 |

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

[11] Prepayment for Future Increased Capital

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### c) Goodwill / Concession rights – Company

| Companies | CESS | CEE | Total |
|---|---|---|---|
| **Balance as of 12.31.2010** | **33,369** | **86,448** | **119,817** |
| Amortization | (317) | - | (317) |
| **Balance as of 03.31.2011** | **33,052** | **86,448** | **119,500** |
| Amortization | (316) | (68) | (384) |
| **Balance as of 06.30.2011** | **32,736** | **86,380** | **119,116** |

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. The goodwill from the acquisition of CESS is being amortized during the term of the concession agreement, as economic benefits from investment acquisition will arise throughout the concession agreement's term; in addition the useful life of these assets is limited to the term of this agreement.

## 13 - PROPERTY, PLANT AND EQUIPMENT

### a) Breakdown

| | Company (BRGAAP) | | | | |
|---|---|---|---|---|---|
| | | 06.30.2011 | | | 12.31.2010 |
| | Average depreciation rate (%) | Adjusted cost | Accumulated depreciation | Net Value | Net Value |
| **Operating** | | | | | |
| Reservoirs, dams and pipelines | 3.08 | 4,413,674 | (2,060,609) | 2,353,065 | 2,422,496 |
| Buildings and improvements | 3.05 | 1,250,873 | (680,131) | 570,742 | 595,343 |
| Machinery and equipment | 3.72 | 5,455,394 | (3,287,433) | 2,167,961 | 2,227,806 |
| Vehicles | 20.00 | 1,643 | (1,039) | 604 | 714 |
| Furniture and fixtures | 10.00 | 6,460 | (3,905) | 2,555 | 2,748 |
| | | **11,128,044** | **(6,033,117)** | **5,094,927** | **5,249,107** |
| Special obligations | | (13,630) | - | (13,630) | (10,223) |
| | | **11,114,414** | **(6,033,117)** | **5,081,297** | **5,238,884** |
| **In progress** | | | | | |
| Buildings and improvements | | 8,915 | - | 8,915 | 5,054 |
| Machinery and equipment | | 79,472 | - | 79,472 | 67,994 |
| Others to be apportioned | | 25,239 | - | 25,239 | 3,338 |
| | | **113,626** | **-** | **113,626** | **76,386** |
| | | **11,228,040** | **(6,033,117)** | **5,194,923** | **5,315,270** |

| | Consolidated (BRGAAP and IFRS) | | | | |
|---|---|---|---|---|---|
| | | 06.30.2011 | | | 12.31.2010 |
| | Average depreciation rate (%) | Adjusted cost | Accumulated depreciation | Net Value | Net Value |
| **Operating** | | | | | |
| Reservoirs, dams and pipelines | 2.59 | 6,817,435 | (2,166,763) | 4,650,672 | 3,268,782 |
| Buildings and improvements | 3.21 | 1,717,224 | (728,060) | 989,164 | 986,857 |
| Machinery and equipment | 3.62 | 7,123,666 | (3,474,856) | 3,648,810 | 3,470,028 |
| Vehicles | 20.00 | 1,966 | (1,358) | 608 | 755 |
| Furniture and fixtures | 10.00 | 7,871 | (4,148) | 3,723 | 3,823 |
| | | **15,668,162** | **(6,375,185)** | **9,292,977** | **7,730,245** |
| Special obligations | | (13,755) | - | (13,755) | (10,348) |
| | | **15,654,407** | **(6,375,185)** | **9,279,222** | **7,719,897** |
| **In progress** | | | | | |
| Reservoirs, dams and pipelines | | 11,726 | - | 11,726 | 404,336 |
| Buildings and improvements | | 9,099 | - | 9,099 | 475,204 |
| Machinery and equipment | | 290,999 | - | 290,999 | 888,601 |
| Advance to suppliers | | 80,756 | - | 80,756 | 70,626 |
| Others to be apportioned | | 289,260 | - | 289,260 | 417,345 |
| | | **681,840** | **-** | **681,840** | **2,256,112** |
| | | **16,336,247** | **(6,375,185)** | **9,961,062** | **9,976,009** |

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## b) Changes

| | Company (BRGAAP) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Balance as of 03.31.2011 | Additions | Reclassi-fication | Transfers | Depreciation | Write-offs | Balance as of 06.30.2011 |
| **Operating** | | | | | | | |
| Reservoirs, dams and pipelines | 2,384,328 | - | - | 1,781 | (33,044) | - | 2,353,065 |
| Buildings and improvements | 583,100 | - | - | (3,394) | (8,964) | - | 570,742 |
| Machinery and equipment | 2,199,904 | - | - | 15,216 | (47,143) | (16) | 2,167,961 |
| Vehicles | 658 | - | - | (27) | (27) | - | 604 |
| Furniture and fixtures | 2,632 | - | - | 51 | (127) | (1) | 2,555 |
| | **5,170,622** | - | - | **13,627** | **(89,305)** | **(17)** | **5,094,927** |
| Special obligations | (13,678) | 48 | - | - | - | - | (13,630) |
| | **5,156,944** | **48** | **-** | **13,627** | **(89,305)** | **(17)** | **5,081,297** |
| **In Progress** | | | | | | | |
| Buildings and improvements | 6,330 | 4,366 | - | (1,781) | - | - | 8,915 |
| Machinery and equipment | 77,903 | 11,707 | - | (10,138) | - | - | 79,472 |
| Others to be apportioned | 6,182 | 15,066 | 5,699 | (1,708) | - | - | 25,239 |
| | **90,415** | **31,139** | **5,699** | **(13,627)** | - | - | **113,626** |
| | **5,247,359** | **31,187** | **5,699** | **-** | **(89,305)** | **(17)** | **5,194,923** |

| | Company (BRGAAP) | | | | | |
|---|---|---|---|---|---|---|
| | Balance as of 12.31.2010 | Additions | Transfers | Depreciation | Write-offs | Balance as of 03.31.2011 |
| **Operating** | | | | | | |
| Reservoirs, dams and pipelines | 2,422,496 | - | (8,609) | (29,559) | - | 2,384,328 |
| Buildings and improvements | 595,343 | - | (3,768) | (8,475) | - | 583,100 |
| Machinery and equipment | 2,227,806 | - | 23,216 | (51,013) | (105) | 2,199,904 |
| Vehicles | 714 | - | (28) | (28) | - | 658 |
| Furniture and Fixtures | 2,748 | - | 15 | (131) | - | 2,632 |
| | **5,249,107** | - | **10,826** | **(89,206)** | **(105)** | **5,170,622** |
| Special obligations | (10,223) | (3,455) | - | - | - | (13,678) |
| | **5,238,884** | **(3,455)** | **10,826** | **(89,206)** | **(105)** | **5,156,944** |
| **In Progress** | | | | | | |
| Buildings and improvements | 5,054 | 1,611 | (335) | - | - | 6,330 |
| Machinery and equipment | 67,994 | 20,366 | (10,457) | - | - | 77,903 |
| Others to be apportioned | 3,338 | 2,878 | (34) | - | - | 6,182 |
| | **76,386** | **24,855** | **(10,826)** | **-** | **-** | **90,415** |
| | **5,315,270** | **21,400** | **-** | **(89,206)** | **(105)** | **5,247,359** |

| | Consolidated (BRGAAP and IFRS) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Balance as of 03.31.2011 | Additions | Reclassi-fication | Transfers | Depreciation | Write-offs | Balance as of 06.30.2011 |
| **Operating** | | | | | | | |
| Reservoirs, dams and pipelines | 3,223,190 | - | - | 1,470,541 | (43,059) | - | 4,650,672 |
| Buildings and improvements | 971,370 | - | - | 30,995 | (13,201) | - | 989,164 |
| Machinery and equipment | 3,428,518 | - | - | 281,414 | (61,106) | (16) | 3,648,810 |
| Vehicles | 696 | - | - | (57) | (31) | - | 608 |
| Furniture and fixtures | 3,716 | - | - | 159 | (151) | (1) | 3,723 |
| | **7,627,490** | - | - | **1,783,052** | **(117,548)** | **(17)** | **9,292,977** |
| Special obligations | (13,802) | 47 | - | - | - | - | (13,755) |
| | **7,613,688** | **47** | **-** | **1,783,052** | **(117,548)** | **(17)** | **9,279,222** |
| **In Progress** | | | | | | | |
| Reservoirs, dams and pipelines | 503,461 | 61,917 | - | (553,652) | - | - | 11,726 |
| Buildings and improvements | 476,051 | 138 | - | (467,090) | - | - | 9,099 |
| Machinery and equipment | 923,389 | 5,307 | - | (637,697) | - | - | 290,999 |
| Advance to suppliers | 65,127 | 18,136 | - | (2,507) | - | - | 80,756 |
| Others to be apportioned | 389,036 | 16,631 | 5,699 | (122,106) | - | - | 289,260 |
| | **2,357,064** | **102,129** | **5,699** | **(1,783,052)** | **-** | **-** | **681,840** |
| | **9,970,752** | **102,176** | **5,699** | **-** | **(117,548)** | **(17)** | **9,961,062** |

| | Consolidated (BRGAAP and IFRS) | | | | | |
|---|---|---|---|---|---|---|
| | Balance as of 12.31.2010 | Additions | Transfers | Depreciation | Write-offs | Balance as of 03.31.2011 |
| **Operating** | | | | | | |
| Reservoirs, dams and pipelines | 3,268,782 | - | (7,948) | (37,644) | - | 3,223,190 |
| Buildings and improvements | 986,857 | - | (2,943) | (12,544) | - | 971,370 |
| Machinery and equipment | 3,470,028 | - | 23,814 | (65,219) | (105) | 3,428,518 |
| Vehicles | 755 | - | (28) | (31) | - | 696 |
| Furniture and fixtures | 3,823 | - | 47 | (154) | - | 3,716 |
| | **7,730,245** | **-** | **12,942** | **(115,592)** | **(105)** | **7,627,490** |
| Special obligations | (10,348) | (3,454) | - | - | - | (13,802) |
| | **7,719,897** | **(3,454)** | **12,942** | **(115,592)** | **(105)** | **7,613,688** |
| **In Progress** | | | | | | |
| Reservoirs, dams and pipelines | 404,336 | 1,675 | 97,450 | - | - | 503,461 |
| Buildings and improvements | 475,204 | - | 847 | - | - | 476,051 |
| Machinery and equipment | 888,601 | 254 | 34,534 | - | - | 923,389 |
| Advance to suppliers | 70,626 | 1,723 | (7,222) | - | - | 65,127 |
| Others to be apportioned | 417,345 | 110,242 | (138,551) | - | - | 389,036 |
| | **2,256,112** | **113,894** | **(12,942)** | **-** | **-** | **2,357,064** |
| | **9,976,009** | **110,440** | **-** | **(115,592)** | **(105)** | **9,970,752** |

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

Pursuant to CPC 27 guidance (Property, Plant and Equipment) and ICPC 10 (Clarifications on CPC27 and CPC28), on January 1, 2009, the Company adopted the fair value as the cost of property, plant and equipment of the Company's plants that had a book value substantially lower than or higher than its fair value.

Balances on June 30, 2011 and December 31, 2010 account for the fair value, net of depreciation, of R$1,029,927 and R$1,073,015, respectively. Depreciation on the adjustment to fair value of years ended on June 30, 2011 and June 30, 2010 was R$43,082 and R$43,090, respectively.

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

In order to draft the consolidated information, the Company opted for the early adoption of the rules set forth by IFRS 3 (*Business combination*), standard which is consistent with CPC 15, in the business combinations included within the scope of this pronouncement, made as from January 1, 2008. This standard allows 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. In accordance with this pronouncement, the Company recognized the onerous concession and the authorizations contracted or acquired in a business combination as a single asset in the property, plant and equipment group, broken-down by the nature of the assets proportionally to their cost of acquisition.

**e) Depreciation of assets comprising the Plants' Original Project**

The Company, based on Law 8,987/95 and Decree 2,003/96, considers that at the end of the concession term, a compensation of the residual value established in the Original Project shall not be granted by the Concession Grantor. Therefore, the Company, as of January 1, 2007, has depreciated said assets at the rates determined by Aneel, 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 January 01, 2007 were subject to the adoption of fair value as deemed cost at the transition to IFRS and new CPCs, on January 01, 2009.

**f) Allocation of financial charges**

Financial charges of financings are capitalized in property, plant and equipment in progress during the construction of the power plants. Charges capitalized in consolidated property, plant and equipment in 2Q11 were R$27,701. There were no charges capitalized in consolidated property, plant and equipment in 2Q10.

**g) Asset impairment**

The Company periodically evaluates the property, plant and equipment and intangible assets aiming to identify evidence of impairment of these assets, or when events or significant changes indicate that the book value may not be recoverable. Should the book value of the asset exceed the recoverable value, this loss is recognized in the income for the period. So far, there is no evidence of impairment in the Company's assets.

## 14 - INTANGIBLE ASSETS

### a) Breakdown

| | Company (BRGAAP) | | | | | |
|---|---|---|---|---|---|---|
| | 06.30.2011 | | | 12.31.2010 | | |
| | Adjusted cost | Accumulated amortization | Total | Adjusted cost | Accumulated amortization | Total |
| Right to use | 24,791 | (13,159) | **11,632** | 21,896 | (11,762) | **10,134** |
| Goodwill merged from CEM[12] | 44,578 | (37,396) | **7,182** | 44,578 | (35,241) | **9,337** |
| | **69,369** | **(50,555)** | **18,814** | **66,474** | **(47,003)** | **19,471** |

| | Consolidated (BRGAAP and IFRS) | | | | | |
|---|---|---|---|---|---|---|
| | 06.30.2011 | | | 12.31.2010 | | |
| | Adjusted cost | Accumulated amortization | Total | Adjusted cost | Accumulated amortization | Total |
| Right to use | 28,912 | (14,008) | **14,904** | 25,887 | (12,387) | **13,500** |
| Power purchase right | 64,561 | - | **64,561** | 64,561 | - | **64,561** |
| Rights of Trairí Project | 3,133 | - | **3,133** | 3,133 | - | **3,133** |
| Goodwill merged from CEM | 44,578 | (37,396) | **7,182** | 44,578 | (35,241) | **9,337** |
| Goodwill merged from Itasa | 72,793 | (70,198) | **2,595** | 72,793 | (67,803) | **4,990** |
| | **213,977** | **(121,602)** | **92,375** | **210,952** | **(115,431)** | **95,521** |

The license and power purchase right have finite useful lives. The first is being ammortized within five years and the second will be amortized during the term of the purchase agreement from 2013 to 2023.

Merged goodwill of CEM and Itasa also has a finite useful life and will be amortized up to February of 2013 and December of 2011 respectively.

The rights of the Trairí Project correspond to the fair value of projects, of energy generation certifications, wind measurements, previous environmental licenses and lease agreements acquired in a business combination.

[12]Companhia Energética Meridional, wholly-owned subsidiary incorporated by the Company in 2008.

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### b) Changes

| | Company (BRGAAP) | Consolidated (BRGAAP and IFRS) |
|---|---|---|
| **Balance as of 12.31.2010** | **19,471** | **95,521** |
| Right to use | 2,487 | 2,490 |
| Amortization | (1,732) | (3,039) |
| **Balance as of 03.31.2011** | **20,226** | **94,972** |
| Right to use | 408 | 593 |
| Transfers | - | (58) |
| Amortization | (1,820) | (3,132) |
| **Balance as of 6.30.2011** | **18,814** | **92,375** |

## 15 - SUPPLIERS

| | Company (BRGAAP) | | Consolidated (BRGAAP and IFRS) | |
|---|---|---|---|---|
| | 06.30.2011 | 12.31.2010 | 06.30.2011 | 12.31.2010 |
| Electric network usage charges | 88,053 | 81,003 | 92,846 | 84,857 |
| Power purchase | 60,508 | 53,569 | 83,937 | 104,203 |
| Transactions within CCEE | 2,292 | 1,337 | 2,457 | 1,337 |
| Material and services | 33,228 | 34,686 | 69,078 | 77,528 |
| Fossil fuels/biomass | 17,165 | 3,491 | 15,946 | 926 |
| | **201,246** | **174,086** | **264,264** | **268,851** |

## 16 - LOANS AND FINANCING

### a) Breakdown

| | Company (BRGAAP) | | | | | |
|---|---|---|---|---|---|---|
| | 06.30.2011 | | | 12.31.2010 | | |
| | Current | Non-current | Total | Current | Non-current | Total |
| **Domestic currency** | | | | | | |
| Eletrobras | - | - | - | 10,796 | - | 10,796 |
| BNDES | 14,965 | 12,470 | 27,435 | 14,965 | 19,953 | 34,918 |
| Banco do Brasil | 1,765 | - | 1,765 | 3,529 | - | 3,529 |
| Charges | 119 | - | 119 | 171 | - | 171 |
| | **16,849** | **12,470** | **29,319** | **29,461** | **19,953** | **49,414** |
| **Foreign currency** | | | | | | |
| STN [13] | 14,432 | 88,735 | 103,167 | 15,425 | 104,500 | 119,925 |
| BNP Paribas (*Floating Rate Note)* | - | 90,912 | 90,912 | - | 88,964 | 88,964 |
| Charges | 6,761 | - | 6,761 | 4,691 | - | 4,691 |
| | **21,193** | **179,647** | **200,840** | **20,116** | **193,464** | **213,580** |
| | **38,042** | **192,117** | **230,159** | **49,577** | **213,417** | **262,994** |

[13] National Treasury Secretary (STN), net of deposited guarantees.

| | Consolidated (BRGAAP and IFRS) | | | | | |
|---|---|---|---|---|---|---|
| | 06.30.2011 | | | 12.31.2010 | | |
| | Current | Non-current | Total | Current | Non-current | Total |
| **Domestic currency** | | | | | | |
| Eletrobras | - | - | - | 10,796 | - | 10,796 |
| BNDES | 98,138 | 1,327,116 | 1,425,254 | 73,064 | 1,297,836 | 1,370,900 |
| Banks (BNDES Onleading) | 73,964 | 988,373 | 1,062,337 | 56,086 | 1,001,920 | 1,058,006 |
| Banco do Brasil | 5,731 | 21,152 | 26,883 | 7,495 | 23,135 | 30,630 |
| BRDE | 6,834 | 1,139 | 7,973 | 6,835 | 4,556 | 11,391 |
| CEF | 5,946 | 44,619 | 50,565 | 5,777 | 46,234 | 52,011 |
| Charges | 8,878 | - | 8,878 | 9,245 | - | 9,245 |
| | **199,491** | **2,382,399** | **2,581,890** | **169,298** | **2,373,681** | **2,542,979** |
| **Foreign currency** | | | | | | |
| STN | 14,432 | 88,735 | 103,167 | 15,425 | 104,500 | 119,925 |
| BNP Paribas (*Floating Rate Note*) | - | 90,912 | 90,912 | - | 88,964 | 88,964 |
| Charges | 6,761 | - | 6,761 | 4,691 | - | 4,691 |
| | **21,193** | **179,647** | **200,840** | **20,116** | **193,464** | **213,580** |
| | **220,684** | **2,562,046** | **2,782,730** | **189,414** | **2,567,145** | **2,756,559** |

## b) Changes

| | Company (BRGAAP) | | | Consolidated (BRGAAP and IFRS) | | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| **Balance as of 12.31.2010** | **49,577** | **213,417** | **262,994** | **189,414** | **2,567,145** | **2,756,559** |
| Additions | - | - | - | - | 54,007 | 54,007 |
| Transfers | 3,862 | (3,862) | - | 52,959 | (52,959) | - |
| Interest recorded in the results | 4,303 | - | 4,303 | 26,653 | 689 | 27,342 |
| Capitalized interest | - | - | - | - | 28,798 | 28,798 |
| Exchange variation | (358) | 1,972 | 1,614 | (358) | 1,972 | 1,614 |
| Interest on deposited guarantees | - | (967) | (967) | - | (967) | (967) |
| Amortization of principal | (12,810) | - | (12,810) | (40,150) | - | (40,150) |
| Amortization of interest | (1,130) | - | (1,130) | (23,223) | - | (23,223) |
| **Balance as of 03.31.2011** | **43,444** | **210,560** | **254,004** | **205,295** | **2,598,685** | **2,803,980** |
| Transfers | 10,809 | (10,809) | - | 60,243 | (60,243) | - |
| Interest recorded in the results | 3,826 | - | 3,826 | 25,587 | 3,537 | 29,124 |
| Capitalized interest | - | - | - | - | 27,701 | 27,701 |
| Exchange variation | (894) | (6,707) | (7,601) | (894) | (6,707) | (7,601) |
| Interest on deposited guarantees | - | (927) | (927) | - | (927) | (927) |
| Amortization of principal | (14,433) | - | (14,433) | (42,459) | - | (42,459) |
| Amortization of interest | (4,710) | - | (4,710) | (27,088) | - | (27,088) |
| **Balance as of 06.30.2011** | **38,042** | **192,117** | **230,159** | **220,684** | **2,562,046** | **2,782,730** |

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**c) Maturity of loans and financing under non-current liabilities**

| | Company (BRGAAP) | | | Consolidated (BRGAAP and IFRS) | | |
|---|---|---|---|---|---|---|
| | Foreign currency | Domestic currency | Total | Foreign currency | Domestic currency | Total |
| July to December, 2012 | 3,454 | 7,482 | 10,936 | 3,454 | 104,208 | 107,662 |
| 2013 | 6,908 | 4,988 | 11,896 | 6,908 | 189,993 | 196,901 |
| 2014 | 3,340 | - | 3,340 | 3,340 | 165,412 | 168,752 |
| 2015 | 90,912 | - | 90,912 | 90,912 | 166,267 | 257,179 |
| 2016 | - | - | - | - | 167,203 | 167,203 |
| 2017 to 2019 | - | - | - | - | 496,971 | 496,971 |
| 2020 to 2022 | - | - | - | - | 465,783 | 465,783 |
| 2023 to 2025 | 75,033 | - | 75,033 | 75,033 | 315,222 | 390,255 |
| 2026 to 2029 | - | - | - | - | 311,340 | 311,340 |
| | **179,647** | **12,470** | **192,117** | **179,647** | **2,382,399** | **2,562,046** |

**f) Covenants**

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

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

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

The Company had a waiver by Banco do Brasil by an eventual non-fulfillment of any of the contract covenants until the liquidation. Debt on June 30, 2011 is R$25,263 (R$27,245 on December 31, 2010).

## 17 - DEBENTURES

### a) Breakdown

| | 06.30.2011 | | | 12.31.2010 | | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| **Company (BRGAAP)** | | | | | | |
| 1st Issue (1st Series) | - | - | - | 150,558 | - | 150,558 |
| 2nd Issue | 145,967 | 292,904 | 438,871 | - | 420,668 | 420,668 |
| 3rd Issue | - | - | - | 604,064 | - | 604,064 |
| 4th Issue | 79,218 | 322,166 | 401,384 | 80,000 | 320,890 | 400,890 |
| Cana Brava | 15,141 | 16,655 | 31,796 | 14,437 | 24,406 | 38,843 |
| Interest | 8,656 | - | 8,656 | 46,119 | - | 46,119 |
| **Total Company** | **248,982** | **631,725** | **880,707** | **895,178** | **765,964** | **1,661,142** |
| Itasa (1st and 2nd Series) | 4,570 | 8,190 | 12,760 | 9,034 | 16,380 | 25,414 |
| Interest | 690 | - | 690 | 805 | - | 805 |
| **Total Consolidated (BRGAAP and IFRS)** | **254,242** | **639,915** | **894,157** | **905,017** | **782,344** | **1,687,361** |

### b) Changes

| | Company (BRGAAP) | | | Consolidated (BRGAAP and IFRS) | | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| **Balance as of 12.31.2010** | **895,178** | **765,964** | **1,661,142** | **905,017** | **782,344** | **1,687,361** |
| Interest | 42,588 | 235 | 42,823 | 43,218 | 235 | 43,453 |
| Exchange variation | 5,343 | 9,517 | 14,860 | 5,961 | 9,517 | 15,478 |
| **Balance as of 03.31.2011** | **943,109** | **775,716** | **1,718,825** | **954,196** | **792,096** | **1,746,292** |
| Transfers | 152,732 | (152,732) | - | 160,922 | (160,922) | - |
| Interest | 20,759 | 1,167 | 21,926 | 21,301 | 1,167 | 22,468 |
| Exchange variation | 1,599 | 7,574 | 9,173 | 1,811 | 7,574 | 9,385 |
| Amortization of principal | (761,882) | - | (761,882) | (775,367) | - | (775,367) |
| Amortization of charges | (107,335) | - | (107,335) | (108,621) | - | (108,621) |
| **Balance as of 06.30.2011** | **248,982** | **631,725** | **880,707** | **254,242** | **639,915** | **894,157** |

In 2Q11, the Company and subsidiary Itasa did the following debentures amortization: (i) 3rd Issue, in the amount of R$637,175, fully paid on April 1, 2011; (ii) 1st Series of the 1st Issue of Debentures of the Company, in the amount of R$169,280, paid on April 29, 2011; and (iii) 2nd Series of subsidiary Itasa's issue, in the amount of R$30,299 (R$14,771 relative to the Company's share), on June 1, 2011.

**c) Maturities of debentures stated in non-current liabilities**

| | Company (BRGAAP) | Consolidated (BRGAAP and IFRS) |
|---|---|---|
| July to December, 2012 | 88,550 | 92,645 |
| 2013 | 235,376 | 239,471 |
| 2014 | 227,102 | 227,102 |
| 2015 | 80,697 | 80,697 |
| | **631,725** | **639,915** |

**d)** ***Covenants***

The Company has been fully complying with the financial *covenants* provided for in the debentures contracts.

## 18 - CONCESSION FEES PAYABLE

| | Company (BRGAAP) | | Consolidated (BRGAAP and IFRS) | |
|---|---|---|---|---|
| | 06.30.2011 | 12.31.2010 | 06.30.2011 | 12.31.2010 |
| Cana Brava Power Plant | 406,004 | 373,704 | 406,004 | 373,704 |
| Ponte de Pedra Power Plant | 372,397 | 347,321 | 372,397 | 347,321 |
| São Salvador Power Plant | - | - | 392,496 | 379,736 |
| Estreito Power Plant | - | - | 35,827 | 34,186 |
| | **778,401** | **721,025** | **1,206,724** | **1,134,947** |
| **Classification in balance sheets** | | | | |
| Current liabilities | 2,621 | 2,499 | 44,761 | 42,297 |
| Non-current liabilities | 775,780 | 718,526 | 1,161,963 | 1,092,650 |
| | **778,401** | **721,025** | **1,206,724** | **1,134,947** |

The Company has onerous concession agreements with the Federal Government to use the public asset to generate electrical energy at the Cana Brava, Ponte de Pedra, São Salvador and Estreito power plants. 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 onerous concession and the related obligation to the Federal Government, the amounts of the concessions were recorded in property, plant and equipment against liabilities (see additional information in Note 13 – Property, Plant and Equipment).

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

During the construction of the Power Plants, the adjustment of liabilities based on the discount rate and monetary variation was capitalized in assets and, as of the start-up date, recognized directly in the statement of income.

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### a) Changes

| | Company (BRGAAP) | | | Consolidated (BRGAAP and IFRS) | | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| **Balance as of 12.31.2010** | **2,499** | **718,526** | **721,025** | **42,297** | **1,092,650** | **1,134,947** |
| Transfers | 680 | (680) | - | 11,731 | (11,731) | - |
| Interest recorded in the results | - | 15,581 | 15,581 | - | 24,689 | 24,689 |
| Capitalized interest | - | - | - | - | 1,463 | 1,463 |
| Exchange variation | - | 18,286 | 18,286 | - | 26,406 | 26,406 |
| Amortizations | (620) | - | (620) | (10,262) | - | (10,262) |
| **Balance as of 03.31.2011** | **2,559** | **751,713** | **754,272** | **43,766** | **1,133,477** | **1,177,243** |
| Transfers | 683 | (683) | - | 11,681 | (11,681) | - |
| Interest recorded in the results | - | 16,106 | 16,106 | | 26,051 | 26,051 |
| Exchange variation | - | 8,644 | 8,644 | | 14,116 | 14,116 |
| Amortizations | (621) | - | (621) | (10,686) | - | (10,686) |
| **Balance as of 06.30.2011** | **2,621** | **775,780** | **778,401** | **44,761** | **1,161,963** | **1,206,724** |

### b) Maturities of debentures stated in non-current liabilities

| | Company (BRGAAP) | Consolidated (BRGAAP and IFRS) |
|---|---|---|
| July to December, 2012 | 544 | 20,355 |
| 2013 | 914 | 37,818 |
| 2014 | 878 | 34,427 |
| 2015 | 844 | 31,343 |
| 2016 | 814 | 28,534 |
| 2017 to 2019 | 7,942 | 76,875 |
| 2020 to 2022 | 102,499 | 154,276 |
| 2023 to 2025 | 188,332 | 227,226 |
| 2026 to 2028 | 191,873 | 221,090 |
| 2029 to 2031 | 176,537 | 198,484 |
| 2032 to 2034 | 104,603 | 121,088 |
| 2035 to 2037 | - | 10,447 |
| | **775,780** | **1,161,963** |

## 19 - POST-EMPLOYMENT BENEFITS

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

The breakdown of the Company's post-employment benefits is presented below for the individual and consolidated accounting statements:

| | Consolidated (BRGAAP and IFRS) | | | | | |
|---|---|---|---|---|---|---|
| | 06.30.2011 | | | 12.31.2010 | | |
| | Current | Non-current | Total | Current | Non-current | Total |
| **Contracted and/or recognized liabilities** | | | | | | |
| Agreements of acknowledgement of past debts | 18,615 | 107,875 | 126,490 | 20,111 | 111,981 | 132,092 |
| **Non-contracted actuarial liabilities** | | | | | | |
| Coverage of costs relating to SB-40[14] and current contributions | 1,789 | 2,116 | 3,905 | 2,185 | 2,607 | 4,792 |
| Actuarial deficit and confidentiality bonus | 32,276 | 220,740 | 253,016 | 3,643 | 294,864 | 298,507 |
| **Recorded actuarial liabilities** | **52,680** | **330,731** | **383,411** | **25,939** | **409,452** | **435,391** |

The contracted amounts stated in non-current liabilities are expected to be paid as follows:

| | ELOS | PREVIG | Total |
|---|---|---|---|
| July to December, 2012 | 7,742 | 1,133 | 8,875 |
| 2013 | 16,393 | 2,288 | 18,681 |
| 2014 | 17,433 | 1,857 | 19,290 |
| 2015 | 2,885 | 1,676 | 4,561 |
| 2016 | 3,058 | 1,777 | 4,835 |
| 2017 to 2019 | 10,320 | 5,996 | 16,316 |
| 2020 to 2022 | 12,290 | 6,076 | 18,366 |
| 2023 to 2025 | 9,019 | 1,147 | 10,166 |
| 2026 to 2029 | 6,785 | - | 6,785 |
| | **85,925** | **21,950** | **107,875** |

[14] SB-40 – Conversion of special retirement into retirement.

Changes in post-employment benefits are summarized below:

| | BD Plan | CD Plan | GC | Total |
|---|---|---|---|---|
| **Liabilities as of 12.31.2010** | **407,998** | **25,878** | **1,515** | **435,391** |
| Effects on the result for the first quarter of 2011: | | | | |
| Cost of interest | 30,163 | 963 | 48 | 31,174 |
| Current cost of service | 20 | - | 17 | 37 |
| Expected revenue from assets | (25,961) | (671) | - | (26,632) |
| Amortization of actuarial gains | (20,250) | (231) | 10 | (20,471) |
| **Net gains** | **(16,028)** | **61** | **75** | **(15,892)** |
| Contributions | (8,562) | (1,064) | - | (9,626) |
| Benefits paid | - | - | (61) | (61) |
| **Liabilities as of 03.31.2011** | **383,408** | **24,875** | **1,529** | **409,812** |
| Effects on the result for the second quarter of 2011: | | | | |
| Cost of interest | 30,163 | 963 | 48 | 31,174 |
| Current cost of service | 20 | - | 17 | 37 |
| Expected revenue from assets | (25,961) | (671) | - | (26,632) |
| Amortization of actuarial gains | (20,250) | (231) | 10 | (20,471) |
| **Net gains** | **(16,028)** | **61** | **75** | **(15,892)** |
| Contributions | (7,357) | (2,974) | - | (10,331) |
| Benefits paid | - | - | (178) | (178) |
| **Liabilities as of 06.30.2011** | **360,023** | **21,962** | **1,426** | **383,411** |

Net gains to be recognized in the statement of income from July to December of 2011, related to the Defined Benefit Plans and the Confidentiality Bonus, are as follows:

| | BD Plan | CD Plan | GC | Total |
|---|---|---|---|---|
| Cost of interest | (60,326) | (1,926) | (95) | (62,347) |
| Current cost of service | (40) | - | (33) | (73) |
| Expected return on plan assets | 51,922 | 1,342 | - | 53,264 |
| Amortization of actuarial gains | 40,500 | 462 | (21) | 40,941 |
| **Net gains** | **32,056** | **(122)** | **(149)** | **31,785** |

The Company's Board understands that there were no significant changes to the economic and accountaning premises used in the evaluation of its accounting liabilities that needed to be revised on June 30, 2011.

## 20 - DEFERRED INCOME AND SOCIAL CONTRIBUTION TAXES – LIABILITIES

| | Company (BRGAAP) | | | | |
|---|---|---|---|---|---|
| | 06.30.2011 | | | | 12.31.2010 |
| Type of credit | Tax basis | Income Tax | Social Contrib. | Total | Total |
| Provision for the sale of power | 107,456 | 26,864 | 9,671 | 36,535 | 36,535 |
| Fair value of property, plant and equipment | 1,080,764 | 270,191 | 97,269 | 367,460 | 382,571 |
| Fair value of concession of fees payable | 51,269 | 12,817 | 4,614 | 17,431 | 15,739 |
| | **1,239,489** | **309,872** | **111,554** | **421,426** | **434,845** |

| | Consolidated (BRGAAP and IFRS) | | | | |
|---|---|---|---|---|---|
| | 06.30.2011 | | | | 12.31.2010 |
| Type of credit | Tax basis | Income Tax | Social Contrib. | Total | Total |
| Provision for the sale of power | 107,456 | 26,864 | 9,671 | 36,535 | 36,535 |
| Fair value of property, plant and equipment | 1,080,764 | 270,191 | 97,269 | 367,460 | 382,571 |
| Fair value of concession of fees payable | 51,269 | 12,817 | 4,614 | 17,431 | 15,739 |
| Subsidized accelerated depreciation | 45,449 | 11,363 | 4,090 | 15,453 | 10,846 |
| | **1,284,938** | **321,235** | **115,644** | **436,879** | **445,691** |

The provision for sale of electrical energy results from transactions carried out within Wholesale Electrical Energy Market (MAE), currently CCEE, corresponding to the period from September of 2000 to September of 2002. Considering that the amount of revenue is being challenged in court by agents that disagree with the interpretation adopted by MAE in the application of certain accounting rules, in the event of a favorable outcome for these agents, both the revenue and the corresponding asset will no longer exist. Therefore it is being treated as a provision and deemed as temporary difference for tax purposes. The Company has also recorded provision for losses on accounts receivable and, consequently, recognized deferred the active income and social contribution taxes on this provision.

Fair value of property, plant and equipment corresponds to the difference between the book value and the appraisal value, due to the first-time adoption of Technical Pronouncement CPC 27 (Property, Plant and Equipment), in compliance with the guidelines of Technical Interpretation ICPC 10.

The adjustment to fair value of the concession payable arises from the application of CPC 15 – Business combination in the acquisition of subsidiary.

Subsidized accelerated depreciation corresponds to the accelerated depreciation of certain construction costs and the acquisition of assets from certain Company's power plants, as provided for in the tax legislation.

Deferred tax liabilities will be realized as follows:

| | Company (BRGAAP) | Consolidated (BRGAAP and IFRS) |
|---|---|---|
| July to December, 2011 | 15,486 | 15,486 |
| 2012 | 32,638 | 32,638 |
| 2013 | 29,061 | 29,061 |
| 2014 | 22,833 | 22,833 |
| 2015 | 21,128 | 21,128 |
| 2016 to 2017 | 76,728 | 76,728 |
| 2018 to 2019 | 40,877 | 40,877 |
| 2020 onwards | 182,675 | 198,128 |
| | **421,426** | **436,879** |

## 21 - PROVISIONS FOR TAX, CIVIL AND LABOR RISKS

The Company has tax assessment notices and civil and labor matters which are being challenged on an administrative basis, as well as legal proceedings, some of which, according to the Company's legal counsel, the likelihood of loss in the form of expenses is considered probable. All these proceedings are accrued in amounts considered sufficient to cover future disbursement to settle liabilities.

### a) Breakdown

| | Company (BRGAAP) | | Consolidated (BRGAAP and IFRS) | |
|---|---|---|---|---|
| | 06.30.2011 | 12.31.2010 | 06.30.2011 | 12.31.2010 |
| **Probable tax risks** | | | | |
| INSS | 31,448 | 29,827 | 31,448 | 29,827 |
| Other | 2,439 | 2,433 | 2,439 | 2,433 |
| | **33,887** | **32,260** | **33,887** | **32,260** |
| **Probable civil risks** | | | | |
| Agreements with suppliers | 23,603 | 22,288 | 23,603 | 22,288 |
| Pension benefit | 20,164 | 26,844 | 20,164 | 26,844 |
| Occupational diseases and accidents | 5,326 | 6,536 | 5,326 | 6,536 |
| Transmission System Usage Tariff (TUST) | 43,762 | 37,412 | 43,762 | 37,412 |
| Environmental | 6,753 | 6,317 | 6,753 | 6,317 |
| Sundry lawsuits | 6,789 | 6,495 | 9,669 | 9,046 |
| | **106,397** | **105,892** | **109,277** | **108,443** |
| **Probable labor risks** | **12,863** | **13,579** | **12,863** | **13,579** |
| **Total reserves for probable risk** | **153,147** | **151,731** | **156,027** | **154,282** |
| **Classification in balance sheets** | | | | |
| Current liabilities | 12,595 | 10,720 | 12,742 | 10,866 |
| Non-current liabilities | 140,552 | 141,011 | 143,285 | 143,416 |
| | **153,147** | **151,731** | **156,027** | **154,282** |

**Probable tax risks - Updates**

**Brazilian Social Security Institute (INSS)**

Relative to the notification from the INSS because of the alleged nonpayment of social security charges on compensation paid to employees, the National Treasury filed an appeal in the Superior Court of Justice (STJ) which was not granted, as per the decision disclosed on April 14, 2011. In view of the above, the Union filed a new appeal for judgment, currently in possession of the Minister presiding over the case.

**Probable civil risks - Updates**

**Agreements with suppliers**

On June 8, 2011, the Company filed a Special Motion regarding the decision and, on June 10, 2011, a petition informed the filing of the Special Motion. Since then, the records are awaiting new analysis for further judgment.

**Pension benefit**

On May 05, 2011, an agreement with part of the complainants resulted in a payment of R$2,021 and a reversal provision of R$6,527.

**c) Possible and remote risks**

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

| | Company (BRGAAP) | | | | | |
|---|---|---|---|---|---|---|
| | 06.30.2011 | | | 12.31.2010 | | |
| | Possible risk | Remote risk | Total | Possible risk | Remote risk | Total |
| Tax | 437,691 | 501,623 | 939,314 | 408,986 | 478,882 | 887,868 |
| Civil | 14,161 | 497 | 14,658 | 14,459 | 466 | 14,925 |
| Labor | 8,391 | 14,626 | 23,017 | 8,288 | 20,331 | 28,619 |
| | **460,243** | **516,746** | **976,989** | **431,733** | **499,679** | **931,412** |

| | Consolidated (BRGAAP and IFRS) | | | | | |
|---|---|---|---|---|---|---|
| | 06.30.2011 | | | 12.31.2010 | | |
| | Possible risk | Remote risk | Total | Possible risk | Remote risk | Total |
| Tax | 471,622 | 501,623 | 973,245 | 435,710 | 478,882 | 914,592 |
| Civil | 16,805 | 517 | 17,322 | 17,205 | 485 | 17,690 |
| Labor | 8,391 | 14,626 | 23,017 | 8,288 | 20,331 | 28,619 |
| | **496,818** | **516,766** | **1,013,584** | **461,203** | **499,698** | **960,901** |

**Possible tax risks**

The main liabilities assessed by the Company and its legal advisors as possible risk are:

**Corporate Income Tax and Social Contribution on Net Income**

The main tax assessment notices assessed as possible risks result from tax assessment notices issued by the Federal Revenue Service, due to:

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

On December 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 of December 23, 1976, set forth important tax benefits to the Brazilian Power 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 10% p.a., plus the deferred charges pegged to the respective construction in progress, the counter entry of which was recorded in the income for the period, creating income exempt from income tax.

On December 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, now has two distinct accounting classifications: i) the portion of the construction executed with own capital is now recorded in shareholders' equity and, therefore, with no effect in the income for the period; and ii) the portion of the construction executed using loans is now credited into deferred charges, which will then be amortized, jointly with the contract prices debited in deferred charges. Therefore, the exempted revenue, previously recorded in income statement upon its calculation now is deferred and recognized in the income statement as creditor amortization, after the startup of the asset under construction which originated it, or eventually, by the write-off of respective asset, which is excluded for the purposes of calculating the taxable income.

The exemption guaranteed by that Decree-law was in effect for amounts calculated and registered up to December 31, 1998, and was revoked by Law no. 9.718 of November 27, 1998, causing the Company to suspend its calculation and recording as of January 1, 1996.

Thus, RIC amounts being disallowed by the tax authority were calculated and recorded as set forth by the Decree-law, which are, therefore, benefitting from income tax exemption.

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 restated amount of the proceedings on June 30, 2011, in the company and the consolidated, is R$335,899 (R$322,652 on December 31, 2010).

**- Off-set of negative basis in the succession and waiver of fines in voluntary confession**

On June 11, 2008, the Company obtained a favorable decision of the Judgement Office of Florianópolis, regarding the tax assessment notice issued by the Brazilian Federal Revenue Service, due to the use of the negative basis of social contribution in the calendar year 2003, originated from merger operations. In the tax assessment notice, tax authorities demanded the payment of taxes settled in arrears by the Company, with no fine levied, by offsetting existing tax credit payment 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 basis of social contribution derive from the merger of a company held on April 29, 1998, which were used after the amendment to the tax legislation introduced by Provisional Measure (MP) 2,158-35, of 2001, prohibiting the use of negative basis from mergers, combinations or spin-offs of companies.

As the merger took place before said MP prohibited the use of taxes, when it was still possible to use the negative basis of social contribution from the former company, the Company understands that the new rule does not encompass the merger brought in effect, considering that the amounts were added to its equity, as successor company, ensuring the right to use said amounts. The Company's arguments were accepted by the Judgment Office.

Regarding the settlement of overdue taxes, without levy of fine, before any administrative procedure or enforcement measure, with the use of tax credits, 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 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 restated amount of the proceedings on June 30, 2011, in the parent company and the consolidated information, is R$25,221 (R$23,928 on December 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 (RFB) partially approved the offset requests and the Company filed noncompliance notices, which are awaiting judgment. The Company argues that tax authorities cannot charge a penalty against a company that held tax credits and voluntarily reported its debts. The restated amount of the proceedings on June 30, 2011, in the company and the consolidated, is R$50,537 (R$47,946 on December 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 power 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 power used by the client is carried out by the distribution company where the client is connected. After, the distribution company then sends this information to the Power Trade Chamber, an entity responsible for adjusting said measurements, allowing for the recording of the power sold by the agent.

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

The mentioned tax assessment notice is being challenged by the Company which, together with its lawyers, understands that they should not succeed, reason why they consider that the possibility of a favorable court decision is higher than the risk of loss.

Even if the assessment notes are maintained, the Company's Management and its legal advisors understand that the amount effectively due is lower than 10% of that recorded by the tax authority, who did not ground its calculation criteria on the law.

The updated amount of the proceedings on June 30, 2011 is R$11,787 (R$9,210 on December 31, 2010) in the parent company, and R$45,718(R$35,720 on December 31, 2010), in the consolidated period.

**Remote tax risks**

The main liabilities assessed by the Company and its legal advisors as remote risk are:

**- Recovery of PIS and Cofins**

In 1998, Law 9,718 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 accounting caption named "Fuel Consumption Account (CCC) subsidy revenue".

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

At the evaluation of the Company's legal advisors, the arguments of the RFB 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 arranging a motion to deny the notification in the administrative level and, if necessary, in the court level. Even if the "CCC subsidy" had the revenue nature, which it does not, it would not represent a "gross revenue" that was the only revenue subject to taxation by PIS and Cofins.

In fact, up to 2005, the fuel acquired with CCC/CDE funds were recorded due to its consumuption in the plants as "operational cost" in contra account 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 abovementioned summary, the Management understands that the risk of loss in the process is remote. The lawsuit is pending judgment at the Brazilian Federal Revenue Service of Florianópolis, 4th Panel. The updated amount on June 30, 2011 is R$158,145 (R$157,529 on December 31, 2010).

**- 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. The Company understands that the acceptance of said term is already a common practice in the Brazilian Tax System and has been in use since the enactment of Decree Law No. 1,598/1977, meaning said Regulatory Instruction is illegal.Further, Article 109 of Law no. 11,196/2005 authorized the maintenance of 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 was issued, expressly revoking Regulatory Instruction no. 468/2004 and incorporating 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 of the 4th Region judged the Company's appeal, guaranteeing the Company the right to collect PIS/Pasep 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 the 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, thus avoiding filing a new remedy for this purpose.

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, which is pending judgment.

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 no. 468/2004 by the Regional Federal Court of the 4th Region. The Federal Government's special motion was not accepted, reason why on April 12, 2010, the decision of the Regional Federal Court was formally deemed final and unappealable, guaranteeing the Company's right to tax income from agreements entered into before October 31, 2003, as set forth by Law no. 10,833/03, according to the cumulative regime of PIS/Pasep and Cofins, without the limitations imposed by Regulatory Instruction no. 468/2004.

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 no. 658/2006, there being no other argumentation on the amounts unduly collected or deposited in court, supported by the Regulatory Instruction 468/2004, which was final and unappealable.

In July of 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 of 2006. The issuance of a Judicial Order allowed the partial inquiry of the deposits, which amount to R$108,578.

Despite the facts above, the Brazilian Federal Revenue Office understands that the Injunction has not yet been formally judged, and thus, it has rejected, on February 14, 2011, the request for Proof of Claim of credit from the amounts unduly collected during the period between November of 2004 and May of 2005, which amounted to R$64,103 in June 30, 2011 (R$62,802 in December 31, 2010). The rejection of the request does not affect the expected remote losses.

On June 14, 2011, the Special Motion (SpM) filed by the National Treasury was not recognized and the presented provision of Regulatory Appeal was denied by a decision formally deemed as final and unappealable. Thus, in relation to the portion of the ruling favorable to taxpayers, the requirement of final ruling, mandatory for granting of the information request relative to the installment proportional to its success in the demand, remains.

The special appeal filed by the Company to obtain a declaration of its right to remain subject to the cumulative PIS and Cofins taxation regime is awaiting ruling in the Supreme Court.

The inquiry of deposits made, supported by Regulatory Instruction no. 658/2006, amounting to R$39,745 (R$38,832 on December 31, 2010), depends on the decision of the special motion by the Superior Court of Justice. The provision in the term of the abovementioned Regulatory Instruction 658 (from August of 2006 on), with remote risk of August of 2006, is R$328,110 (R$312,933 on December 31, 2010).

## 22 - 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 New Market listing regulations, the Company cannot issue preferred shares or founder shares. The Company does not hold treasury shares.

### b) Subscribed and paid-up capital

As of June 30, 2011 and December 31, 2010, the Company's fully subscribed and paid-up capital is R$2,445,766, represented by 652,742,192 registered common shares without par value. The book value per share as of June 30, 2011 is R$8.55 (R$7.77 per share as of December 31, 2010).

Below is the Company'sshareholding structure on June 30, 2011 and December 31, 2010:

| Shareholders | % of Capital |
|---|---|
| GSELA | 68.71 |
| Banco Clássico S.A. | 10.00 |
| Other Shareholders | 21.29 |
| | **100.00** |

### c) Composition of revenues

| | 06.30.2011 | 12.31.2010 |
|---|---|---|
| **Capital reserve** | | |
| Compensation of assets and rights constituted with own capital | **91,695** | **91,695** |
| **Asset valuation adjustment** | **679,752** | **708,190** |
| **Income Reserves** | | |
| Legal reserves | 422,556 | 422,556 |
| Income retention reserve | 1,229,380 | 1,229,380 |
| Fiscal incentives reserve | 19,692 | 16,827 |
| Proposed additional dividend | - | 158,270 |
| | **1,671,628** | **1,827,033** |
| | **2,443,075** | **2,626,918** |

### d) Assets valuation adjustment

As provided for in CPC 27 (Property, plant and equipment) and in compliance with the guidelines of Technical Interpretation ICPC 10, the Company recognized the adjustment to fair value of property, plant and equipment on the date of the first-time adoption of the CPCs (January 1, 2009). The corresponding entry to the abovementioned adjustment, net of deferred income and social contribution taxes, was recognized in "Asset valuation adjustments" account, in shareholders' equity. This line is realized in the retained earnings account as the depreciation of the adjustment to fair value of property, plant and equipment is recognized in the Company's result.

## 23 - OPERATING EXPENSES BY TYPE

| | Company (BRGAAP) | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | | | 2010 |
| | 2nd quarter | | | | | 2nd quarter |
| | Costs | | Expenses | | | |
| | Energy sold | Services provided | Selling | General and Administrative | Total | Total |
| Personnel | 33,555 | 3,896 | 2,408 | 11,964 | 51,823 | 45,747 |
| Management | - | - | - | 3,358 | 3,358 | 3,707 |
| Materials | 5,527 | 174 | 15 | 611 | 6,327 | 5,210 |
| Outsourced services | 20,205 | 1,333 | 1,053 | 9,596 | 32,187 | 26,321 |
| Fuel for generation | 32,484 | - | - | - | 32,484 | 7,094 |
| Royalties [15] | 27,796 | - | - | - | 27,796 | 27,649 |
| Depreciation and amortization | 88,958 | - | - | 2,167 | 91,125 | 77.937 |
| Rents | 1,936 | 231 | 57 | 1,467 | 3,691 | 2,282 |
| Other | 4,745 | 157 | - | 11,932 | 16,834 | 15,651 |
| | **215,206** | **5,791** | **3,533** | **41,095** | **265,625** | **211,598** |

| | Consolidated (BRGAAP and IFRS) | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | | | 2010 |
| | 2nd quarter | | | | | 2nd quarter |
| | Costs | | Expenses | | | |
| | Energy sold | Services provided | Selling | General and Administrative | Total | Total |
| Personnel | 34,075 | 3,896 | 2,408 | 12,482 | 52,861 | 46,181 |
| Management | - | - | - | 3,568 | 3,568 | 3,880 |
| Materials | 6,369 | 174 | 15 | 626 | 7,184 | 5,859 |
| Outsourced services | 25,639 | 1,333 | 1,060 | 10,665 | 38,697 | 34,225 |
| Fuel for generation | 34,806 | - | - | - | 34,806 | 9,660 |
| Royalties | 32,487 | - | - | - | 32,487 | 33,055 |
| Depreciation and amortization | 117,232 | - | - | 3,448 | 120,680 | 116,352 |
| Rents | 2,411 | 231 | 58 | 1,700 | 4,400 | 3,003 |
| Other | 5,792 | 157 | 207 | 12,114 | 18,270 | 17,545 |
| | **258,811** | **5,791** | **3,748** | **44,603** | **312,953** | **269,760** |

[15] Royalties for use of hydrological resources

## 24 - REVERSAL (CONSTITUTION) OF OPERATING PROVISIONS

| | Company (BRGAAP) | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| | 2nd quarter | Year | 2nd quarter | Year |
| Post-employment benefits | 23,914 | 46,633 | 18,907 | 37,719 |
| Civil | 4,788 | (505) | (1,387) | (1,878) |
| Tax | (857) | (1,627) | 109 | (450) |
| Labor | 873 | 716 | (350) | 1,417 |
| Doubtful accounts | - | (6,043) | - | - |
| | **28,718** | **39,174** | **17,279** | **36,808** |

| | Consolidated (BRGAAP and IFRS) | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| | 2nd quarter | Year | 2nd quarter | Year |
| Post-employment benefits | 23,914 | 46,633 | 18,907 | 37,719 |
| Civil | 4,752 | (799) | (4,388) | (7,769) |
| Tax | (857) | (1,627) | 109 | (450) |
| Labor | 873 | 716 | (350) | 1,417 |
| Doubtful accounts | - | (6,180) | - | - |
| Other | 63 | - | - | - |
| | **28,745** | **38,743** | **14,278** | **30,917** |

Gains in line "Post-employment benefits" mostly correspond to the recognition of actuarial gains according to the rules established by CPC 33 (Post-employment benefits).

## 25 - FINANCIAL RESULT

| | Company (BRGAAP) | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| | 2nd quarter | Year | 2nd quarter | Year |
| **Financial income** | | | | |
| Income from marketable securities | 9,663 | 31,720 | 14,067 | 29,462 |
| Interest on receivables | 618 | 6,054 | 2,225 | 4,383 |
| Monetary variation on judicial deposits | 2,486 | 4,724 | 3,976 | 7,552 |
| Other | 2,873 | 5,745 | 3,181 | 4,799 |
| | **15,640** | **48,243** | **23,449** | **46,196** |
| **Financial expenses** | | | | |
| Debt charges | 24,825 | 70,984 | 44,859 | 82,307 |
| Charges on concession fees payable | 16,106 | 31,687 | 7,607 | 15,045 |
| Charges on actuarial liabilities | 4,541 | 9,083 | 6,156 | 12,312 |
| Interest on taxes | 193 | 354 | 20,202 | 20,221 |
| Monetary variation on debts | 9,173 | 24,033 | 9,682 | 22,332 |
| Monetary variation on concession fees payable | 8,644 | 26,930 | 9,674 | 14,732 |
| Exchange variation on debts | (7,601) | (5,987) | (11,990) | (9,545) |
| Other financial expenses | 3,663 | 8,377 | 4,403 | 8,398 |
| | **59,544** | **165,461** | **90,593** | **165,802** |
| **Financial expenses, net** | **43,904** | **117,218** | **67,144** | **119,606** |

| | Consolidated (BRGAAP and IFRS) | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| | 2nd quarter | Year | 2nd quarter | Year |
| **Financial income** | | | | |
| Income from marketable securities | 15,972 | 44,385 | 19,199 | 39,144 |
| Interest on receivables | 675 | 6,720 | 3,066 | 5,885 |
| Monetary variation on judicial deposits | 2,486 | 4,724 | 3,978 | 7,556 |
| Other | 3,428 | 6,417 | 3,220 | 5,310 |
| | **22,561** | **62,246** | **29,463** | **57,895** |
| **Financial expenses** | | | | |
| Debt charges | 50,665 | 120,493 | 69,520 | 134,419 |
| Charges on concession fees payable | 26,051 | 50,740 | 22,557 | 44,354 |
| Charges on actuarial liabilities | 4,542 | 9,083 | 6,156 | 12,312 |
| Interest on taxes | 351 | 564 | 20,253 | 20,424 |
| Monetary variation on debts | 9,385 | 24,863 | 10,594 | 24,137 |
| Monetary variation on concession fees payable | 14,116 | 40,522 | 23,004 | 41,585 |
| Exchange variation on debts | (7,601) | (5,987) | (11,990) | (9,545) |
| Other financial expenses | 4,428 | 9,756 | 5,952 | 10,378 |
| | **101,937** | **250,034** | **146,046** | **278,064** |
| **Financial expenses, net** | **79,376** | **187,788** | **116,583** | **220,169** |

## 26 - FINANCIAL INSTRUMENTS

### a) Financial instruments category

| | Company (BRGAAP) | | Consolidated (BRGAAP and IFRS) | |
|---|---|---|---|---|
| | 06.30.2011 | 12.31.2010 | 06.30.2011 | 12.31.2010 |
| **Financial assets:** | | | | |
| **Receivables and loans:** | | | | |
| Cash and bank deposits in cash | 2,292 | 1,710 | 16,699 | 8,882 |
| Clients | 392,512 | 446,165 | 523,016 | 531,106 |
| Dividends from subsidiaries | 1,628 | 6,525 | - | - |
| Collateral and restricted deposits | 7,307 | 69,665 | 56,041 | 132,797 |
| Asset sales | 86,886 | 86,886 | 86,886 | 86,886 |
| Judicial deposits | 104,241 | 131,315 | 106,336 | 133,464 |
| Credits with subsidiaries | 16,803 | 6,765 | - | - |
| Non-current assets for sale | - | 23,856 | - | 23,057 |
| | **611,669** | **772,887** | **788,978** | **916,192** |
| **Fair value through profit of loss** | | | | |
| **Held for trading:** | | | | |
| Cash equivalents | 333,962 | 794,407 | 525,795 | 1,073,698 |
| **Financial liabilities:** | | | | |
| **Financial liabilities measured at amortized cost:** | | | | |
| Suppliers | 201,246 | 174,086 | 264,264 | 268,851 |
| Loans, financing and debentures | 1,110,866 | 1,924,136 | 3,676,887 | 4,443,920 |
| Concession fees payable | 778,401 | 721,025 | 1,206,724 | 1,134,947 |
| | **2,090,513** | **2,819,247** | **5,147,875** | **5,847,718** |

Cash equivalent corresponds substantially to financial investments held at the Exclusive investment funds. The fair value of this instrument is measured at the prices of Federal Government securities comprising the Fund in the active market (level 1).

**b) Risk Management**

The Company's business, the financial conditions and the results of operations may be adversely affected by any of the risk factors described below. To carry out the risk assessment process more effectively, Tractebel Energia created the Risk Management Committee, which is in charge of raising awareness on how to treat risks, defining goals and guidelines to manage risks, fostering and suggesting improvements in the assessment process, rating and defining control procedures.

**- Market Risk**

The Committee is comprised of a representative from the departments responsible for financial planning, regulation and market, power supply planning, finance, trade, audit, project implementation and power production. The Planning and Control Officer is responsible for the general 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. Until June 30, 2011, the Company did not enter into any derivative contracts to *hedge* these risks; however, they are monitored by the Financial Management Committee, which periodically assesses the Company's exposure and proposes operating strategies, control systems, position limits and credit limits with other partners in the market. The Company does not practice speculative investments in derivatives or any other risk assets.

There were no changes in the Company's exposure to market risks or in the way the Company manages and measures 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 Government Securities (in the final purchase and/or repurchase agreement mode) and at most 10% of Private Securities (CDB acquisitions of eligible banks and also repurchase agreements with debentures issued by leasing companies controlled by eligible banks).

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

The "Investment and Derivatives Policy" imposes strong restrictions on operations with derivatives and establishes continued follow up when contracting this type of operation. Currently, the Company has not contracted operations with derivatives.

**- Foreign exchange risk**

The portion of loan denominated in foreign currency, in the amount of R$200,840 on June 30, 2011, corresponds to 5.5% of the Company's debt, of which 2.9% is in U.S. dollars and 2.6% in Euros. Debt maturities are distributed on a long term basis, concentrated in 2015 and 2024. Considering that the effect arising from the debt maturity is minimum on a short and medium term basis and, due to the impossibility of making an effective hedge for the balance sheet since there is no forward curve on long term basis, the Company did not hold on June 30, 2011 any derivative instrument to protect its liabilities. For more details on the composition of foreign currency debt, refer to Note 16 – Loans and Financing.

**- Interest rates and fluctuating indexes risks**

This risk is related to possible losses the Company may have from exchange rate fluctuation, which affect the Company's liabilities. The Company and its subsidiaries are exposed to interests rates and fluctuating indexes related to Libor, Euribor, TJLP, DI rate, IGP-M and IPCA variations. The debt breakdown by interest rates and index, and percentages related to the total amount of these debts is as follows:

| Interest rates and fluctuating indexes risks | Loans, financing and debentures | % | Concession fees payable | % |
|---|---|---|---|---|
| Libor Dollar | 4,199 | 0.12 | - | - |
| Euribor | 96,042 | 2.73 | - | - |
| TJLP | 2,551,229 | 72.62 | - | - |
| CDI | 406,692 | 11.58 | - | - |
| IPCA | 441,452 | 12.57 | 392,495 | 32.53 |
| IGP-M | 13,450 | 0.38 | 814,229 | 67.47 |
| | **3,513,064** | **100.00** | **1,206,724** | **100.00** |

On June 30, 2011, the Company did not have derivatives contracted to hedge these indexes. However, the risks are monitored by the Financial Management Committee, which, periodically, assesses the Company's exposure and proposes strategies that should be adopted.

**- Sensitivity analysis**

Due to the volatility history of the real against foreign currencies, interest rates and price indexes, the Company has prepared a sensitivity analysis for its debts, showing the eventual impacts on the 2011 results, based on the assumptions available in the market. The variations used to calculate the impact on the Company's results for the next 12 months were: dollar (+13.7%), euro (+5.3%), TJLP (+6%), CDI (+12%), IPCA (+4.8%) and IGP-M (+5%).

| | Impacts on income |
|---|---|
| Foreign currency variation | 19,465 |
| Interest rate variation | 595 |
| Price index fluctuation | |
| Debentures | 9,885 |
| Concession fees payable | 62,807 |

The Company's funds are invested in an Exclusive Fixed Income Investment Fund, whose policy is to allocate the funds to very low-risk assets. As of June 30, 2010, the Fund's entire portfolio was invested in assets with credit risk from the Brazilian Government, with daily liquidity and floating interest rate, pegged to the variation of the Selic.
Such funds will be used in the short-term, substantially reducing the risk of any significant effects on the earnings due to an eventual decrease in the basic interest rate in the Brazilian economy.

Specifically regarding to the risk of accelerated inflation, it is worth noting that all the power sales agreements in force have an inflation adjustment clause – IGPM or IPCA, a long-term, natural hedge for debts and obligations adjusted by inflation and/or pegged to an inflation acceleration - for the CDI.

As per the floating interest rate risk, it is worth noting that most of its debts are pegged to the TJLP, which may become even more important. Despite the fact that this is a "floating" rate, it has been stable at 6% for several years and, therefore, it could almost be considered a fixed rate.

**- Liquidity risk**

The Financial Management Committee is responsible for managing the Company's liquidity risk. The Committee also 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 in a conservative way, 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 its low volatility for receivables and long-term obligations within the year, provide stable flows, thus reducing its liquidity risk.

The maturity profile of loans, financing and concession fees payable is as follows:

| | 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 and debentures | 1,356 | 2,494 | 273,081 | 731,560 | - | 1,008,491 |
| **- fixed rates** | | | | | | |
| - Loans and financing and debentures | 403 | 713 | 8,977 | 13,702 | 78,580 | 102,375 |
| Concession fees payable | 209 | 418 | 1,994 | 3,959 | 771,821 | 778,401 |
| | **1,968** | **3,625** | **284,052** | **749,221** | **850,401** | **1,889,267** |

| | 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 and debentures | 13,460 | 19,894 | 423,451 | 1,407,335 | 1,651,605 | 3,515,745 |
| **- fixed rates** | | | | | | |
| - Loans and financing and debentures | 1,265 | 2,016 | 14,840 | 45,614 | 97,407 | 161,142 |
| Concession fees payable | 3,703 | 7,529 | 33,529 | 138,913 | 1,023,050 | 1,206,724 |
| | **18,428** | **29,439** | **471,820** | **1,591,862** | **2,772,062** | **4,883,611** |

### - 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 optimize the return to investors.

The Company's capital structure comprises net debt (loans, financings and debentures, described in notes 16 and 17, minus cash and cash equivalents) and shareholders' equity, which includes capital, reserves and retained earnings.

The Company has debts that establish a maximum gross debt limit, calculated based on the EBITDA. The most restrictive of these debts limits at 2.5x EBITDA. Given 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 Office, monitors the Company's indebtedness level which should remain at around 2x EBITDA, which can, however, vary according to the policy for acquisition of the Company's new power plants.

**- 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 power to free consumers, sellers and generating companies, as well as in former bilateral agreements with the distribution companies, the Company requires a bank guarantee. 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 to be presented according to its credit policy. Additionally, the Company periodically evaluates its exposure to the different industries seeking portfolio diversification and reduction of its exposure to a specific industry risk.

In financial market investment transactions, the Company gives priority to investments in public securities, however, it also has a credit limit policy with financial institutions, which are regularly reviewed by its 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 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, or credit guarantee, to protect this type of credit.

**c) Fair value of financial instruments**

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

| | Company (BRGAAP) | | | |
|---|---|---|---|---|
| | 06.30.2011 | | 12.31.2010 | |
| | Book | Market | Book | Market |
| Loans and financing in local currency | 29,319 | 29,309 | 49,414 | 49,135 |
| Loans and financing in foreign currency | 200,840 | 222,667 | 213,580 | 211,784 |
| Debentures | 880,707 | 773,988 | 1,661,142 | 1,557,388 |
| Concession fees payable | 778,401 | 1,029,165 | 721,025 | 1,024,567 |
| | **1,889,267** | **2,055,129** | **2,645,161** | **2,842,874** |

| | Consolidated (BRGAAP and IFRS) | | | |
|---|---|---|---|---|
| | 06.30.2011 | | 12.31.2010 | |
| | Book | Market | Book | Market |
| Loans and financing in local currency | 2,581,890 | 2,585,134 | 2,542,979 | 2,546,069 |
| Loans and financing in foreign currency | 200,840 | 222,667 | 213,580 | 211,784 |
| Debentures | 894,157 | 787,438 | 1,687,361 | 1,583,608 |
| Concession fees payable | 1,206,724 | 1,561,038 | 1,134,947 | 1,558,491 |
| | **4,883,611** | **5,156,277** | **5,578,867** | **5,899,952** |

The amount of financial investments recorded in the accounting statements are close to the realization amounts given that the operations bear floating interest rates and have immediate liquidity.

**- Additional sensitivity analysis of financial instruments, according to CVM Instruction no. 475/08**

The additional information on the Company's financial instruments required by CVM Rule no. 475/08, specifically those on the additional sensitivity analysis as required by the IFRS and the accounting practices adopted in Brazil, are shown below.

Due to the volatility history of the real against foreign currencies, price indexes and interest rates, the Company prepared a sensitivity analysis that shows eventual impacts on its short-term result. The analysis took into consideration a basic scenario forecast for the next 12 months, and two other scenarios that included a 25% and 50% variation on the basic premises. The basic scenario was designed using the premises available in the market and takes into consideration the following variations: dollar (+13.7%), euro (+5.3%), TJLP (+6%), CDI (+12%), IPCA (+4.8%) and IGP-M (+5%).

The projection of the effects resulting from the application of these scenarios to the Company's financial result for the next 12 months, on a consolidated base, would be as follows:

| | Balance 06.30.2011 | Basic scenario | Scenario I 25% | Scenario II 50% |
|---|---|---|---|---|
| Foreign currency variations | 200,840 | 19,465 | 74,541 | 129,618 |
| Interest rate variations | 2,959,728 | 595 | 38,955 | 77,807 |
| Price index fluctuations: | | | | |
| Debentures | 441,946 | 9,885 | 86,285 | 162,684 |
| Concession fees payable | 1,206,724 | 62,807 | 88,802 | 115,141 |

## 27 - RELATED PARTY TRANSACTIONS

The transactions with related parties carried out by the Company include agreements for the purchase and sale of power, the provision of administrative services and the operation and maintenance of power plants, in addition to guarantees granted to third parties. The details of the most important transactions are shown below.

### a) Purchase and sale of power

| Company | Volume (average MW) | Maturity | Annual restatement index | Balance as of 06.30.2011 |
|---|---|---|---|---|
| **Purchase:** | | | | |
| Itasa | 167 | 10.16.2030 | IGP-M | 2,328,799 |
| Itasa | 61 | 10.16.2030 | US dollar variation + US inflation | 450,750 |
| **Sale:** | | | | |
| TBLC | 150 | 03.01.2015 | IPCA | 337,630 |
| TBLC | 190 | 12.31.2016 | IPCA | 641,406 |
| Lages | 26 | 03.31.2017 | Cost defined yearly in November | 89,955 |

Power contracted with Itasa corresponds to the electrical energy generated by the subsidiary and is sold by Tractebel Energia. Sale to free consumers is mostly carried out by wholly-owned subsidiary TBLC. TBLC purchases electrical energy in order to have electrical energy sufficient to meet its commitments, mainly those with industrial customers.

### b) Operation and maintenance

| Related party | Maturity | Annual restatement index | Balance as of 06.30.2011 |
|---|---|---|---|
| Itasa | 10.16.2030 | IGP-M | 215,033 |
| Ceste | 04.28.2025 | Mix of the IPCA and INPC indexes | 197,953 |
| CESS | 10.15.2023 | IGP-M | 12,395 |
| Lages | 03.31.2012 | Restatement index of the Collective Bargaining Agreement of Tractebel Energia | 1,393 |

The Company's strategy is to centralize the operation and maintenance activities at Tractebel Energia, which also provides these services to its subsidiaries that do not outsource them.

### c) Administrative services

Tractebel Energia provides those services necessary to the administrative activities of the subsidiaries. The annual contracted value with the subsidiaries is R$1,576 thousand, annually readjusted by INPC.

**d) Guarantees**

The Company is the intervening party in the loan agreements signed by its direct and indirect subsidiaries with the BNDES and other financial agents, granting its total stock amount as a deposit.

**e) Sureties and guarantees**

The Company is also the guarantor of subsidiaries CESS, TBLC and CEE in operations to purchase power maturing in 2011 and 2012 in the total amount of R$37,745. The Company is also the guarantor of subsidiary TBLC in operations to purchase power maturing on December 31, 2011, in the total amount of R$40,353.

**f) Mutual Operation**

The Company granted funds to indirect subsidiary Ibitiúva Bioenergética S.A. by mutual operations, in order to continue the execution of the works on the power plant while the funds from BNDES had not been released. The amounts are received as the BNDES releases the funds from the financing. The remuneration of the agreement corresponds to 100% of the Selic rate. The balance on June 30, 2011 was R$6,603.

**g) Advisory Services**

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

The Company executed an agreement with SUEZ-Tractebel S.A., its indirect parent company, headquartered in Brussels, Belgium, the purpose of which is the provision of specific advisory services in the management, operational, financial, accounting, legal, marketing and project development areas, as the Company deems necessary. The contract renewal was approved by unanimous vote of the Company's minority shareholders, at the Extraordinary General Meeting (AGE) held on April 23, 2010, and the controlling shareholder resigned the voting right. The term of the agreement is 3 (three) years, renewable every year. The value of fees during the effectiveness of the agreement is limited to the annual non-cumulative amount of 1,500,000.00 Euros. Services shall be executed and respective fees shall be submitted to the Company's Fiscal Council, which has one member elected by the minority shareholders. The outstanding amount on June 30, 2011 is R$10,228.

Tractebel Energia
GDF SUEZ

## h) Amounts recorded in balance sheet and income statement accounts:

| | Asset | | | | Liability | | | |
|---|---|---|---|---|---|---|---|---|
| 6.30.2011 | Accounts Receivable | Dividends | Mutual | Total | Suppliers | Dividends and Interest on Equity | Other | Total |
| Itasa | 2,237 | - | - | 2,237 | 6,241 | - | 17 | 6,258 |
| CEE | - | - | - | - | 5,452 | - | - | 5,452 |
| Lages | 1,714 | - | - | 1,714 | - | - | - | - |
| TBLC | 93,552 | - | - | 93,552 | 2,247 | - | - | 2,247 |
| CESS | 616 | 1,628 | - | 2,244 | - | - | - | - |
| Ibitiúva | - | - | 6,603 | 6,603 | - | - | - | - |
| Delta | 10,200 | - | - | 10,200 | - | - | - | - |
| SUEZ Tractebel S.A. | - | - | - | - | 3,971 | - | - | 3,971 |
| Ceste | 1,464 | - | - | 1,464 | - | - | - | - |
| Other | 49 | - | - | 49 | 113 | - | - | 113 |
| TOTAL | 109,832 | 1,628 | 6,603 | 118,063 | 18,024 | - | 17 | 18,041 |
| 12.31.2010 | 87,167 | 6,525 | 6,765 | 100,457 | 11,719 | 129,186 | 31 | 140,936 |

| | Income | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Service Income | | | | Cost of Power | Expenses | | Equity Pick-Up |
| 2Q11 | Power Supply | Operation and Maintenance | Management | Total | Power Purchases | General and Administrative | Total | |
| Itasa | - | 3,466 | - | 3,466 | 34,163 | - | 34,163 | 8,003 |
| Lages | 3,990 | 465 | 49 | 4,504 | - | - | - | (20) |
| TBLC | 274,694 | - | 97 | 274,791 | - | - | - | 17,123 |
| CESS | - | 251 | 53 | 304 | 3,403 | - | 3,403 | 3,271 |
| TBLP | - | - | - | - | - | - | - | 6,002 |
| CEE | - | - | - | - | 11,004 | - | 11,004 | 981 |
| SUEZ Tractebel S.A. | - | - | - | - | - | 852 | 852 | - |
| Ceste | - | 3,537 | - | 3,537 | - | - | - | - |
| Other | - | - | 195 | 195 | - | 314 | 314 | - |
| TOTAL | 278,684 | 7,719 | 394 | 286,797 | 48,570 | 1,166 | 49,736 | 35,360 |
| 2Q10 | 93,813 | 3,481 | 399 | 97,693 | 30,935 | 1,021 | 31,956 | 98 |

### 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 is the pension (post-employment).

| | Company (BRGAAP) | | Consolidated (BRGAAP and IFRS) | |
|---|---|---|---|---|
| | 06.30.2011 | 06.30.2010 | 06.30.2011 | 06.30.2010 |
| Short-term benefits and fees | 4,114 | 3,557 | 4,455 | 3,833 |
| Social charges | 1,292 | 1,186 | 1,360 | 1,241 |
| Management bonus and charges | 1,336 | 1,805 | 1,336 | 1,805 |
| Post-employment benefits | 301 | 306 | 301 | 306 |
| | 7,043 | 6,854 | 7,452 | 7,185 |

The management's compensation is not based on shares of Tractebel Energia.

## 28 - INSURANCE

On June 30, 2011, Tractebel Energia had broad operating risk policies and insurance with declared value for material damages amounted to US$6,055,322 (R$9,448,119) and for lost profits in the amount of US$397,683 (R$620,505). The maximum combined limit of indemnification for material damages and lsot profits is US$350,000, equal to R$546,105 per event.

Subsidiaries have insurance agreements with the following coverage characteristics and amounts on June 30, 2011:

| | Operating risks | | Profit Loss | |
|---|---|---|---|---|
| | US$ | R$ | US$ | R$ |
| Lages | 53,114 | 82,874 | 7,303 | 11,395 |
| CESS | 299,090 | 466,670 | 23,378 | 36,477 |
| Tupan | 52,016 | 81,161 | 1,512 | 2,359 |
| Hidropower | 54,639 | 85,253 | 1,266 | 1,975 |
| Areia Branca | 23,630 | 36,870 | - | - |
| CEE | 1,536,120 | 2,396,808 | 57,482 | 89,689 |
| Pedra do Sal | 47,807 | 74,593 | 7,086 | 11,056 |
| Beberibe | 71,140 | 111,000 | 10,022 | 15,637 |
| Ibitiúva | 52,052 | 81,217 | 14,172 | 22,113 |

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

In the renovation of the Operating Risks policy, on May 31, 2011, the risk value of insured locations was updated as per the report of an engineering company specialized in equity valuation for insurance purposes.

In the 2011/2012 cycle, the Company decided to adhere to the regional insurance policy called Property Damage and Business Interruption – PDBI, which is coordinated by Controlling Group, since it understands that business and coverage conditions prove to be more favorable than those available on the domestic market and likely to be contracted by the Company.

Estreito consortium currently has engineering risk insurance for units which are still not under commercial operation for material damage of R$2,404,630 and expected loss of profit of R$612,233.

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.

## 29 - LONG-TERM AGREEMENTS

The Company has the following long-term agreement, and their information is disclosed in more detail on the financial statements of December 31, 2010.

- Power grid connection agreement;
- Transmission and Distribution Network Usage Agreements (CUST and CUSD);
- Bilateral power purchase and sale agreements;
- Purchase of natural gas;
- Leasing operations; and
- Construction agreements in progress.

**Bilateral power purchase and sale agreements**

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

| | Average MW | | | | |
|---|---|---|---|---|---|
| Year | Own Resources | Purchases for resale | Total availability | Contracted availability | % Contracted |
| 2011 | 3,440 | 450 | 3,890 | 3,830 | 98.46% |
| 2012 | 3,598 | 574 | 4,172 | 4,024 | 96.45% |
| 2013 | 3,683 | 390 | 4,073 | 3,992 | 98.01% |
| 2014 | 3,683 | 309 | 3,992 | 3,688 | 92.38% |
| 2015 | 3,683 | 216 | 3,899 | 3,337 | 85.59% |
| 2016 | 3,683 | 206 | 3,889 | 2,723 | 70.02% |

## 30 - RECONCILIATION OF NET OPERATING REVENUE

In compliance with the requirements of CPC 30 – Revenues, below is the reconciliation of the gross operating revenue for tax purposes and the net revenue presented in the statement of income.

| | Company (BRGAAP) | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| | 2nd quarter | Year | 2nd quarter | Year |
| **GROSS OPERATING REVENUE** | | | | |
| Power supply | 829,134 | 1,657,938 | 701,647 | 1,428,569 |
| Power provision | 66,000 | 137,807 | 70,130 | 136,761 |
| Transactions within CCEE | 1,396 | 16,723 | 24,176 | 29,612 |
| Power export | 56,304 | 57,370 | 6,500 | 6,500 |
| Other revenues | 9,187 | 16,714 | 4,734 | 10,149 |
| | **962,021** | **1,886,552** | **807,187** | **1,611,591** |
| **DEDUCTIONS FROM OPERATING REVENUE** | | | | |
| PIS and Cofins (Taxes on Revenue) | (72,764) | (146,982) | (60,476) | (119,873) |
| ICMS | (10,877) | (22,033) | (12,788) | (24,669) |
| ISS (service tax) | (302) | (662) | (94) | (196) |
| Research and Development | (8,007) | (15,742) | (6,770) | (13,411) |
| | **(91,950)** | **(185,419)** | **(80,128)** | **(158,149)** |
| **NET OPERATING REVENUES FROM SALES** | **870,071** | **1,701,133** | **727,059** | **1,453,442** |

| | Consolidated (BRGAAP and IFRS) | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| | 2nd quarter | Year | 2nd quarter | Year |
| **GROSS OPERATING REVENUE** | | | | |
| Power supply | 783,976 | 1,572,602 | 795,238 | 1,605,424 |
| Power provision | 336,908 | 675,109 | 243,575 | 476,070 |
| Transactions within CCEE | 1,611 | 19,463 | 26,876 | 34,695 |
| Power export | 56,304 | 57,370 | 6,500 | 6,500 |
| Other revenues | 5,515 | 9,645 | 2,454 | 8,982 |
| | **1,184,314** | **2,334,189** | **1,074,643** | **2,131,671** |
| **DEDUCTIONS FROM OPERATING REVENUE** | | | | |
| PIS and Cofins (Taxes on Revenue) | (91,190) | (185,431) | (83,423) | (164,318) |
| ICMS | (26,157) | (50,788) | (19,256) | (42,354) |
| ISS (service tax) | (302) | (662) | (95) | (205) |
| Research and Development | (8,822) | (17,336) | (7,624) | (15,025) |
| | **(126,471)** | **(254,217)** | **(110,398)** | **(221,902)** |
| **NET OPERATING REVENUES FROM SALES** | **1,057,843** | **2,079,972** | **964,245** | **1,909,769** |

## 31 - ADDITIONAL INFORMATION TO THE CASH FLOW

Relevant transactions that do not involve cash and cash equivalents and payments made in the year are the following:

| | Consolidated (BRGAAP and IFRS) | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| | 2nd quarter | Year | 2nd quarter | Year |
| **Transactions not involving cash** | | | | |
| Property, plant and equipment suppliers | 20,641 | 26,179 | (2,956) | 24,658 |
| Interest from capitalized financing | 27,701 | 56,499 | - | 982 |

## 32 - SUBSEQUENT EVENTS

**Commercial start-up of the 2nd generator unit at the Estreito HPP**

The second unit enabled for test operations on June 28, 2011 had its comercial start-up on July 2, 2011, increasing its installed capacity by 135.8 MW and its ensured energy by 51.69 average MW.

**Loans from Bank of America Merrill Lynch.**

On July 7, 2011, the Company signed an international loan agreement with Bank of America Merrill Lynch, with the following conditions:

- Availability: June 20, 2011
- Amount: US$273,537, equivalent to R$430,000
- Interest: 2.6236% fixed p.a.
- Maturity of principal: July 20, 2013, January 20, 2014 and July 20, 2014
- Amortization of interest: quarterly, starting on October 20, 2011 and ending on July 20, 2014
- Guarantee: no guarantee
- Covenants: EBITDA /consolidated financial expenses ≥ 2.0 consolidated debt/EBITDA ≤ 3.5.

In order to protect its cash flow from USD osciallations, the Company contracted a swap derivative operation with cash flow, which will grant and active position related to the USD variation plus 2.6236% p.a. interest and passive position equal to 98% of Interbank Deposit Rate (CDI) in the amount of R$430,000, with maturity of principal and amortization of interest on the same dates of the loan agreement mentioned above.

Thus, the USD variations throughout the loan agreement will not affect the Company's result.

**Early settlement of debentures of the Company's 4th issue**

On July 21, 2011, the Company anticipated 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 matured on November 5, 2015.

**Interim dividends**

In a meeting held on July 29, 2011, the Board of Directors approved the distribution of interim dividends, based on the financial statements from June 30, 2011, in the amount of R$658,014, equal to R$1.0080763921 per share, 100% of the adjusted net income of the first half of 2011.

The Company's shares will be traded ex-interim dividends as of August 11, 2011.

Dividends will be paid on October 6, 2011, based on the registration data held at Itaú Unibanco. These dividends will be booked in July of 2011.

## 33 - EXPLANATION ADDED FOR TRANSLATION INTO ENGLISH

The accompanying financial statements are presented in conformity with accounting practices adopted in Brazil and IFRS (Note 2). Certain accounting practices adopted by the Company that conform to those accounting practices applied in Brazil and IFRS may not conform to generally accepted accounting principles in other countries where these financial statements may be used."

## BOARD OF DIRECTORS

Maurício Stolle Bähr
CEO

Jan Franciscus María Flachet
Vice-CEO

Manoel Arlindo Zaroni Torres
Member

Victor-Frank de Paula Rosa Paranhos
Member

Dirk Achiel Marc Beeuwsaert
Member

Alain François Marie Luoise Janssens
Member

Luiz Antônio Barbosa
Member

José Pais Rangel
Member

Antonio Alberto Gouvêa Vieira
Member

## EXECUTIVE BOARD

Manoel Arlindo Zaroni Torres
CEO

Eduardo Antonio Gori Sattamini
Chief Financial and Investor Relations Officer

José Luiz Jansson Laydner
Energy Commercialization Officer

Miroel Makiolke Wolowski
Project and Development Implementation Officer

José Carlos Cauduro Minuzzo
Energy Production Officer

Marco Antônio Amaral Sureck
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

**Comments on the behavior of corporate projects**

The projections presented in the reference form are made based on anual information and not quarterly information, and, therefore, do not apply to the comparison of the information disclosed in the reference form and the results obtained in the quarter.

**Other Information the Company Deems Material**

There is no other information the Company deems material.

Tractebel Energia
GDF SUEZ

**Reports and Declarations / Special Review Report – Without Reservations**

Deloitte.

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

We have reviewed the accompanying individual and consolidated interim financial information of Tractebel Energia S.A. (the "Company"), included in the Interim Financial Information Form (ITR), for the quarter ended June 30, 2011, which comprises the balance sheet and the related statements of income, changes in equity and of cash flows for the six-month period then ended, including the explanatory notes.

Management is responsible for the preparation of the individual interim financial information in accordance with CPC 21 – Interim Financial Reporting and the consolidated interim financial information in accordance with CPC 21 and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of such information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of Interim Financial Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

**Scope of Review**

We conducted our review in accordance with with Brazilian and International Standards on Review of interim financial information (NBC TR 2410 and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the standards on auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion on the Individual Interim Financial Information**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual interim financial information included in the ITR referred to above is not prepared, in all material respects, in accordance with CPC 21 applicable to the preparation of Interim Financial Information (ITR) and presented in accordance with the standards issued by the Brazilian Securities Commission.

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Tractebel Energia S.A. 2

**Conclusion on the Consolidated Interim Financial Information**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information included in the ITR referred to above is not prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Interim Financial Information (ITR), and presented in accordance with the standards issued by the Brazilian Securities Commission (CVM).

**Other Matters**

***Interim Statements of Value Added***

We have also reviewed the individual and consolidated interim statements of value added (DVA) for the six-month period ended June 30, 2011, the presentation of which is required by the standards issued by Brazilian Securities Commission (CVM) applicable to the preparation of interim financial information (ITR) and is considered as supplemental information for IFRS that does not require the presentation of DVA. These statements were subject to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they are not prepared, in all material respects, in relation to the individual and consolidated interim financial information taken as a whole.

The accompanying interim financial information has been translated into English for the convenience of readers outside Brazil.

Rio de Janeiro, July 29, 2011

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Paulo Roberto Marques Garrucho
Engagement Partner

**Reports and Declarations / Declaration of the Management Regarding the Financial Statements**

The Company's management declares that it has examined, discussed and reviewed all information contained in the Company's Financial Statements (individual and consolidated) and agrees with the opinion of the indedpendent auditors of the Company, Deloitte Touche Tohmatsu as prsented in the Special Review Report of the Indedpendent Auditors.

Manoel Arlindo Zaroni Torres

CEO

Eduardo Antonio Gori Sattamini

Chief Financial and Investor Relations Officer

José Luiz Jansson Laydner

Energy Commercialization Officer

Miroel Makiolke Wolowski

Project and Development Implementation Officer

José Carlos Cauduro Minuzzo

Energy Production Officer

Marco Antônio Amaral Sureck

Planning and Control Officer

Luciano Flávio Andriani

Administrative Officer

**Reports and Declarations / Declaration of the Management Regarding the Independent Auditors Report**

The Company's management declares that it has examined, discussed and reviewed all information contained in the Company's Financial Statements (individual and consolidated) and agrees with the opinion of the indedpendent auditors of the Company, Deloitte Touche Tohmatsu as prsented in the Special Review Report of the Indedpendent Auditors.

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