Tractebel Energia

GDF SUEZ



2008 Annual Sustainability Report

VISION

In a sustainable way, to be the best energy company in Brazil.

MISSION

Generating energy for life.

VALUES

Professionalism

All work must be carried out using the highest technical standards so that customers are provided with quality service. For Tractebel Energia, professionalism is the mix of competence, skills, integrity, passion for the profession and a job well done and committed to the Company and its stakeholders.

Sense of Partnership

We perform more efficiently when associated to others in our evolution. For Tractebel Energia sense of partnership is a philosophy and a line of conduct, representing a long-term commitment. It is loyalty and the fulfillment of promises, transparency of actions and trust in all Company's partners.

Team Work

First and foremost, team work means mutual assistance. It is an exchange of experiences and the sharing of knowledge. It is the capacity to change and adapt to change; to be multicultural and open to others. Team work also means being imaginative and placing collective interests above the individual. It is a management philosophy whereby everyone wins.

Creation of Value

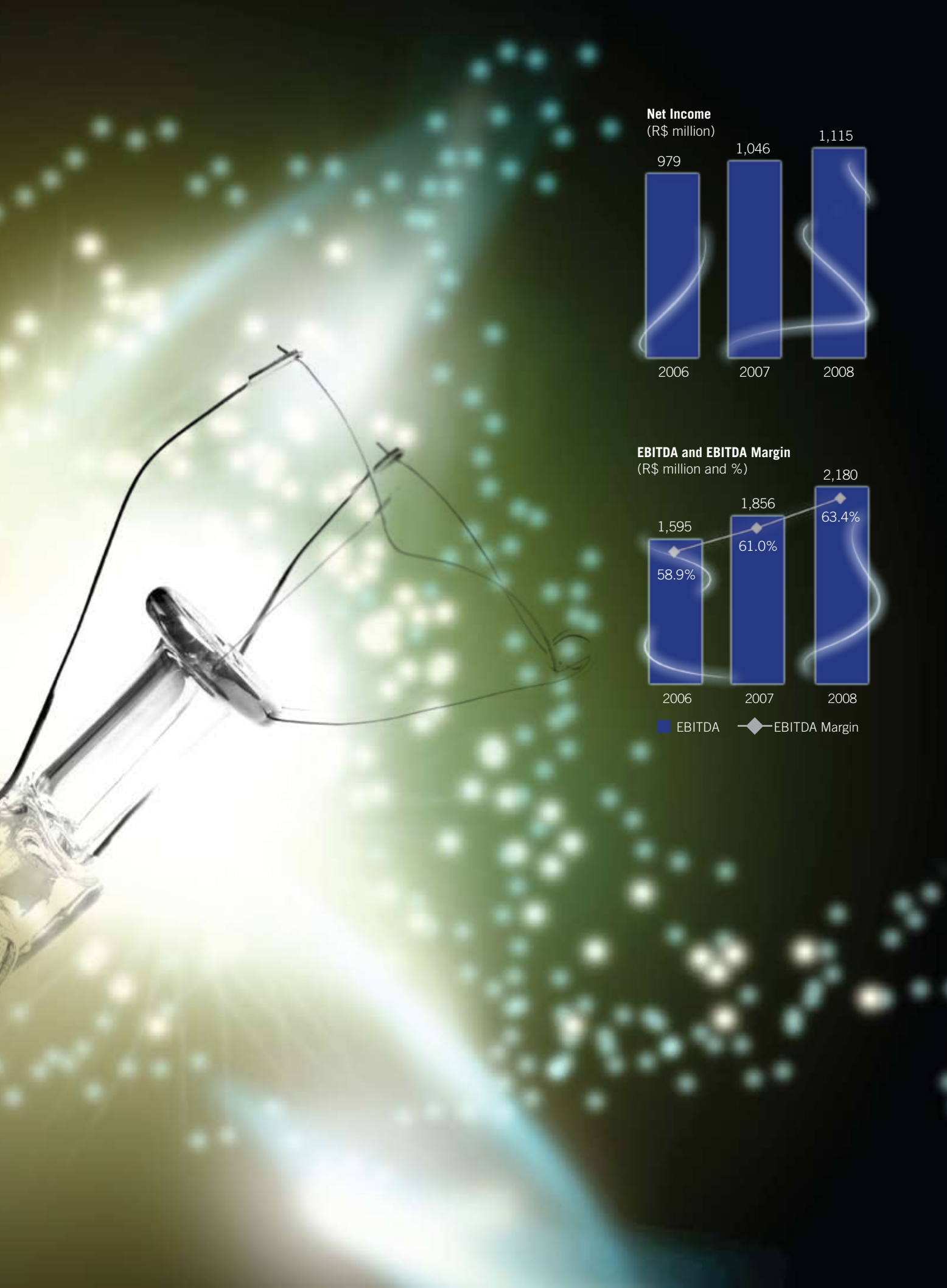
It is our duty to seek the creation of value to enhance the Company's profitability and financial strength, ensuring its autonomy and stability. The creation of greater value is a full-time job, and profitability must be part of our culture.

Respect for the Environment

Tractebel Energia must contribute to improve — in a sustainable way — quality of life through the preservation of the environment. Respect for the environment is at the heart of our strategy and philosophy.

Ethics

Ethics is a value that underscores all of our other principles. Ethics must guide our daily behavior, thus being a means of ensuring the success and continuity of Tractebel Energia's business and of the group to which it belongs. It is a genuine commitment to our customers, our shareholders and, above all, to ourselves. The Company's Code of Ethics is a natural expression of these values.


Net Income
(R$ million)
979
1,046
1,115
2006
2007
2008
EBITDA and EBITDA Margin
(R$ million and %)
1,595
1,856
2,180
58.9%
61.0%
63.4%
2006
2007
2008
EBITDA
EBITDA Margin

Operational, Financial, Social and Environmental Highlights

	2006	2007	2008	2008/2007 Change
Economic Indicators (R$ million)				
Gross Operating Revenue	3,005	3,365	3,834	13.9%
Net Operating Revenue	2,706	3,043	3,441	13.1%
EBITDA [1]	1,595	1,856	2,180	17.5%
EBITDA Margin (%)	58,9	61.0	63.4	2.4 p.p.
Service Income – EBIT [2]	1,387	1,620	1,914	18.1%
Financial Result	(156)	(135)	(324)	140.0%
Net Income	979	1,046	1,115	6.6%
Financial Indicators (R$ million)				
Total Assets	5,539	6,598	8,342	26.4%
Shareholders' Equity	2,765	2,817	3,171	12.6%
Investments	69	379	1,489	292.4%
Net Debt	1,025	1,019	2,559	151.1%
Shares				
Number of Shares (thousand)	652,742	652,742	652,742	0.0%
Net Income per Share (R$)	1.5001	1.6019	1.7084	6.6%
Average Share Price – Common Share (R$) [3]	16.53	20.32	20.99	3.3%
Dividend Distribution (R$ million)	930	993	756	-23.9%
Market				
Contracted Energy Sales (GWh)	32,836	32,800	30,661	-6.5%
Contracted Energy Sales (average MW)	3,748	3,744	3,491	-6.5% [4]
Workforce				
Number of Employees	905	917	941	2.6%

[1] EBITDA represents: operating income + financial result + depreciation and amortization

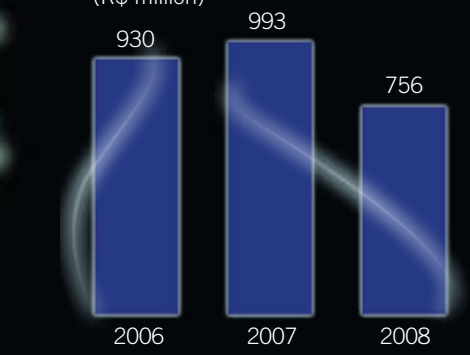
[2] EBIT represents: operating income + financial result

[3] Simple average of closing quotes

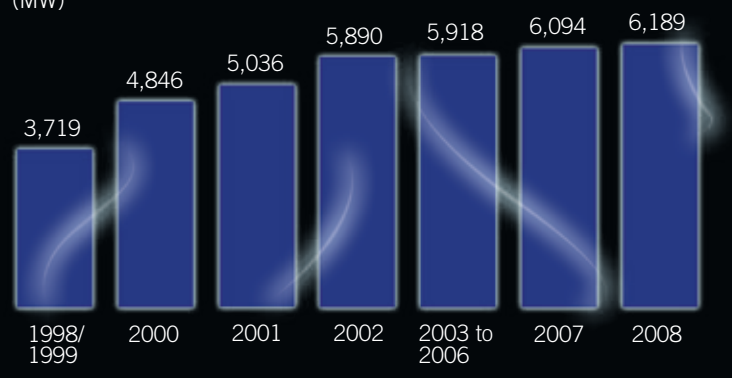
[4] To avoid distortion by the fact that 2008 is a leap year, the variation was calculated based on MWh, and not on average MW.

Committed to sustainability, the Company has expanded its proprietary generation capacity by 66.4% over the last 10 years

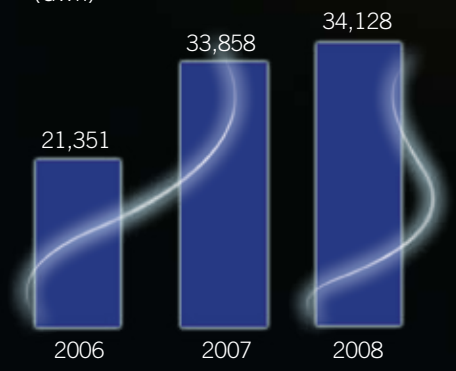
Dividend Distribution
(R$ million)



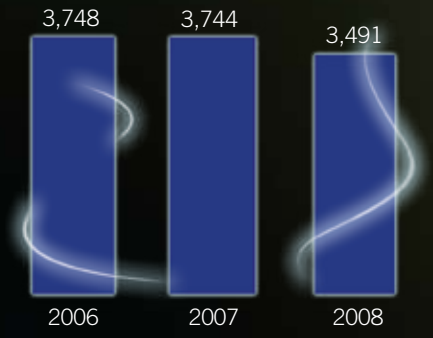
Proprietary Supply Capacity
(MW)



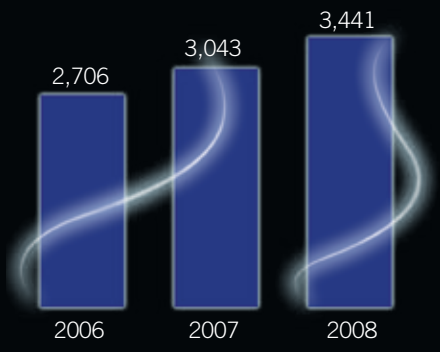
Energy Production
(GWh)



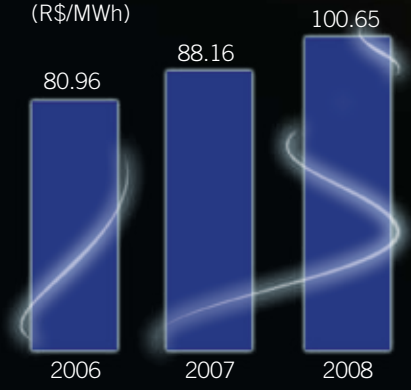
Contracted Energy Sales
(average MW)



Net Operating Revenue
(R$ million)

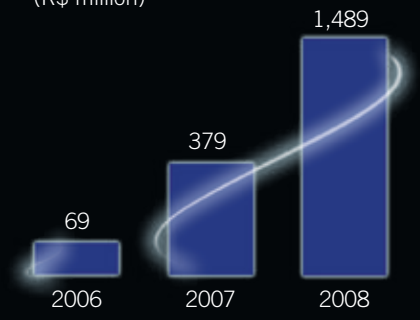


Average Price of Contracted Sales*
(R$/MWh)

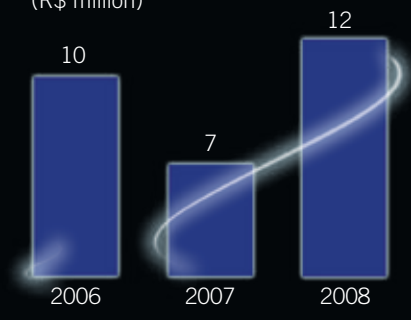


* Net of taxes on sales and exports

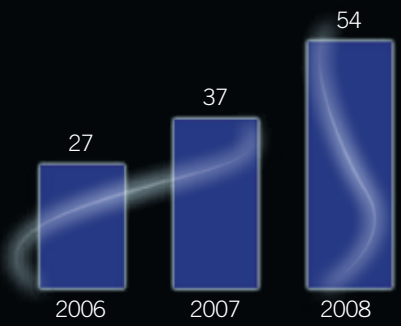
Investments
(R$ million)



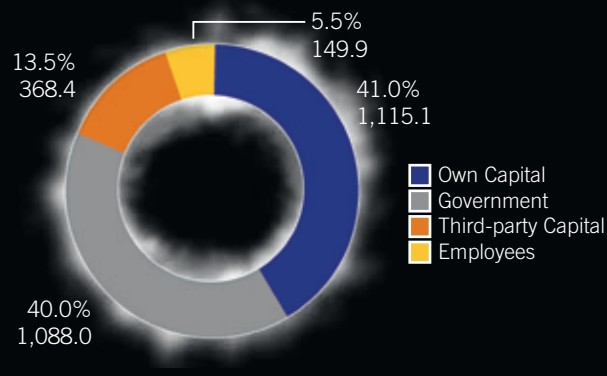
Investments in Social Projects
(R$ million)



Investments in the Environment
(R$ million)



Value Added Distribution
(R$ million and %)



REPORT PARAMETERS

The 2008 Annual Sustainability Report presents the results, management and organizational performance of Tractebel Energia S.A. ("Tractebel Energia" or the "Company") within the economic, social and environmental scopes. For the second year in a row, the Company adopted the guidelines of the Global Reporting Initiative (GRI), a worldwide standard for sustainability reports aimed at providing a transparent and consistent presentation of information so as to enable the comparison among organizations across all industries by means of a series of analyses.

The information presented here to all interested parties places the report on the A+ level of the GRI's report structure, the highest level in terms of requirements to be met among the three existing levels: A, B and C. This result is a big step for Tractebel Energia, which, through clear and consistent accountability, once again stresses its commitment to sustainable development concepts and practices vis-à-vis its stakeholders and society as a whole.

		2002 In Accordance	C	C+	B	B+	A	A+
Mandatory	Self Declared			Report Externally Assured		Report Externally Assured	✓	Report Externally Assured
Optional	Third Party Checked							
	GRI Checked						A+ GRI REPORT GRI CHECKED	

CONTENT DEFINITION

Using an in-house process with the participation of representatives of several areas of the Company, Tractebel Energia defined the most relevant indicators related to the Company's aims and goals based on the materiality. Subsequently, in order to increase the representativeness of the report, stakeholders were consulted on Company-related subjects they were most interested in finding in this publication.

This initiative promotes dialog and streamlines the Company's relationships with its stakeholders, increasing interactivity and providing greater balance between their interests.

SCOPE

This report is published on an annual basis in Portuguese and in English – both versions are available for download at the Company's website (www.tractebelenergia.com.br) – with information related to the 2008 fiscal year. The previous report, for the 2007 fiscal year, was also based on the GRI guidelines and achieved level C.

The main change in relation to the last report is the fact that it follows a higher number of GRI guidelines and includes more indicators. Potential changes to data analysis and comparison bases are duly expressed and indicated in the text.

The data supplied in this report includes Tractebel Energia and its subsidiaries: Itá Energética S.A. (Itasa), Tractebel Energia Comercializadora Ltda., Lages Bioenergética S.A., Usina Termelétrica Seival Ltda., Energia América do Sul Ltda. and its wholly-owned subsidiary Ponte de Pedra Energética S.A., and Gama Participações Ltda. and its subsidiaries Tupan Energia Elétrica S.A., Hidropower Energia S.A., Eólica Beberibe S.A., Eólica Pedra do Sal S.A., Hidrelétrica Areia Branca S.A., and Ibitiúva Bioenergética S.A. The stakes in the Itá and Machadinho consortia, in addition to the equity interest in Machadinho Energética S.A. (Maesa), are also included in this report.

Message from the Management

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

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

In 2007 we initiated our second growth cycle on the back of the favorable results from the newly acquired plants during the first cycle, strong cash flow and support from our parent company, the GDF SUEZ Group, by acquiring the Ponte de Pedra Hydroelectric Plant, states of Mato Grosso and Mato Grosso do Sul.

The second growth cycle continued through 2008 with investments in complementary energy sources. Not only did this expand our know-how in this segment, but also we were able to meet our target of increasing our capacity by 100 MW in energy from these sources. During the course of the year, we completed the acquisition of the Rondonópolis, state of Mato Grosso, José Gelazio da Rocha, state of Mato Grosso, and Areia Branca, state of Minas Gerais, small hydroelectric power plants. The first two were already operational while the third is scheduled to begin generation by the mid 2009. Finally, we also purchased two wind farms, Beberibe, state of Ceará, and Pedra do Sal, state of Piauí, both of which are also already operational.

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

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

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

The Company's positive economic performance in the past decade is intimately linked to our commitment to sustainable development. We always operate with respect for the environment which provides us with the necessary resources for generating electric power.



The focus of our business is thus based on the equilibrium among the three pillars which sustain our corporate activities: to present an excellent economic performance, to be socially just and to operate in an environmentally responsible manner. By conducting our operations on a sustainable basis, we are able to create value for all interested parties.

Recognition of this continued commitment was again apparent in 2008. For the fourth consecutive year Tractebel Energia shares were part of the BM&FBOVESPA S.A. – Bolsa de Valores, Mercadorias e Futuros's Corporate Sustainability Index (ISE). Additionally, NBR ISO 9001 and NBR ISO 14001 certification for all our 13 plants was renewed. In addition, the Company intends to get the certification for recently acquired companies after the evaluations. Again, among other awards we were placed first among the Best Companies for Shareholders in the III Ranking Capital Aberto which rates the most outstanding companies based on EVA, earnings per share, liquidity, corporate governance and sustainability. This accolade reflects the conduct of our business in line with best corporate governance practice as well as an indication of our commitment to accountability and transparency in our management.

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

MANOEL ARLINDO ZARONI TORRES
Chief Executive Officer

MAURÍCIO STOLLE BÄHR
Chairman of the Board of Directors



1 - JOSÉ CARLOS CAUDURO MINUZZO
2 - LUCIANO FLÁVIO ANDRIANI
3 - MARC VERSTRAETE
4 - MANOEL ARLINDO ZARONI TORRES
5 - JOSÉ LUIZ JANSSON LAYDNER
6 - MIROEL MAKIOLKE WOLOWSKI
7 - MARCO ANTÔNIO AMARAL SURECK

Contents

Ten years generating energy for life

8 **Institutional Profile**
24 **History**
28 **Corporate Governance**
40 **Strategy and Competitive Advantages**
44 **Intangible Assets**
48 **Risk Management**

52 **Economic Management**
54 Brazilian Economy in 2008
55 Brazilian Electric Power Industry
58 Operational and Economic-Financial Performance
69 Capital Markets

72 **Environmental Management**
74 Environmental Policy
75 Environmental Management System
79 Environmental Licensing
82 Clean Development Mechanism and Carbon Credits
82 Relationship with the Local Community
83 Plants in Operation
88 Plants under Construction
89 Consolidated Environmental Indicators

100 **Social Management**
102 Relationship with Stakeholders
103 Employees and Representatives
111 Press
111 Customers
113 Suppliers
113 Government
114 Investors
114 Community
119 Certifications

120 **Appendices**
120 Acknowledgment and Awards - 2008
122 Consolidated Social Report
124 GRI Index
134 Independent Auditor's Letter Report on the Annual Sustainability Report
136 Corporate Information
137 Financial Statements





1 Institutional Profile

Pedra do Sal Wind Farm



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

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

In 10 years, Tractebel Energia's generating complex has grown 66% totaling 6,189 MW of proprietary installed capacity with 18 power plants in operation. The plants are responsible for generating energy for meeting about 6% of domestic electricity consumption. Total capacity takes into account the plants fully operated by Tractebel Energia as well as generation representing a 19.3% stake the Company holds in the Machadinho Hydroelectric Power Plant (total capacity of 1,140 MW), and 70.0% in the Itá Hydroelectric Power Plant (total capacity of 1,450 MW). Considering the stakes held by other investors, the total installed capacity operated by Tractebel Energia is 7,248 MW. In addition to plants which are already operational, four are under construction and will add 1,383 MW to the installed capacity operated by the Company and 716 MW to proprietary capacity.

EXPANSION OF THE GENERATING COMPLEX

In 2008 the Company consolidated its position as the market leader by acquiring six new plants with total installed capacity of 290 MW: the Ponte de Pedra Hydroelectric Power Plant (acquisition initiated in 2007 and concluded in 2008), the José Gelazio da Rocha, Rondonópolis and Areia Branca Small Hydroelectric Plants and the Beberibe and Pedra do Sal wind farms. These investments totaled R$1,085.8 million.

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

The new units São Salvador (243 MW), Estreito (435 MW and still to be transferred by the Parent Company to Tractebel Energia), Destilaria Andrade (18 MW) and Areia Branca (20 MW) will add a further 716 MW of generating capacity. This figure comprises Tractebel Energia's stake of 40.1% in the Consórcio Estreito, with a total capacity of 1,087 MW and 51.5% in the Consórcio Destilaria Andrade with a total capacity of 33 MW. If we consider total plant capacity, then an increment of 1,383 MW will be added to the Company's generating complex.

The development of the Seival Thermoelectric Power Plant in the State of Rio Grande do Sul continues under study, with maximum allowed capacity of 540 MW. Energy generated by the plant, whose expected installed capacity is 340 MW, may be exported. Total capital expenditures for the five plants are forecast at R$5 billion.

In 2008 the Company consolidated its position as the market leader by acquiring six new plants with a total installed capacity of 290 MW

GENERATING COMPLEX

	Operating plants	Tractebel Energia's Installed Capacity (MW)	Total Installed Capacity (MW)
	Hydroelectric Power Plant		
9	Salto Santiago	1,420	1,420
4	Itá	1,127	1,450
8	Salto Osório	1,078	1,078
16	Cana Brava	450	450
7	Machadinho	404	1,140
1	Passo Fundo	226	226
13	Ponte de Pedra	176	176
	Thermoelectric Power Plant		
5	Jorge Lacerda Thermoelectric Complex [1]	857	857
12	William Arjona	190	190
3	Charqueadas	72	72
2	Alegrete	66	66
	Complementary Source Power Plants		
6	Lages (Biomass)	28	28
14	Rondonópolis (SHP [2])	27	27
20	Beberibe (Wind)	26	26
15	José Gelazio da Rocha (SHP [2])	24	24
19	Pedra do Sal (Wind)	18	18
Total		**6,189**	**7,248**

	Plants under construction	Tractebel Energia's Installed Capacity (MW)	Total Installed Capacity (MW)
18	Estreito (Hydroelectric) [3]	435	1,087
17	São Salvador (Hydroelectric)	243	243
11	Areia Branca (SHP [2])	20	20
10	Andrade (Biomass)	18	33
Total		**716**	**1,383**

[1] Complex comprises three plants
[2] Small Hydroelectric Plant
[3] To be transferred by the Parent Company to Tractebel Energia

1998
The Acquisition



Hydroelectric Power Plant

Thermoelectric Power Plant

TRACTEBEL ENERGIA IN 1998

- **1,227** employees
- **2,724 MW** installed capacity in three hydroelectric plants and **995 MW** distributed among five thermoelectric plants
- Two hydroelectric projects under construction on the border of the states of Rio Grande do Sul and Santa Catarina

2008
The Consolidation



Hydroelectric Power Plant

Thermoelectric Power Plant

Biomass Power Plant

Wind Farm

TRACTEBEL ENERGIA IN 2008

- **941** employees
- **6,189 MW** proprietary installed capacity, **4,881 MW** of which in seven hydroelectric plants, **1,185 MW** in six thermoelectric plants and **123 MW** in five complementary energy plants
- **7,248 MW** installed capacity operated by Tractebel Energia, which has two hydroelectric plants in association with other companies
- Four plants under construction, of which two are hydroelectric plants and two are complementary energy plants

GENERATING COMPLEX – SOUTH

1 Passo Fundo Hydroelectric Power Plant

The first hydroelectric plant in the generating complex to begin operations, it underwent extensive technological upgrades after privatization

Beginning of operations: 1973
Location: Entre Rios do Sul, state of Rio Grande do Sul - Passo Fundo River
Installed capacity: 226 MW – two 113 MW generating units
Commercial capacity: 119 average MW
Concession term: 2028
Certifications: NBR ISO 9001 and NBR ISO 14001

2 Alegrete Thermoelectric Power Plant

Strategically located, it ensures the quality of the energy in the western region of the State of Rio Grande do Sul

Beginning of operations: 1968
Location: Alegrete, state of Rio Grande do Sul
Energy source: diesel
Installed capacity: 66 MW – two 33 MW generating units
Commercial capacity: 21 average MW
Authorization term: 2028
Certifications: NBR ISO 9001 and NBR ISO 14001

3 Charqueadas Thermoelectric Power Plant

Installed near a large center of energy consumption, the Porto Alegre metropolitan area, it has a strategic function in cases of deficits in hydroelectric generation capacity

Beginning of operations: 1962
Location: Charqueadas, state of Rio Grande do Sul
Energy source: coal
Installed capacity: 72 MW – four 18 MW generating units
Commercial capacity: 46 average MW
Authorization term: 2028
Certifications: NBR ISO 9001 and NBR ISO 14001

4 Itá Hydroelectric Power Plant

The first large hydroelectric plant built by the private sector in Brazil, it became an example of technological and socioenvironmental management

Beginning of operations: 2000
Location: between Itá, state of Santa Catarina, and Aratiba, state of Rio Grande do Sul - Uruguai River
Total installed capacity: 1,450 MW – five 290 MW generating units
Tractebel Energia's installed capacity: 1,127 MW
Tractebel Energia's commercial capacity: 544 average MW
Concession term: 2030 – granted to Consórcio Itá, formed by Tractebel Energia (69.0%), Companhia Siderúrgica Nacional (29.5%) and Cimento Itambé (1.5%).
Certifications: NBR ISO 9001 and NBR ISO 14001

Itá Hydroelectric Power Plant



5 Jorge Lacerda Thermoelectric Complex (three units)

Latin America's largest coal-fired generating complex, it is essential for supplying southern Brazil, especially during droughts. The ash resulting from production is used by the cement industry. It is a major employment generator for the coal-based industry chain in the state of Santa Catarina

Beginning of operations: 1963
Location: Capivari de Baixo, state of Santa Catarina
Energy source: coal
Installed capacity: 857 MW distributed among three plants - Jorge Lacerda A, with two 50 MW and two 66 MW generating units; Jorge Lacerda B, with two 131 MW generating units; and Jorge Lacerda C, with one 363 MW unit
Commercial capacity: 650 average MW
Authorization term: 2028
Certifications: NBR ISO 9001 and NBR ISO 14001



6 Lages Cogeneration Unit

One of Brazil's first thermoelectric plants to obtain registration with the Clean Development Mechanism (CDM) Committee, it uses wood chips for electric power and steam production. It generates an estimated 220,000 carbon credits per year up to 2014

Beginning of operations: 2003
Location: Lages, state of Santa Catarina
Energy source: biomass - wood chips (from logging companies' timber waste)
Installed capacity: 28 MW
Commercial capacity: 25 average MW
Operation authorization: 2032
Certifications: NBR ISO 9001 and NBR ISO 14001

7 Machadinho Hydroelectric Power Plant

One of the main plants of the Company's generating complex due to the excellent ratio between the installed generation capacity and the reservoir area. The original plant project was changed in order to obtain this benefit

Beginning of operations: 2002
Location: between Piratuba, state of Santa Catarina, and Maximiliano de Almeida, state of Rio Grande do Sul – Pelotas River
Total installed capacity: 1,140 MW
Tractebel Energia's installed capacity: 404 MW
Tractebel Energia's commercial capacity: 147 average MW
Concession term: 2032 – granted to Consórcio Machadinho, formed by Machadinho Energética S.A. (80.72%) and Tractebel Energia (19.28%)
Certifications: NBR ISO 9001 and NBR ISO 14001

8 Salto Osório Hydroelectric Power Plant

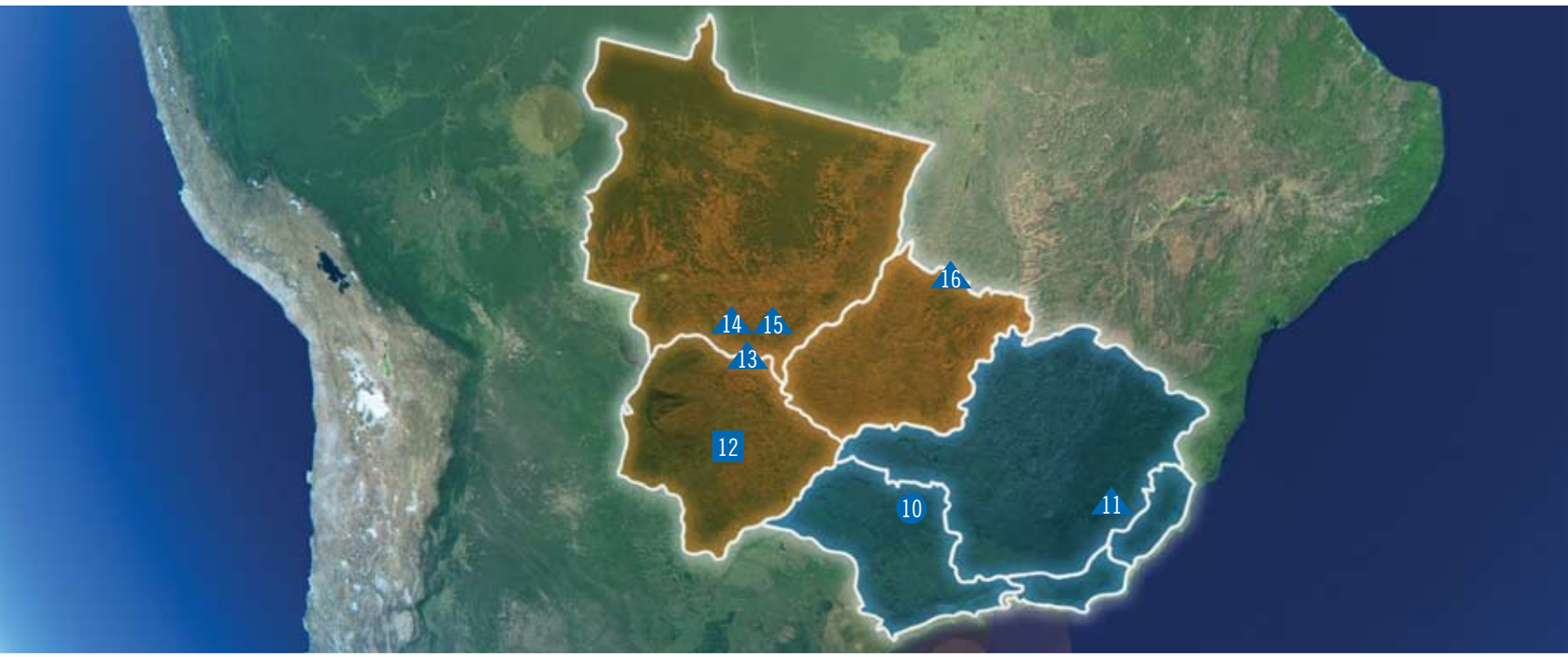
It develops a social and environmental management program that provides for, among other initiatives, reforestation with native species and surveys and studies about the water quality and the fish species living in the reservoirs

Beginning of operations: 1975
Location: between Quedas do Iguaçu and São Jorge d'Oeste, both in the state of Paraná – Iguaçu River
Installed capacity: 1,078 MW – four 182 MW and two 175 MW generating units
Commercial capacity: 522 average MW
Concession term: 2028
Certifications: NBR ISO 9001 and NBR ISO 14001

9 Salto Santiago Hydroelectric Power Plant

The second largest plant in terms of installed capacity operated by the Company, it works as the remote operation center of the Cana Brava Hydroelectric Power Plant

Beginning of operations: 1980
Location: between Saudade do Iguaçu and Rio Bonito do Iguaçu, both in the state of Paraná – Iguaçu River
Installed capacity: 1,420 MW – four 355 MW generating units
Commercial capacity: 723 average MW
Concession term: 2028
Certifications: NBR ISO 9001 and NBR ISO 14001



GENERATING COMPLEX - SOUTHEAST

10 Destilaria Andrade Thermoelectric Power Plant

Still under construction, this plant had its energy sold in the first Alternative Sources Auction held in 2008 and is the first plant in the Company's generating complex that will use sugar cane bagasse as fuel

Beginning of operations: expected for 2010
Location: Pitangueiras, state of São Paulo
Energy source: biomass – sugar cane bagasse
Total installed capacity: 33 MW
Tractebel Energia's installed capacity: 18 MW
Tractebel Energia's commercial capacity: 11 MW
Authorization term: 2025 – granted to Consórcio Andrade, formed by Tractebel Energia (54.1%), Mega Consultoria (13.5%) and Açúcar Guarani (32.4%), a company from the sugar and ethanol industry

11 Areia Branca Small Hydroelectric Power Plant

Still under construction, this SHP is expected to begin operations in 2009

Beginning of operations: 2009
Location: between Caratinga and Ipanema, both in the state of Minas Gerais – Manhuaçu River
Installed capacity: 19.8 MW – two 9.9 MW generating units
Commercial capacity: 11.2 average MW
Authorization term: 2030

GENERATING COMPLEX – MIDWEST

12 William Arjona Thermoelectric Power Plant

Brazil's first plant powered by natural gas and first to use the Brazil-Bolivia gas pipeline

Beginning of operations: 1999
Location: Campo Grande, state of Mato Grosso do Sul
Energy source: natural gas and fuel oil
Installed capacity: 190 MW – three 40 MW and two 35 MW generating units
Commercial capacity: 136 average MW
Authorization term: 2029
Certifications: NBR ISO 9001 and NBR ISO 14001

13 Ponte de Pedra Hydroelectric Power Plant

First generation plant in operation acquired by Tractebel Energia

Beginning of operations: 2005
Location: between Sonora, state of Mato Grosso do Sul, and Itiquira, state of Mato Grosso – Correntes River
Installed capacity: 176 MW – three 58.7 MW generating units
Commercial capacity: 132 average MW
Concession term: 2035
Certifications: NBR ISO 9001 and NBR ISO 14001

Cana Brava Hydroelectric Power Plant



14 Rondonópolis Small Hydroelectric Power Plant

Acquired by the Company in 2008, this was the first investment in SHP, together with the José Gelazio da Rocha plant, underscoring the strategy of investments in complementary energy production

Beginning of operations: 2007

Location: Rondonópolis, state of Mato Grosso - Ponte de Pedra Creek

Installed capacity: 26.7 MW – three 8.9 MW generating units

Commercial capacity: 14 average MW

Authorization term: 2032

15 José Gelazio da Rocha Small Hydroelectric Power Plant

Located near the Ponte de Pedra Hydroelectric Power Plant and the Rondonópolis SHP, affording operational synergies

Beginning of operations: 2007

Location: Rondonópolis, state of Mato Grosso - Ponte de Pedra Creek

Installed capacity: 23.7 MW – three 7.9 MW generating units

Commercial capacity: 12 average MW

Authorization term: 2032

16 Cana Brava Hydroelectric Power Plant

The first energy investment of the GDF SUEZ Group in Brazil, prior to the acquisition of control of Tractebel Energia, this plant contributes to the expansion of the local economy through the participation in the Regional Development Fund, in partnership with the Inter-American Development Bank (IDB), Furnas Centrais Elétricas and Companhia Paulista de Força e Luz (CPFL), under the coordination of the Ministry of Mining and Energy (MME). This is a run-of-the-river plant that allows the use of smaller reservoirs

Beginning of operations: 2002

Location: between Cavalcante, Minaçu and Colinas do Sul, all in the state of Goiás – Tocantins River

Installed capacity: 450 MW – three 150 MW generating units

Commercial capacity: 274 average MW

Concession term: 2033

Certifications: NBR ISO 9001 and NBR ISO 14001



GENERATING COMPLEX – NORTH

17 São Salvador Hydroelectric Power Plant

This plant is in its final stage of implementation prior to beginning operations. Just like the Cana Brava plant, this is a run-of-the-river facility. During its construction, a participative forum for negotiating social issues was created under the coordination of the Brazilian Institute of the Environment and Natural Renewable Resources (Ibama). The plant is part of Brazil's Accelerated Growth Program (PAC)

Beginning of operations: expected for 2009

Location: between São Salvador and Paranã, both in the state of Tocantins – Tocantins River

Installed capacity: 243 MW – two 121.6 MW generating units

Commercial capacity: 148 average MW

Concession term: 2037

GENERATING COMPLEX – NORTHEAST

18 Estreito Hydroelectric Power Plant

With the exception of the Madeira River projects, this is the largest hydroelectric facility currently being implemented in Brazil. Still to be transferred by the Controlling Shareholder to the Company, this project is also part of the PAC

Beginning of operations: expected for 2010

Location: between Estreito, state of Maranhão, Palmeiras do Tocantins and Aguiarnópolis, both in the state of Tocantins – Tocantins River

Total installed capacity: 1,087 MW – eight 135.9 MW generating units

Tractebel Energia's installed capacity: 435 MW

Tractebel Energia's commercial capacity: 256 average MW

Concession term: 2037 – granted to Consórcio Estreito Energia (Ceste), comprised of GDF SUEZ Energy Latin America (40.1%), Companhia Vale do Rio Doce (30.0%), Alcoa Alumínio (25.5%) and Camargo Corrêa (4.4%)

Beberibe Wind Farm



19 Pedra do Sal Wind Farm

First wind-powered plant built by Tractebel Energia, just like Beberibe

Beginning of operations: 2008

Location: Parnaíba, state of Piauí

Installed capacity: 18 MW – 20 wind turbines of 0.9 MW each

Commercial capacity: 7.8 average MW

Concession term: 2032

20 Beberibe Wind Farm

Together with the Pedra do Sal project, it is part of the Company's plan to expand its generating complex through complementary sources

Beginning of operations: 2008

Location: Beberibe, state of Ceará

Installed capacity: 25.6 MW – 32 wind turbines of 0.8 MW each

Commercial capacity: 9.2 average MW

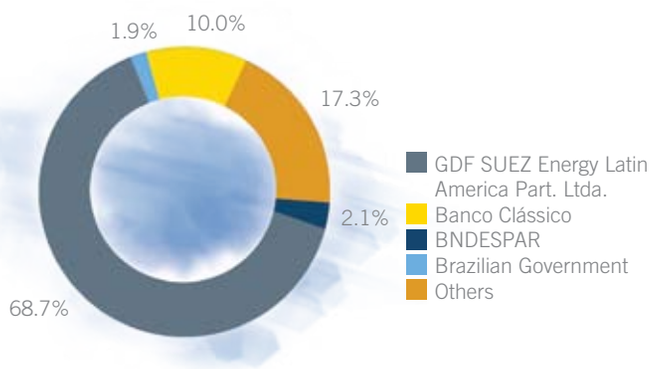
Concession term: 2033

The wind farms acquired are a part of the Company's intention of expanding its generating complex through complementary sources

SHARE CONTROL

GDF SUEZ Energy Latin America Participações Ltda. (SELA) is part of the GDF SUEZ Group and holds the controlling interest in Tractebel Energia with 68.7% of its Capital Stock. At the end of 2008, the Company's Capital Stock amounted to approximately R$2,445.8 million, represented by 652,742,192 common shares.

Shareholding Structure
(Base: 652,742,192 common shares)

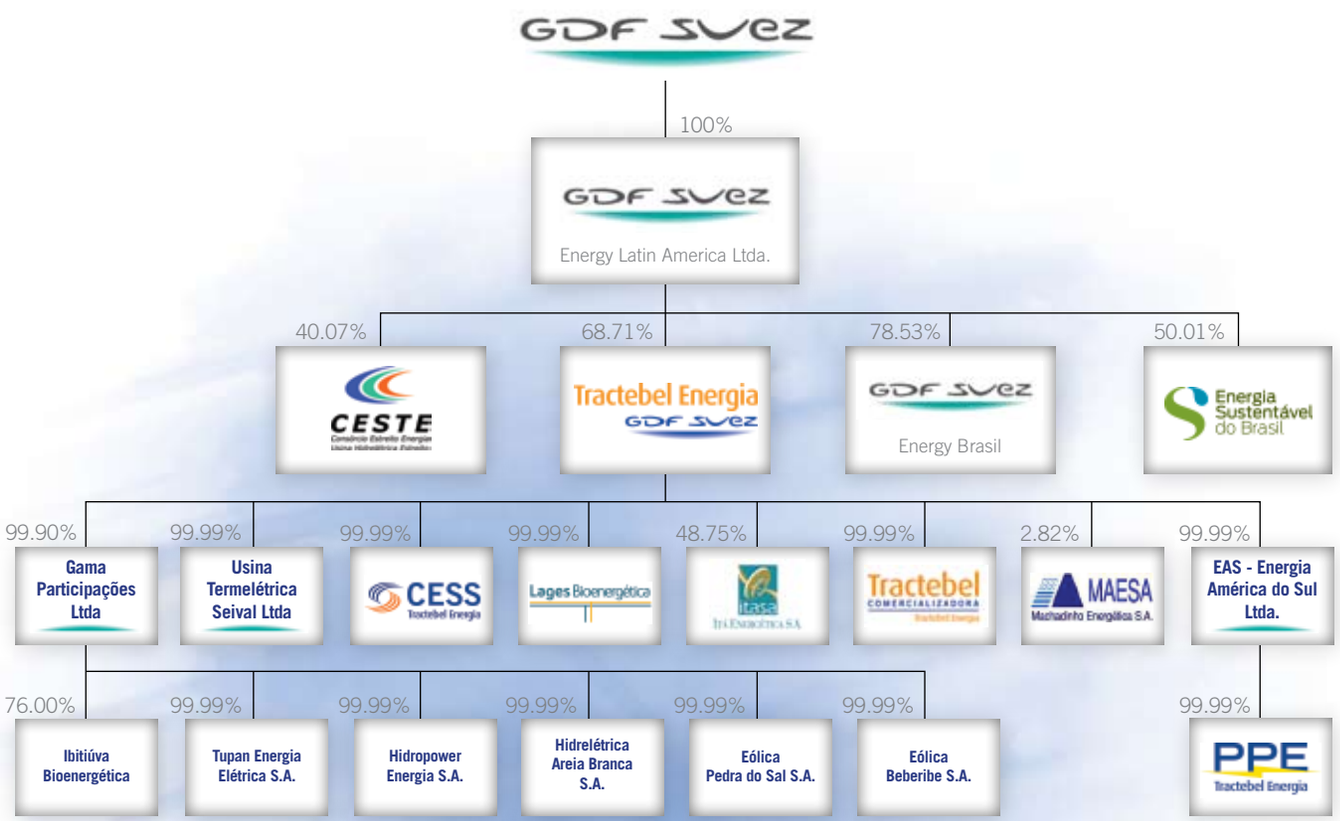


Tractebel Energia, in turn, has a controlling stake in Companhia Energética São Salvador; Lages Bioenergética Ltda.; Seival Participações S.A.; Ponte de Pedra Energética S.A.; Gama Participações Ltda.; and Tractebel Energia Comercializadora Ltda., which intermediates and operates purchases, sales, imports and exports of electricity in the free market.

The Company holds a 2.82% stake in Machadinho Energética S.A. (Maesa) and 19.28% in the Machadinho Hydroelectric Power Plant operating consortium.

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

Breakdown of Corporate Structure*



*Simplified structure

CONTROLLING SHAREHOLDER – GDF SUEZ

GDF SUEZ is a French-Belgian group that focuses its activities on the development of sustainable and innovative solutions for the energy, water and waste treatment industries.

The merger of SUEZ and Gaz de France (GDF) was concluded in 2008, creating the world's largest independent energy producer and Europe's fifth largest electricity trader, with a total installed capacity of approximately 60,000 MW including facilities currently under construction.

The companies of the GDF SUEZ Group are present in all continents and meet the demands of growing cities and businesses. Their main challenge is to overcome the difficulties related to demographic growth, urbanization, quality of life improvement and environmental protection. To do so, the Group's approximately 200,000 people workforce strives to find innovative and efficient solutions every day.

Tractebel Energia shares GDF SUEZ's awareness regarding the importance of generating value based on sustainable development. As a result, it manages its business in accordance with the values of its Parent Company in order to offer sustainable solutions and minimize the impacts caused by its activities.

GDF SUEZ mission

Offering innovative energy solutions, based on our energy mix and associated services.

Ensuring the security of Europe's energy supply, creating major infrastructures.

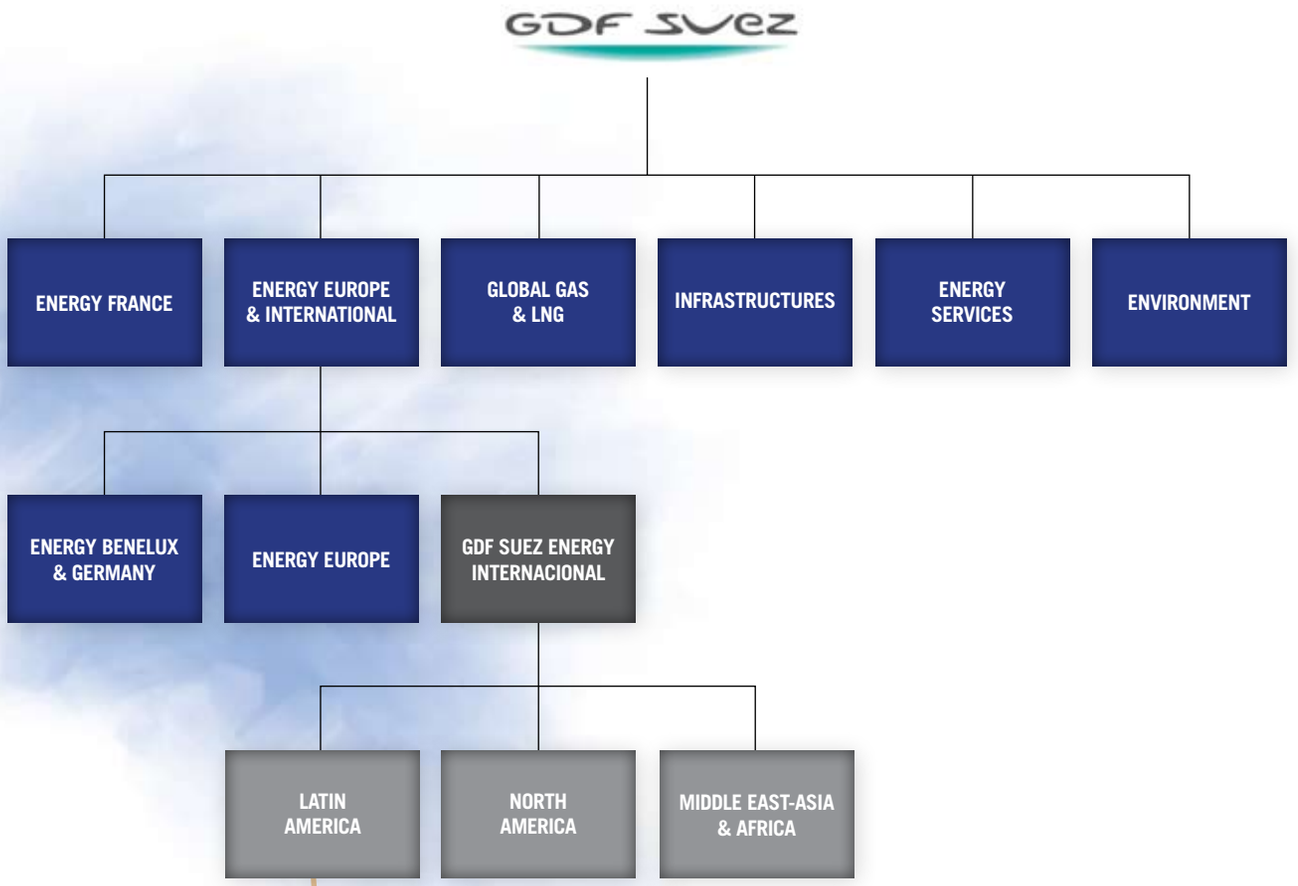
Assisting individuals, cities, and businesses in developing a responsible relationship toward energy.

Placing sustainable development at the heart of our businesses, developing renewable energy, fighting against global warming.

Developing synergies between our businesses in energy, energy services, and the environment.

GDF SUEZ develops sustainable and innovative solutions for the energy, water and waste management industries

GDF SUEZ Corporate Structure







2
History

10 Years of Accomplishments

1998

• Acquisition in September of state-owned company Gerasul, with a 3,719 MW installed capacity distributed among eight plants: Salto Santiago, Salto Osório, Passo Fundo, Jorge Lacerda Complex (three plants), Charqueadas and Alegrete.

1999

• Beginning of the construction of the Machadinho Hydroelectric Power Plant on the Pelotas River in the states of Santa Catarina and Rio Grande do Sul.

• Acquisition of Companhia Energética Meridional (CEM), which owns the concession of Cana Brava Hydroelectric Power Plant, state of Goiás, and beginning of plant construction.

• Acquisition of the William Arjona Thermoelectric Power Plant project, state of Mato Grosso do Sul.

2000

• Acquisition of equity interest in Itá Energética S.A (Itasa), a company incorporated to implement and operate the Itá Hydroelectric Power Plant, state of Santa Catarina, inaugurated at the end of the year.

• Execution of the first direct sale agreement to an industrial customer, fostering the free energy market.



2001

• Inauguration of the William Arjona Thermoelectric Power Plant, Brazil's first natural gas-fired plant and first to use the Brazil-Bolivia gas pipeline.



• The Company changes its name to Tractebel Energia S.A. and expands its operations beyond southern Brazil.

• Beginning of the operations of the Cana Brava, state of Goiás, and the Machadinho, states of Rio Grande do Sul and Santa Catarina, hydroelectric plants. The Company promotes Brazil's first electric power auction to free customers.

2002

2003

• Beginning of the operations of the Lages Cogeneration Unit, state of Santa Catarina, powered by biomass from timber waste from Santa Catarina's logging companies.

• End of the first expansion cycle: installed capacity amounts to 5,860 MW, a 58% growth in own capacity in six years.

2004

• Seven of the 13 plants of Tractebel Energia's generating complex receive the NBR ISO 9001 and NBR ISO 14001 certification.

• The agreements with large industrial consumers exceed 700 average MW and the Company consolidates its share in the free electricity market.

• Tractebel Energia participates in Brazil's first auction of new energy, trading 200 average MW.

• With the secondary offering of shares, the Company becomes part of the Novo Mercado segment of the BM&FBOVESPA and, in December, was selected to be part of the BM&FBOVESPA new Corporate Sustainability Index (ISE).

2005

• All 13 Tractebel Energia's plants receive the NBR ISO 9001 and NBR ISO 14001 certifications. The Company is the first among Brazil's main generators to have 100% of its plants certified by these standards.

• The BNDES approves R$570 million in financing, and the construction of the São Salvador Hydroelectric Power Plant, state of Tocantins, is initiated.

2006



2007

• Tractebel Energia sells 190,000 tonnes of Certified Emission Reductions (CER) from its use of timber waste from logging companies at the Lages Cogeneration Unit.

• Acquisition of the São Salvador and Ponte de Pedra hydroelectric power plants (acquisition concluded in 2008), and also of the Seival thermoelectric project, state of Rio Grande do Sul.

2008

• Tractebel Energia celebrates ten years of operations and expands its activities to all regions of Brazil.

• Acquisition of the Rondonópolis, state of Mato Grosso, José Gelazio da Rocha, state of Mato Grosso, and Areia Branca, state of Minas Gerais, SHPs and of the Beberibe, state of Ceará, and Pedra do Sal, state of Piauí, wind-powered plants.

• Beginning of the development, in partnership with a sugar and ethanol company, of the Destilaria Andrade Thermoelectric Power Plant, state of São Paulo, powered by biomass (sugar cane bagasse).

In 2008 Tractebel Energia expanded its operations to all Brazilian regions



3

Corporate Governance







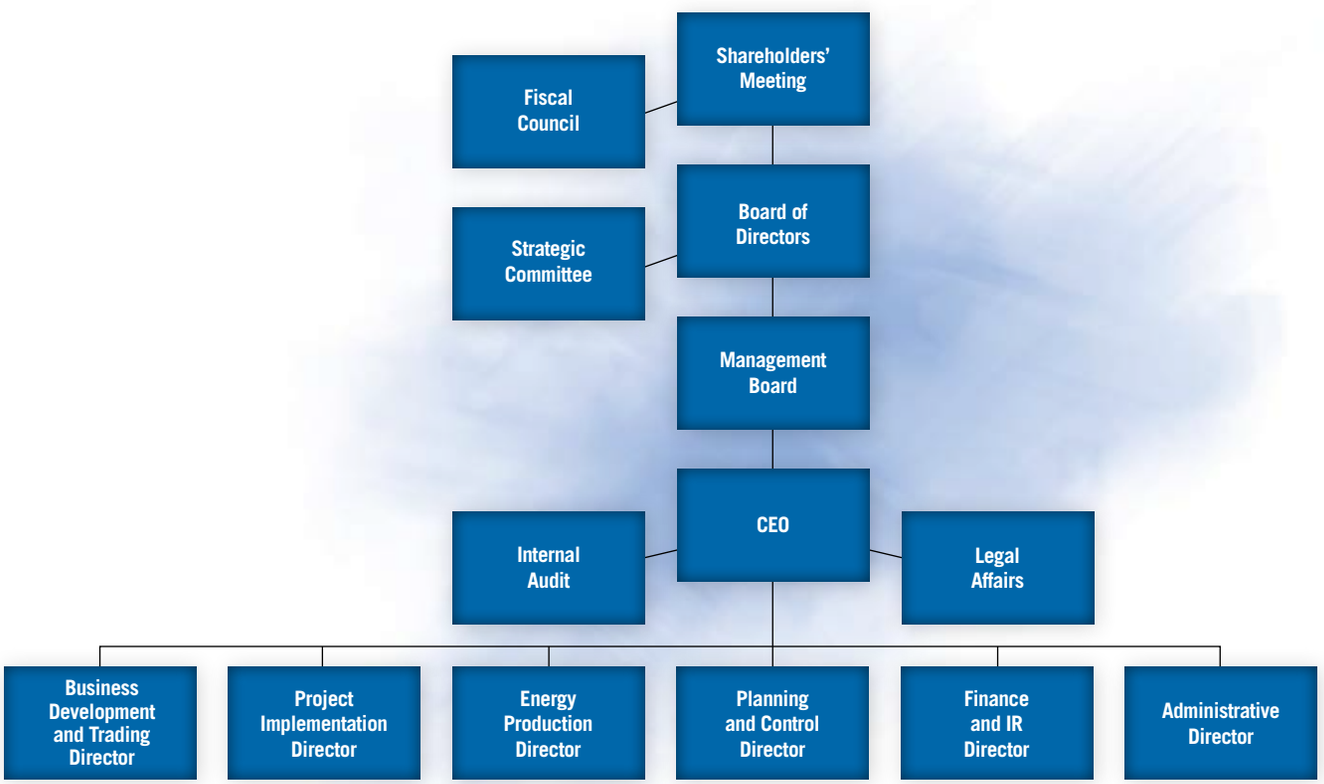
Tractebel Energia manages its business according to the best corporate governance practices, being fully committed to accountability and transparent management. The Company's shares are traded on the BM&FBOVESPA's Novo Mercado segment, which consists of companies committed to the adoption of corporate governance practices in addition to those required by the Brazilian legislation.

The Company's internal control structure was adjusted to the regulations of the US Sarbanes-Oxley Act (SOX) for listed companies with shares and/or ADRs traded on U.S. stock exchanges, and which is aimed at creating reliable auditing mechanisms and strengthening the integrity of information in order to ensure the veracity of the contents of financial reports. The SOX compliance audit, as well as all the results presented by Tractebel Energia, is carried out by an independent auditing firm and the results of the periodic appraisals are discussed and approved by the Company's Directors and made available to Deloitte Touche Tohmatsu, which only provides external auditing services.

Lages Cogeneration Unit



General Organization Chart



BOARD OF DIRECTORS

Tractebel Energia's Board of Directors is made up of nine effective members and nine alternates, two of whom are independent and one of whom is a representative of the employees. With the exception of the latter, all are elected by the shareholders in a General Meeting for a two-year term of office, re-election being permitted. At the Meetings, minority shareholders are entitled to make recommendations and guide the Board regarding the decision making.

The main duties of the Board of Directors include setting forth the overall business guidelines of the Company, approving the annual budget, electing and demoting directors, and establishing the latter's responsibilities. The CEO is a member of the current Board of Directors, but is not the Chairman of the Board.

The current Members were reelected in 2008 and their terms of office expire in April 2010.

Board of Directors (2008-2010)

Effective	Position
Maurício Stolle Bähr	Chairman
Jan Franciscus Maria Flachet	Vice-Chairman
Manoel Arlindo Zaroni Torres	Board member and CEO
Victor-Frank de Paula Rosa Paranhos	Board member
Dirk Beeuwsaert	Board member
José Carlos Cauduro Minuzzo	Board member* and Energy Production Director
Luiz Antônio Barbosa	Board member
José Pais Rangel	Board member
Luiz Leonardo Cantidiano Varnieri Ribeiro	Board member

* Acting as a Board member due to vacancy of the effective Board member

Maurício Stolle Bähr

Mr. Bähr is a mechanical engineer educated at Universidade Gama Filho, state of Rio de Janeiro, and holds a degree in systems analysis from Pontifícia Universidade Católica (PUC Rio) in the state of Rio de Janeiro. He holds an MBA from the Institute of Graduate Studies and Research (Coppead/ Universidade Federal do Rio de Janeiro - UFRJ), and a degree in Corporate Finance from the University of California, Berkeley (USA). He was the CFO of Serra da Mesa Energia S.A. and CFO of Nacional Energética S.A. He is currently the CEO of GDF SUEZ Energy Brasil Ltda., Director of GDF SUEZ Energy Latin America Participações Ltda., the General Representative of GDF SUEZ in Brazil, and Chairman of the Board of the National Electricity System Operator (ONS).

Jan Franciscus Maria Flachet

Mr. Flachet earned a degree in electromechanical engineering from Catholic University of Louvain - UCL (Belgium), in addition to holding a Master's degree in management from the Institute of Administration and Management of UCL. He participated in the CEDEP, Management Program associated to INSEAD, in Fontainebleau (France). He was the Head of the Operations Department of Unerg, in Brabant (Belgium). At Electrabel, he held the office of General Manager for the Distribution of Electric Power. He was the General Manager of Litoral Gás, in Argentina, Senior Vice-President of Distribution and Commerce Operations at Tractebel EGI, and Executive Vice-President for Business Development in South America. He is currently CEO at GDF SUEZ Energy Latin America Participações Ltda.

Manoel Arlindo Zaroni Torres

Mr. Torres is an electrical engineer educated at Escola Federal de Engenharia de Itajubá, state of Minas Gerais, with a specialization in General Management from CEDEP/INSEAD, in Fontainebleau (France). From 1973 to 1998 he worked at Furnas Centrais Elétricas, where he was South Region Production Superintendent and Operation Superintendent in the FURNAS system, as well as representative at the Coordinating Group for Interconnected Operations (GCOI), at Itaipu Hydroelectric Power Plant Joint Commission and at the Operation and Energy Commercialization Committee of the Companies of the Eletrobrás System (Coese). In 1998 he joined Tractebel Energia as its Operations Director. In 1999 he was appointed the Company's CEO. He is a member of the Board of Directors of Itá Energética.

Victor-Frank de Paula Rosa Paranhos
Mr. Paranhos is a mechanical engineer educated at Universidade Católica de Petrópolis, state of Rio de Janeiro, with a degree in economics from Instituto Metodista Bennett, state of Rio de Janeiro. He is also an actuary from Sociedade Universitária Augusto Motta (SUAM-Rio de Janeiro). He was the resident engineer at the Sociedade Técnica de Engenharia e Representação (STER). He was also Director at Corretora de Títulos e Valores Mobiliários Paulo Williansems. In addition, he was the Head Manager of the Pension Fund of the Bank of Montreal and of Banco Nacional, and the CEO of Nacional Energética S.A. (responsible for building the Serra da Mesa Hydroelectric Power Plant). He held the office of CEO at Companhia Energética Meridional (CEM), the company responsible for the construction of the Cana Brava Hydroelectric Power Plant, up to June 2002. He is currently the CEO of Companhia Energética São Salvador (CESS).

Dirk Beeuwsaert
Mr. Beeuwsaert is a mechanical and electrical engineer educated at University of Ghent (Belgium). He participated in the General Management Program of CEDEP associated to INSEAD, in Fontainebleau (France). He was a member of the Management Board of Tractebel Société Anonyme, and of the Strategic Committee of Electrabel Société Anonyme. He was a member of the Board of Directors and the CEO of Tractebel Inc., and participated in the Board of Directors of Tractebel North America. He was Director of Thai Cogeneration Co., of Nong Khae Cogeneration Co., and of Samutprakarn Cogeneration Co. He is a member of the Board of Directors of the Vlerick Management School Leuven-Ghent, of the Board of Consultants of the University of Ghent, and of the Board of the Faculty of Applied Sciences. He is currently the CEO of GDF SUEZ Energy International.

José Carlos Cauduro Minuzzo
A mechanical engineer with a degree from Pontifícia Universidade Católica do Rio Grande do Sul (PUC-RS), he began his professional career at Centrais Elétricas do Sul do Brasil S.A. (Eletrosul) in 1976, working in the Thermal Generation area at the Jorge Lacerda Thermoelectric Complex until 1992. Then, he managed the Engineering and Maintenance of Thermoelectric Centers Division until 1997, and, subsequently, the Thermoelectric Generation Department until June of 1999. He is currently the Operations Director of the Companhia Energética Meridional (CEM) and Lages Bioenergética Ltda., in addition to heading the Managing Committee of the Itá and Machadinho consortia. He also acts as an alternate on the Boards of Directors of Tractebel Energia, of Itá Energética S.A. and the State Board of Water Resources of Paraná. Since 1999, he has been Tractebel Energia's Energy Production Director.

Luiz Antônio Barbosa
A power plant maintenance technician, Mr. Barbosa was the head of the Association of the Employees of the Centrais Elétricas do Sul do Brasil (ASES), and a Representative at the Eletrosul Professionals' Association (Aprosul). He is the CFO of the Electricians' Trade Union of Southern Santa Catarina (Sintresc).

José Pais Rangel
Mr. Rangel holds a law degree from Faculdade Cândido Mendes, state of Rio de Janeiro, with a licentiate qualification in Law and Legislation/Professorship from Faculdade Niteroiense de Formação de Professores (Fanipe). At the Brazilian Central Bank (Bacen), he was a Capital Markets Inspector, Supervisor of Capital Market Monitoring, Head of the Public Debt Department, Open Market Operations Manager and Project Coordinator and introducer of the Selic System in the domestic financial market. He was a founding member of the Board of Curators of the Fundação Banco Central de Previdência Privada (Cebtrus) and coordinator of the privatization program for companies controlled by the Central Bank. He was an advisor to the Special Privatization Commission of the Planning Secretariat for the President of the Republic and CEO of the Cia. Nacional de Tecidos Nova América. He worked as the liquidator of state-owned companies Empresa Digital Brasileira S.A. (Digibrás), Eletrônica S.A. (Digidata), and Processos Eletrônicos Ltda. (Proel). He is currently CEO of Banco Clássico S.A.

Luiz Leonardo Cantidiano Varnieri Ribeiro
With a law degree from Universidade do Estado da Guanabara, he is a partner at Motta, Fernandes Rocha Advogados law firm. He was a member of the Board of Directors of the Rio de Janeiro Stock Exchange and of the Board of Directors of BNDES Participações S.A. (BNDESpar). He has also served as a Director at the Brazilian Securities and Exchange Commission (CVM) and a member of the Board of Appeals of the Brazilian National Financial System. In addition, he was the Chairman of the Brazilian Securities and Exchange Commission (CVM) and Chairman of the Council of Securities Regulators of the Americas (Cosra). Currently, he is a member of the Supreme Council of the Instituto Brasileiro de Mercado de Capitais (Ibmec); a member of the Board of Instituto Futuro Brasil; arbitrator at the Market Arbitration Chamber; a Director of the Rio de Janeiro chapter of the Brazilian Institute of Investor Relations (IBRI); a member of the Advisory Board of the Brazilian Association of Venture Capital and Private Equity (ABVCAP); a member of the Board of the Brazilian Association of Publicly-traded Companies (Abrasca); and Chairman of the Brazilian Institute of Financial Executives (IBEF/Rio).

MANAGEMENT BOARD

Tractebel Energia's Management Board has seven members elected by the Board of Directors for a three-year term of office, re-election being permitted. The Management Board is responsible for the general administration and representation of the Company, in addition to fulfilling the responsibilities set forth by the Board of Directors.

In 2008 there were two changes in the composition of the Management Board. The position of Business Development and Trading Director, which was held by Miroel Makiolke Wolowski, was assumed by José Luiz Jansson Laydner, who was the Company's Thermoelectric Plants Manager. Philippe Dartienne, who was Financial Control and Planning Director at SUEZ Environment, was appointed to be the Finance and Investor Relations Director. His investiture depends on obtaining authorization from the Brazilian authorities. Marc Verstraete, who was in charge of that office, was appointed to another position within the GDF SUEZ Group in Europe.

The other members of the Management Board were elected on May 10, 2007.

Management Board (2007-2010)

Effective	Position
Manoel Arlindo Zaroni Torres	CEO Finance and Investor Relations Director in office
Marco Antônio Amaral Sureck	Planning and Control Director
José Carlos Cauduro Minuzzo	Energy Production Director
Miroel Makiolke Wolowski	Project Implementation Director
José Luiz Jansson Laydner	Business Development and Trading Director
Luciano Flávio Andriani	Administrative Director

Manoel Arlindo Zaroni Torres

Member of the Board of Directors (see page 32).

Marco Antônio Amaral Sureck

With a degree in electrical engineering from Universidade Federal do Paraná (UFPR), he also holds a Master's degree in Production Engineering from Universidade Federal de Santa Catarina (UFSC) and specialized in Electrical Systems Expansion and Operation Planning at the University of Waterloo, in Canada. He worked at Eletrosul from 1982 to 1997, where he managed the Energy Planning Division and the Generation, Transmission and Telecom Planning Department. At Tractebel Energia, from 1998 to 2002 he worked as Manager of the Energy Operation and Trade Planning Area, taking part in the negotiations of the Electric Industry General Agreement. He is currently the Planning and Control Director, in charge of the areas of Financial Planning and Control, Energy Agreements Management and Booking, Supply Planning and Control and Regulatory and Market Affairs.

José Carlos Cauduro Minuzzo
Member of the Board of Directors (see page 33).

Miroel Makiolke Wolowski
Mr. Wolowski completed studies in electrical engineering at Universidade Federal de Santa Catarina (UFSC) and business administration at Escola Superior de Administração e Gerência of the Universidade do Estado de Santa Catarina (ESAG/Udesc). He holds a post-graduate degree in Public Administration from ESAG. He was Design Engineer at Ericsson do Brasil and Production Manager at Intelbrás. At Eletrosul, he worked as an engineer, working in the area of Acquisitions of Plants and Large Equipment, and prepared public biddings for the Jacuí and Corumbá thermoelectric plants. At Tractebel Energia, he worked until December 2000 in the area of Business Development. He is currently Tractebel Energia's Project Implementation Director, and, in 2007, he was elected Chairman of the São Paulo Association of Energy Cogeeneration (Cogen-SP).

José Luiz Jansson Laydner
He holds a degree in mechanical engineering from Universidade Federal de Santa Catarina (UFSC), an MBA in Corporate Management from Fundação Dom Cabral, state of Minas Gerais and a post-graduate specialization from a joint program of Kellog Scholl of Management and Fundação Dom Cabral. He began his career at Eletrosul in 1984 as head of the Alegrete Thermoelectric Power Plant's Mechanical Maintenance Division. In 1999 he became Manager of Tractebel Energia S.A.'s William Arjona and Jorge Lacerda A thermoelectric plants. In 2003 he became Manager of the Thermal Generation department, where he remained until he was promoted to Business Development and Trading Director in November 2008.

Luciano Flávio Andriani
Mr. Adriani studied business administration at Universidade Federal de Santa Catarina (UFSC), with post-graduate studies in International Development and Cooperation Management from Universidade Moderna de Lisboa. He began his professional activities at Eletrosul, where he was Manager of Properties, Documentation, Transportation, and Services, and afterwards, Human Resources Manager. He has been the Administrative Director of Tractebel Energia since September 2000, being responsible for Human Resources, Information Technology, Equity and Supplies and Institutional Communications. He coordinates the Ethics, Innovation, and Sustainability Committees.

FISCAL COUNCIL

Tractebel Energia's Fiscal Council is a non-permanent body established by request of the shareholders. It can have from three to five members, one of which is appointed by the minority shareholders. Currently, it is comprised of three members and an equal number of alternates with a one-year term of office who are responsible for overseeing the managers' acts and analyzing the financial statements. The terms of office of the current members expire in April 2009.

Fiscal Council (2008-2009)

Effective	Position
Newton de Lima Azevedo Júnior	Chief-Member
Paulo de Resende Salgado	Member
Manoel Eduardo Lima Lopes	Member

Newton de Lima Azevedo Júnior

Mr. Azevedo holds a degree in civil engineering from Escola Politécnica da Universidade de São Paulo. He held the position of General Manager of the Itaipu Hydroelectric Power Plant at Themag Engenharia. He was CEO of Estudos Técnicos e Projetos Ltda. (ETEP) and Director at the Brazilian Association of Engineering Consultants (ABCE). He was CEO of Lyonnaise des Eaux do Brasil and of Águas do Amazonas (a private water and wastewater concession in the city of Manaus, in the state of Amazonas). He is currently the Vice-President of the Brazilian Association of Infrastructure and Heavy Industries (Abdib), responsible for environmental sanitation, and partner and CEO of Eco-Enob Soluções Ambientais Ltda.

Paulo de Resende Salgado

Mr. Salgado holds a degree in economics from Universidade Cândido Mendes, state of Rio de Janeiro, and a post-graduate degree from Fundação Getulio Vargas (FGV) in financial studies, MBA/PDG - Management Development and Capital Markets Program FGV-AID-EUA. He was Resident Vice-President of Citibank, Head of Investment of Banco Econômico de Investimentos S.A., and Underwriting and Privatization Director at Banco Nacional S.A., where he took part in the privatization project for Light and CSN. He was also Director at Nacional Energética S.A. and IVEN S.A, as well as CFO of Nacional Energética S.A. He is currently an Economic Consultant for Agenda Corretora de Câmbio e Valores Mobiliários Ltda.

Manoel Eduardo Lima Lopes

Mr. Lopes holds degrees in accounting sciences and law from Universidade do Estado do Rio de Janeiro (UERJ). He was General Auditor and Superintendent of Control at the Banco do Estado do Rio de Janeiro S.A. (Banerj) and Consultant and Director at Banco Clássico S.A. and Control Manager of IRB - Brasil Resseguros S.A. He is currently Director at Banco Clássico S.A. At Tractebel Energia's Fiscal Council, he represents the minority shareholders.

COMMITTEES

In order to perform its activities efficiently and sustainably, Tractebel Energia has eight committees related to specific areas of the business in place. Their composition is diversified, with members from different areas related to the topics covered by the committees, as follows:

Energy Committee

The Energy Committee establishes the Company's trading strategy, including its presence in electric power auctions, purchase and sale prices, and limits to the amounts of energy involved in agreements that may be part of the Company's portfolio. In addition, it proposes solutions to minimize trading-related risks indicated by the Risk Management Committee. It is also responsible for the approval of the energy agreement model to be negotiated as well as its amendments. The monitoring of the electric power market is also part of its responsibilities.

Risk Management Committee

The Risk Management Committee identifies and classifies events that result in risks to Tractebel Energia's business, according to likelihood and impact, and defines respective control procedures. It also operates in promoting awareness about risk treatment at the Company and for establishing goals and guidelines for their management.

Financial Committee

The Financial Committee submits to the Directors policies for fund allocation, pre-payments, and the advancement or postponement of receivables. When convenient, it recommends funding and liability restructuring operations. It is in charge of selecting the banking institutions with which the Company has interest in working and of identifying risks of mismatches in credit and debit transactions, occasionally suggesting hedge transactions.

Tax Planning Committee

The Tax Planning Committee decides, through legislative analysis, on which cases or circumstances Tractebel Energia should file administrative or legal challenges. It also presents suggestions that may result in benefits with tax authorities, including in the Company's new projects, through tax-related savings opportunities.

Ethics Committee

The Ethics Committee is in charge of disclosing, applying, and updating Tractebel Energia's Code of Ethics. Among other attributions, it decides on cases of more serious violations and resolves on doubts regarding the Code's contents.

Innovation Committee

The Innovation Committee promotes the fostering of ideas that add value to Tractebel Energia. It receives and evaluates proposals, making recommendations to the Management Board regarding the allocation of funds for the adoption of selected ideas, as well as initiatives to reward their authors. Thus, the Committee helps the Company take part in contests promoted by the GDF SUEZ Group aimed at fostering creativity.

Tractebel Energia has eight committees of diversified composition and related to specific areas of the business

Sustainability Committee

The Sustainability Committee contributes to consolidating Tractebel Energia's image as a transparent and sustainable company which seeks to harmonize the interests of its different stakeholders through initiatives that aim to promote environmental, cultural, and social improvement in the areas where Tractebel Energia operates. It fosters the concept of sustainable development in the Company and evaluates requests for social, environmental and cultural support.

Strategic Committee

Tractebel Energia's Strategic Committee is an advisory body of the management, whose duty includes issuing opinions and advising the Board of Directors and the Management Board on matters that are submitted to it. This involves strategic matters for the Company, such as selecting and monitoring the expansion projects of its generating complex and the trends in the electric power industry. Usually, Tractebel Energia's Directors, as well as external professionals, are invited to present matters previously selected for the agenda.

MANAGEMENT REMUNERATION

The overall and annual remuneration of the managers is established at the Annual General Meeting, based on responsibilities and market practices. The Board of Directors defines how the remuneration set forth at the Annual General Meeting is allocated among its members and the members of the Management Board.

The remuneration of the members of the Board of Directors is fixed, whereas the remuneration of the Management Board has fixed (60%) and variable (40%) portions. The latter is based on reaching targets connected to the Company's results.

CODE OF ETHICS AND VALUES

The second version of Tractebel Energia's Code of Ethics restates its corporate values, establishes the standards of conduct expected from its employees and partners, clarifies issues related to ethical behavior, and defines principles to be upheld in the relationship with the stakeholders who interact with Tractebel Energia, such as the promotion of diversity, fighting against discrimination and slave and child labor. This document is in line with the values and principles of GDF SUEZ and is available on the Company's website (www.tractebelenergia.com.br).

In addition, based on a similar document used by its Parent Company, in 2008 Tractebel Energia prepared and introduced the Directors' Charter of the Board of Directors. The document is aimed at facilitating the free and full exercise of the shareholders' rights and at ensuring the efficacy of the participation of each member, in line with the standards of values, ethics and integrity expected from the Board.

Conflict of interests

Tractebel Energia's Code of Ethics expressly establishes the duty of all employees to avoiding conflicts between their personal interests and those of the Company. In addition, it indicates the main circumstances in which a conflict may arise and which measures must be taken to avoid or eliminate it.

Corruption

The Company disapproves all forms of corruption. This principle is part of its Code of Ethics, which is received by all employees and disseminated on the Company's intranet and website. In order to ensure adequate knowledge of the Code of Ethics by its stakeholders and in particular by its employees, the Company's Ethics Committee develops training and awareness programs.

INFORMATION DISCLOSURE POLICY

Tractebel Energia's Policy for the Disclosure of Material Information and the Trading of Shares adheres to transparency rules as well as requirements by financial market regulators, such as the Central Bank of Brazil, the Brazilian Securities and Exchange Commission (CVM), and BM&FBOVESPA. The Company discloses material facts in line with CVM Instruction 358/02, which demands information about the Company's businesses in a timely manner for investors to make decisions in relation to their investments.

The performance reports (quarterly and annual), notices to the market, earnings releases, and company policies and practices, as well as other institutional information, are all available on its website (www.tractebelenergia.com.br). The financial statements are published on an annual basis in widely-read newspapers and are also made available on the Internet.

In addition, corporate information are disclosed in the external newsletter (Boas Novas), the internal newsletter (Conexão), and electronic bulletins distributed internally and via Intranet to employees.

Management policies and guidelines

The management policies and guidelines are set forth in the Company's Bylaws, Organizational Manual, Personnel Manual, Code of Ethics, Environmental Code, corporate communications guidelines, and six administrative rules which deal with limits of authority and signatures, organization and running of senior management bodies, purchases, facility access and security, payments and travels.

Capital market professionals' visit to the Lages Cogeneration Unit



Investor Relations

The Investor Relations department is responsible for the disclosure of information on the Company performance through the Association of Capital Markets Analysts and Professionals (Apimec), as well as conference calls and visits to power plants. In 2008 the Company took part in 45 meetings promoted by agents of capital market. Additionally, it promoted the visit of 36 analysts of several institutions to the Lages Cogeneration Unit.

Relationship with the press and the communities

Tractebel Energia has policies and guidelines to direct its internal and external relations, setting forth responsibilities and defining the scope of its activities with the media and the communities in which the Company operates.

4

Strategy and Competitive Advantages




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S·E

STRATEGY

Tractebel Energia's goal is to remain the leading private power generation company in Brazil, creating value for the shareholders, customers, employees and society based on a solid financial position and long-term vision. In order to do so, it has adopted the following strategy:

Growth with financial discipline

Increase in revenues based on two factors: the natural growth of energy prices in the future and the expansion of its generating complex, contingent upon the adequate remuneration of the investments. The Company chose to release a substantial part of its commercial capacity from agreements beginning in 2011, when industry forecasts suggest a potential price increase. In addition, its strong financial position with a reduced level of debt, coupled with strong cash generation, makes possible its constant growth with participation in new projects and potential acquisitions.

Maximization of the efficiency of the customer portfolio

Based on its capacity for establishing long-standing relationships with free customers – those who enjoy more freedom than the captive customers to negotiate the acquisition of electricity – Tractebel Energia intends to optimize its agreement portfolio focusing on this segment. Among these initiatives, it is worth highlighting the focus on loyalty, the strategy of investing in providing services, the individualization and adaptation of energy purchases to the production processes of each customer, and an auditing process aimed at achieving the highest possible energy efficiency.

Operating efficiency

Tractebel Energia's consistent operating performance and its increasing productivity levels have enabled the Company to constantly enhance its operating margins. Over the last years, the Company managed to maintain its availability rate above 97% excluding scheduled maintenance stoppages considered in the preventive maintenance plans. This index measures the percentage of time a plant is ready to dispatch. In 2008 the rate stood at 98.7%, which enabled the Company to meet unexpected market demands.

COMPETITIVE ADVANTAGES

Tractebel Energia's competitive advantages ensure the Company's good performance and reinforce its sustainability.

Growth potential

In ten years, Tractebel Energia expanded its installed capacity by 66%. In the 2008 fiscal year alone, six acquisitions were concluded. The growth already experienced, coupled with the controlling shareholder's strong financial capacity and willingness to continue to invest in Brazil, reiterate the commitment to expanding over the next years.

Adequate energy contracting profile

Tractebel Energia attempts to maintain a balanced level of contracting through its strategy of allocating energy among distributors, free customers and traders. The agreements with distributors, of which terms are longer, provide stable long-term cash generation. The bilateral negotiations with free customers, in turn, offer flexible commercial terms. The agreements with traders enable the Company to establish indirect contact with large industrial groups, with a view at developing a direct relationship in the future.

The Company's energy availability, comprised of the commercial capacity of its plants and purchases made for resale, is virtually contracted at competitive prices until 2010. For the long term, the Company carries out market scenario analyses on a permanent basis.

A pioneer in large scale supply to free customers

First Brazilian company to focus on the sale of energy to free customers and the development of loyalty policies for this segment, Tractebel Energia developed the know-how required for agreements management, which provides higher efficiency in customer management.

Constant growth of main financial indicators

Tractebel Energia had record-breaking net revenue (R$3,441.0 million), EBITDA (R$2,180.2 million) and net income (R$1,115.2 million) in 2008. Between 2003 and 2008, the average annual growth of these indicators stood at 17.3%, 19.2% and 16.6%, respectively.

Experienced management committed to the best corporate governance practices

In addition to being included in the BM&FBOVESPA's Novo Mercado segment, Tractebel Energia has experienced managers capable of innovating and devising early solutions to address issues arising from the evolution of and constant changes in the regulatory framework of the energy industry.

Tractebel Energia's competitive advantages ensure the Company's good performance and reinforce its sustainability

High level of dividend distribution
The Company's Management adopts a policy of not distributing less than 55% of the adjusted net income in semiannual distributions, a higher rate than the 30% set forth in its Bylaws. The Company has a history of paying substantial dividends and interest on own capital (95% between 2003 and 2007), and, in 2008, it paid proceeds equivalent to 67.8% of the net income for the fiscal year. The reduction was caused by the high volume of investments in 2008 and planned for 2009.

Controlling shareholder with ample experience in Brazil and in the electric power industry
GDF SUEZ is one of the world's largest groups in the electric power industry and has operated in Brazil for more than 50 years. Tractebel Energia's installed capacity accounts for approximately 10% of GDF SUEZ's worldwide generation capacity.

Balance in addressing the various interests
In its operation and in all of its initiatives, the Company takes into account the legitimate interests of the stakeholders with whom it interacts, seeking to balance the different demands, aiming to create sustainability conditions in the long term.

Jorge Lacerda Thermoelectric Complex



5

Intangible Assets







IMAGE

In its ten years, Tractebel Energia has created a strong, respected image. In order to keep this track record, the Company periodically monitors its institutional image and the perception of several stakeholders about it through organizational climate surveys with employees, customer satisfaction surveys and opinion surveys within the communities where it operates.

Associated to the message “Energy for life”, the brand highlights the positive impact of Tractebel Energia’s activities, based on sustainable development, motivating and engaging its employees in reaching this goal.

In 2008 the Company’s advertising was based on the theme “Tractebel. Ten years generating energy for life”.



INNOVATION

In line with GDF SUEZ’s strong culture of innovation, Tractebel Energia has an in-house committee specifically created to foster an innovative spirit, creating opportunities for promoting new ideas. The Innovation Committee is coordinated by the Administrative Director and works as a center to receive and evaluate innovative ideas brought about by the employees through the Programa Inove!.

Launched in 2007, the program encourages the development of an innovative culture, stimulating employees to constantly seek improvements and solutions, generating cost reductions, market advantages and new added-value products. During 2008, the Innovative Committee received 38 projects.

The projects were received between August 2007 and November 2008. Among these, six were awarded; two won awards for innovation and the others won awards as incentives for innovation.

HUMAN CAPITAL

Tractebel Energia is aware that its longevity depends on the quality of its intellectual capital. As a result, it has a succession program to identify and develop the skills of its human capital for key positions in the Company. Attracting, motivating and retaining talent is a concern that has earned special attention from the Management (for further details please see “Relationship with Stakeholders”).





6 Risk Management

Tractebel Energia's Risk Management Committee leads the process of risk evaluation for its businesses and is responsible for promoting in-house awareness regarding risk treatment as well as defining goals and guidelines for its management, promoting and suggesting improvements in evaluation procedures, ranking them, and defining procedures for controlling them.

The Committee consists of one representative per each of the following areas: Financial Planning and Control, Regulatory and Market Affairs, Energy Supply Planning and Control, Financial Issues, Tractebel Energy Trading, Internal Auditing, Project Planning and Logistics and Hydraulic Generation. The Planning and Control Director is in charge of the overall coordination of the Committee.

Following the precaution principle, each identified risk is classified according to its likelihood, importance (or seriousness), and level of control required. From this analysis, an action plan is developed for each risk jointly with any associated opportunities. The manager of the department in whose area the risk originates becomes the "owner of the risk", also becoming responsible for the implementation and monitoring of the mitigating action plan.

As a result of this process, a matrix of corporate risks and opportunities is generated, which, after approved by the Management Board, is presented to the Board of Directors, and then to the Parent Company. This matrix comprises the description, designation of the "risk owner," mitigation strategies, risk evolution and classification of likelihood, importance and control and the action plans, in addition to evaluating opportunities: causes, benefits and evolution, among other aspects.

The following are the main risks to Tractebel Energia's businesses:

1) Market risk
Description: supply and demand of electric power may exhibit a different behavior than the expected one in terms of volume and price.

2) Regulatory risk
Description: adverse changes in energy industry regulations.

3) Tax risk
Description: adverse changes in tax legislation.

The risks involved in Tractebel Energia's business are identified by the Risk Management Committee, which also establishes the procedures to control them

4) Economic risk
Description: changes in economic variables, such as interest rate, foreign exchange rate, commodities prices, economic growth and inflation.

5) Breach of contract risk
Description: noncompliance with the provisions of energy sales agreements.

6) Social and environmental risk of the operating plants
Description: adverse changes in environmental regulation and activities of organized social movements in relation to the plants in operation.

7) Risk in the development and implementation of new projects
Description: events in the development and implementation of projects that result in delays in the construction schedule or additional costs in the implementation or operation of the plant.

8) Lack of energy risk
Description: lack of assured energy/physical assurance from Tractebel Energia's own plants and of energy contracted from third parties.

9) Natural disaster risk
Description: natural events impacting Tractebel Energia's plants.





7
Economic Management

BRAZILIAN ECONOMY IN 2008

In 2008 the Brazilian economy reported GDP growth of 5.1% despite the deterioration in the international economic crisis in the final quarter of the year.

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

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

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

Industrial output recorded an annual increase of 3.1%, the result of improvements in 17 sectors. Expansion however, was 2.9 p.p. less compared with 2007 due to the sharp downturn in industrial activity in the fourth quarter of 2008.

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

Brazil's trade balance closed 2008 with a surplus – positive difference between exports and imports – of US$24.7 billion. This is a 38.2% decrease in relation to the surplus obtained in 2007 as a result of the strong increase in imports, which rose by 43.6% and totaled US$173.2 billion in the year. Exports increased 23.2% and reached the record-breaking amount of US$197.9 billion.

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

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

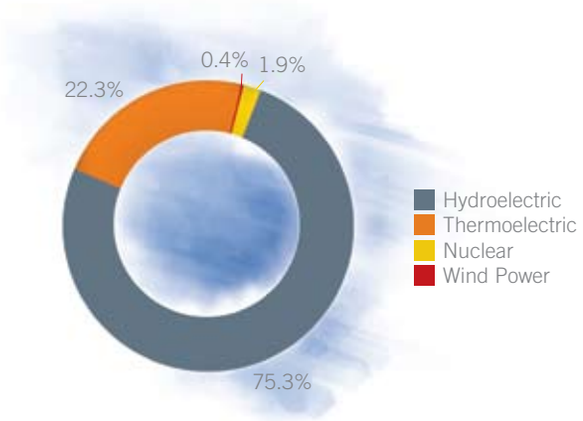
BRAZILIAN ELECTRIC POWER INDUSTRY

Generation capacity

According to the Brazilian Electricity Regulatory Agency (ANEEL), there are 2,034 electricity generation units operating in Brazil, representing approximately 103,000 MW of installed capacity . For the next years, ANEEL expects the addition of approximately 38,000 MW in Brazil's generation capacity through 585 projects, of which 135 units are currently under construction and another 450 have been approved.

Of the installed capacity, 75.3% is from hydroelectric plants – 160 Hydroelectric Power Plants (HPPs), 333 Small Hydroelectric Plants (SHPs) and 277 Hydroelectric Generating Units (HGUs). The wind-powered, nuclear, and thermoelectric plants powered by natural gas, diesel, fuel oil, charcoal or coal, wood, and biomass account for the remaining 24.7%.

Installed Capacity in Brazil
(Base: 103 thousand MW)



Except for the isolated systems in the northern region of Brazil, the electric plants are connected to each other and to the points of electricity demand through high-voltage transmission lines as part of the National Interconnected System (SIN). This transmission grid allows the use of thermoelectric plants only when its use is cheaper than the value of the water stocked in the reservoirs.

In 2008 hydroelectric plants generated approximately 89% of all electric power produced in the SIN, according to the National Electricity System Operator (ONS). The remainder was produced by thermoelectric plants powered by natural gas, diesel, fuel oil, charcoal or coal, wood, biomass (mainly sugar cane bagasse) and nuclear fuel.

For the next years, ANEEL expects the addition of approximately 38,000 MW in Brazil's generation capacity

[1]Data as from February 13, 2009.



Lages Cogeneration Unit

Electric power consumption

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

In the first quarter, reduction of growth in demand was due to high prices in the spot market and unseasonably cool temperatures. Between May and September, the demand reported a marked recovery, posting a growth in June, July and August of 5.2% in relation to the same months in 2007. The fourth quarter registered a deceleration in the demand growth, impacted by the international financial crisis.

Electric power trading

Within the current institutional framework of the Brazilian electric power industry, the trading of electric power takes place in two separate environments. In the first – the Regulated Contracting Environment (ACR) – electric power is sold exclusively to distributors to ensure service to the captive market through public auctions for the acquisition of electric power. The other market – the Free Contracting Environment (ACL) – is geared towards the other agents.

In the ACR, Electric Power Trading Agreements in the Regulated Environment (CCEAR) are entered into between each generator and all SIN distribution concessionaires and permittees. The agreements between the distributors and the existing generation units provide for the delivery of energy as from the year following the respective bidding process and have terms ranging from three to 15 years. The agreements between the distributors and new generation units provide for the delivery of energy beginning in the third or fifth year after the respective bidding process and last from 15 to 35 years.

In the ACL, the sale of energy is carried out among the generation concessionaires, independent producers, self-producers, electric power traders, electric power importers and free consumers.

Free consumers are those who have a demand in excess of 3 MW and are supplied with tension equal to or higher than 69 kV, or with any tension if the supply began after July 7, 1995, and, due to this eligibility criterion, may be served by other suppliers in addition to the local distributor. Moreover, this category includes consumers or groups of consuming units joined by de facto or legally pooled interests with contracted demand equal to or higher than 500 kW and tension equal to or higher than 2.3 kV - the so-called special consumers. These may be supplied by alternative energy sources such as biomass, wind, small hydroelectric plants or cogeneration systems.

The Free Contracting Environment also includes bilateral agreements between generators and distributors entered into based on the prior regulatory framework.

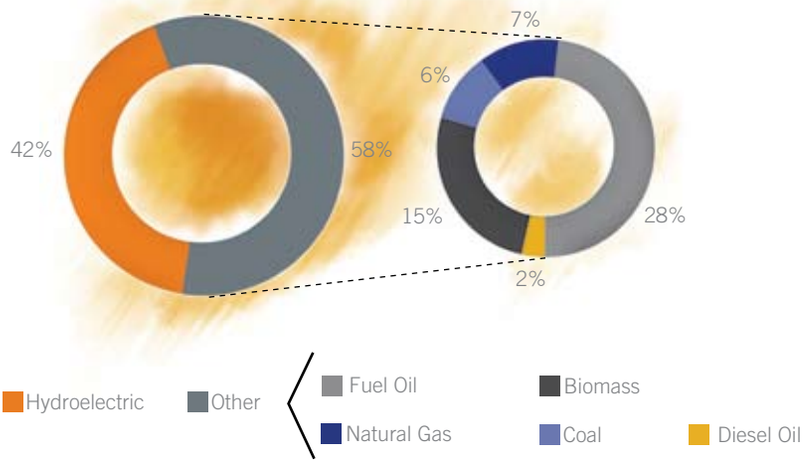
Energy auctions

In the existing energy auctions held until 2008, 19,805 average MW of energy were contracted at the average price [2] of R$79.42/MWh. In the new energy auctions, 16,554 average MW of energy were contracted at the average price[2] of R$129.71/MWh. In the alternative sources auction held in 2007, a total of 186 average MW of energy were contracted at the average price[2] of R$148.82/MWh.

In 2008 the schedule of auctions included the following: Jirau Hydroelectric Power Plant, A-5, A-3 and the 1st Reserve Auction, the latter exclusively for biomass plants in which a total of 548 average MW at the average price of R$157.77/MWh were contracted. As a result of the auctions held in the year, a total of 13,127 MW of installed capacity and 7,268 average MW of commercial capacity will be added. Out of these, 6,132 average MW were traded through regulated contracts.

Taking into account all auctions held within the existing regulatory framework, which has been in force since mid-2004, the installed capacity to be added to the SIN over the next years amounts to 27,861 MW, of which 42% is generated in hydroelectric plants and 58% in thermoelectric plants, with strong participation of fuel oil, as shown in the chart below.

Auctions in the Current Regulatory Framework
Added Installed Capacity
(Base: 27,861 MW)



Main energy industry entities

Ministry of Mining and Energy (MME)
Brazilian Electricity Regulatory Agency (ANEEL)
National Energy Policy Board (CNPE)
National Electricity System Operator (ONS)
Energy Trading Board (CCEE)
Energy Research Agency (EPE)
Energy Industry Monitoring Committee (CMSE)

[2] The prices mentioned have been updated and refer to December 31, 2008

OPERATIONAL AND ECONOMIC-FINANCIAL PERFORMANCE

OPERATIONAL PERFORMANCE

Production

As an introduction to this item, it is important to remember that Tractebel Energia acquired six plants in 2008, four of which were online prior to their acquisition while one went online after being acquired and one is expected to go online in 2009.

Taking into account Tractebel Energia-owned plants at the end of 2007, production reached 33,258 GWh (3,786 average MW) in 2008, a 1.8% decline compared with the 33,858 GWh (3,865 average MW) reported in 2007. By adding to this amount the production of the plants acquired in 2008 – just the energy generated after the acquisitions – Tractebel Energia generated 34,128 GWh (3,885 average MW), a 0.8% addition in relation to the previous year, which represents another record. Should the annual production before and after the acquisition be taken into account, the plants operated by Tractebel Energia would have produced 34,709 GWh (3,951 average MW), a 2.5% increase in relation to 2007.

The following table presents the breakdown of the amounts quoted above:

Production (in average MW)*

Plants	2007	2008**	2008**/ 2007 Change	2008***	2008***/ 2007 Change	2008****	2008****/ 2007 Change
Hidroelectric	3,294	3,164	-3.7%	3,260	-0.8%	3,304	0.6%
Thermoelectric	563	616	9.7%	616	9.7%	616	9.7%
Complementary	8	6	-19.2%	9	15.6%	31	307.4%
Total	3,865	3,786	-1.8%	3,885	0.8%	3,951	2.5%

(*) Because 2008 was a leap year and 2007 was not, the variation was calculated in MWh instead of average MW.
(**) It considers the same existing asset base on December 31, 2007.
(***) It only considers the period after Tractebel Energia's acquisition.
(****) It considers the periods before and after Tractebel Energia's acquision.

It is worth noting that the increase or reduction in hydroelectric generation does not necessarily result in an improvement or deterioration in Tractebel Energia's economic and financial performance. This is due to the Energy Reallocation Mechanism (MRE), which dilutes the risks of hydroelectric generation among its participants. The increase in the Company's thermal generation mitigates exposure to the spot price (PLD), the opposite also being true, all other variables remaining unchanged.

Electricity generated in 2008

Hydroelectric Plants	(GWh)
Salto Santiago	7,400
Itá	7,042
Salto Osório	5,139
Cana Brava	2,305
Machadinho	5,026
Passo Fundo	879
Ponte de Pedra*	847
Thermoelectric Plants	
Jorge Lacerda A	1,238
Jorge Lacerda B	1,511
Jorge Lacerda C	2,207
William Arjona	99
Charqueadas	279
Alegrete	79
Complementary Source Plants	
Lages	54
Rondonópolis*	8
Beberibe*	7
José Gelazio da Rocha*	8
Total	**34,128**

*Amount of energy generated in the year following the acquisition

Availability

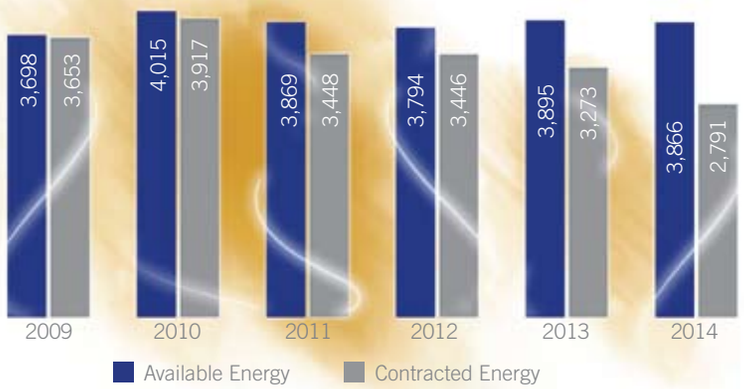
Despite the highly demanding scenario for thermoelectric plants, the uptime ratio of plants operated by Tractebel Energia in 2008 was 98.7%, excluding scheduled stoppages. This value corresponds to an increase of 0.7 p.p. compared with the preceding year and sets an all-time record for the Company and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

The high level of availability achieved enabled Tractebel Energia to meet unexpected market demands. With the delayed rains expected for January and February of 2008 in southeastern Brazil, the Energy Industry Monitoring Committee (CMSE), appointed by the Ministry of Mining and Energy (MME), ordered for a substantial period the dispatch of all thermoelectric plants connected to the National Interconnected System (SIN) and maximum generation of the hydroelectric plants of the Southern Region, whose reservoirs were virtually full. As a result, the production of hydroelectric plants increased 47.1% in the first quarter of the year, while in the thermoelectric plants it grew 94.8%; in both cases, the same existing plant base as 2007 was taken into account.

Tractebel Energia's proprietary installed capacity as at December 31, 2008 totaled 6,188 MW, a growth of 66% in relation to the 3,719 MW registered in September 1998, when the Company was acquired through a privatization auction.

According to the data about commercial capacity and purchase and sale contracts in force on December 31, 2008, Tractebel Energia's energy balance shows that the Company's current resources, including acquisitions from third parties are almost entirely contracted until 2010. In view of forecasts that show a potential price increase for the coming years, the Company chose to have a substantial part of its commercial capacity not contracted as from 2011.

Energy Balance
(average MW)



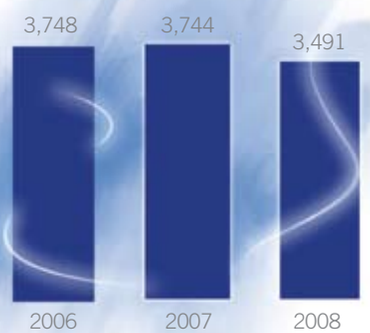
ECONOMIC AND FINANCIAL PERFORMANCE

Gross operating revenue

In fiscal year 2008, gross operating revenue reached R$3,834.1 million, an increase of 14.0% over the R$3,364.7 million recorded in 2007. This trend largely reflects a combination of the following factors: (i) a 14.8% increase in the average selling price (discounting exports); (ii) a reduction of 6.5% from 32,800 GWh (3,744 average MW) to 30,661 GWh (3,491 average MW) in the amount of energy sold due to the imposition of reduced commercial capacity of certain thermoelectric plants by the Ministry of Mining and Energy (MME); (iii) a growth of R$256.7 million in revenue from transactions conducted through the Energy Trading Board (CCEE); (iv) reduction in energy exports to Argentina and Uruguay of R$135.4 million; and (v) enhanced revenues from sales of energy generated by Ponte de Pedra Hydroelectric Power Plant worth R$97.8 million.

With the exception of the impact of Ponte de Pedra Hydroelectric Power Plant, gross operating revenue was little impacted by plants recently acquired and incorporated into the Company's business during fiscal year 2008 (Beberibe and Pedra do Sal wind farms, and the José Gelazio da Rocha and Rondonópolis SHPs).

Contracted Energy Sales
(average MW)



Wholesale market for electric power

For fiscal year 2008 as a whole, revenue from sales to the wholesale market, i.e. those to customers other than free customers, reached R$2,754.2 million, 13.7% greater than the preceding year when a total of R$2,421.5 million were registered, principally due to (i) the increase of 32.4% in price and 13.3% in sales volume to trading companies; (ii) the greater revenue from CCEE transactions (described on page 62); and (iii) the reduction in exports of energy to Argentina and Uruguay as mentioned above. Out of total wholesale market revenue, R$296.0 million originated from CCEE operations (R$39.2 million in 2007) and R$2,458.3 million from contracted energy sales (R$2,382.3 million in 2007).

Retail market for electric power

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

Deductions in operating revenue

In 2008 deductions were R$393.1 million, 22.3% higher than in 2007 when the figure was R$321.3 million. This increase stems largely from a combination of the following factors: (i) growth of 13.9% in gross operating revenue; (ii) increased PIS and Cofins payments due to maturing sales contracts subject to the cumulative tax regime at a rate of 3.65%, and the subsequent recontracting of this energy via fresh sales contracts on a non-cumulative basis at a rate of 9.25%; and (iii) reduced energy exports which are exempt from ICMS, PIS and Cofins payments.

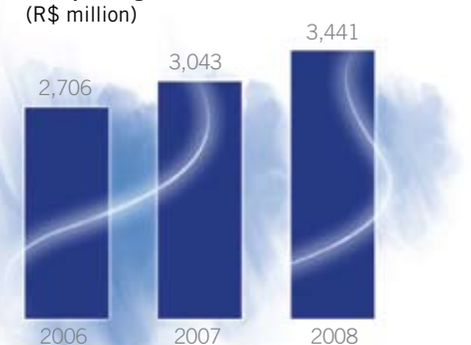
Net operating revenue from sales and services

The Company's net operating revenue increased to R$3,441.0 million, 13.1% higher than the R$3,043.4 million in 2007. This growth is directly linked to growth in gross operating revenues and deductions from operating revenue.

The average net sale price (which excludes ICMS, PIS, Cofins and R&D), if exports are ignored, amounted to R$100.65/MWh, 14.2% up on the R$88.16/MWh recorded in 2007. This increase is mainly due to reasons already commented upon as well as increased prices practiced to free consumers.

In 2008 the Company's net revenue increased by 13.1%, totaling R$3,441.0 million

Net Operating Revenue
(R$ million)



Cost of electric power and services

In 2008 costs rose 10.9% to R$1,193.5 million against R$1,076.6 million in 2007. These variation was principally due to the following elements:

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

• Transactions channeled through the Energy Trading Board (CCEE): a reduction of R$136.8 million in 2008, as commented in the item "Energy Trading Board – details of CCEE operations".

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

• Financial compensation for use of hydrological resources: in 2008 there was an increase of R$3.8 million resulting largely from the annual tariff readjustment and the charging on generation from Ponte de Pedra Hydroelectric Power Plant, acquired during the year.

• Depreciation and amortization: an increase of R$27.6 million in 2008 due in large part to the consolidation of the depreciation on assets of the newly incorporated Ponte de Pedra Energética S.A. (PPESA), owner of the plant with the same name.

Energy Trading Board – Details of CCEE operations

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

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

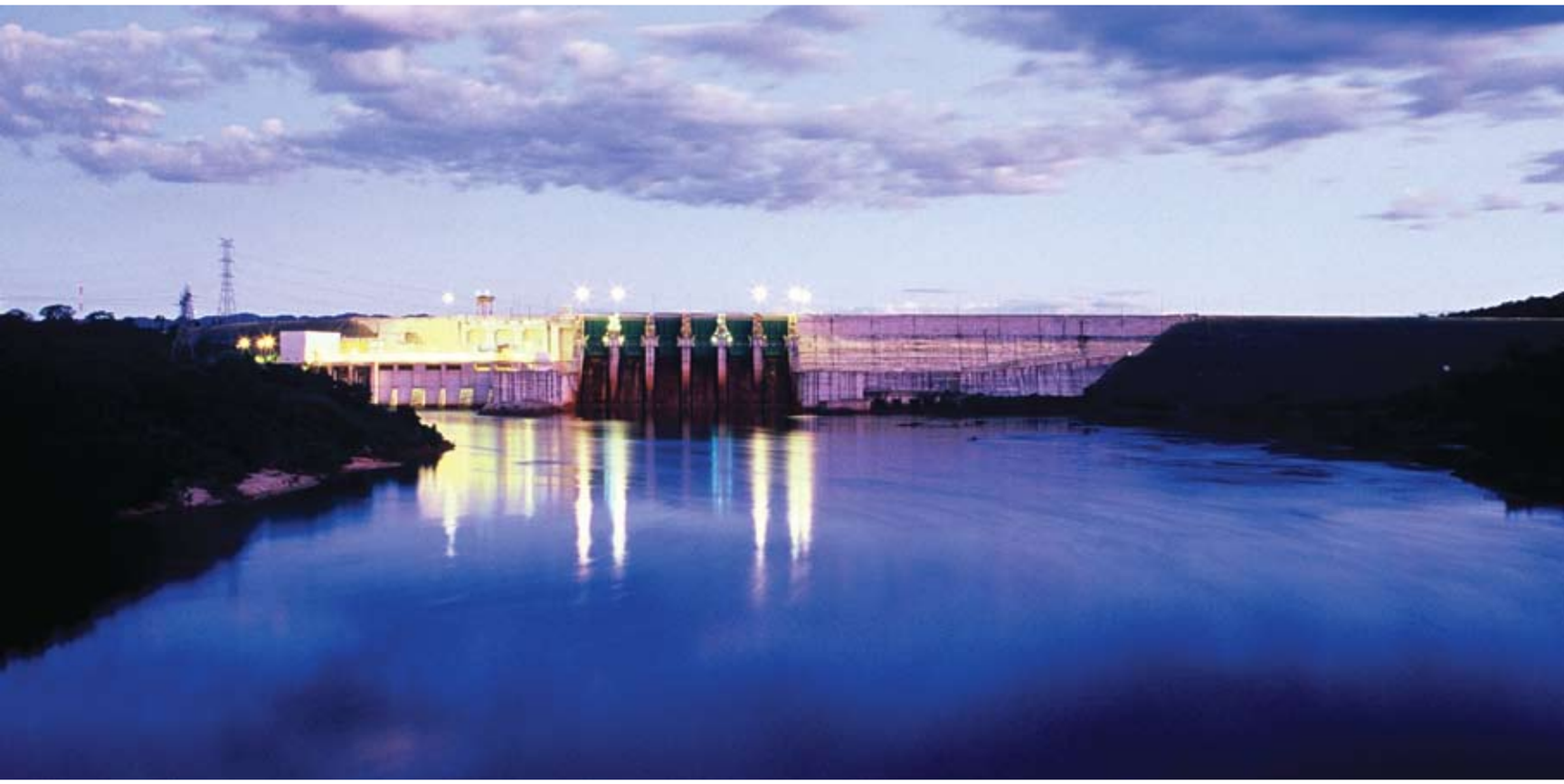
Generically speaking, these elements are income or expenses items arising for example from (i) the application of the Energy Reallocation Mechanism (MRE); (ii) the so-called "sub-market risk"; (iii) dispatch triggered by the Risk Aversion Curve (CAR); (iv) the application of System Service Charges (ESS),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

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

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

a) in 2008 an improvement in the portfolio management strategy of which the monthly allocation of the annual commercial capacity energy from the hydroelectric plants is a component part. Given the greater volatility in spot prices (PLD), this strategy allowed the Company to turn in significantly positive results, particularly in January and February. In relation to a hypothetical allocation based on the covering of the sales contracts,

Cana Brava Hydroelectric Power Plant



the 2008 allocation generated a gain of R$196.0 million, an improvement of 63.3% in comparison to the gain equivalent for 2007, which amounted to R$120.0 million.

b) dispatch from the William Arjona and Alegrete thermoelectric power plants in disaccord with the order of merit, particularly in the first quarter of 2008, for providing a safety margin for the Brazilian electricity system and in compliance with Energy Industry Monitoring Committee (CMSE) guidelines. Part of the increase in this income however was offset against the increased cost of fuel consumption used in the plants' generation; and

c) reduced exposure in the CCEE in 2008 (a year in which average spot prices were considerably higher than was the case in 2007) compared with the preceding year, principally due to: (i) the adjustment in the commercial policy in order to offset the lapsed authorization excluding the Company from exposure to the spot price (PLD) under the contract signed with CIEN and the reduction in thermoelectric power plants' commercial capacity ordered by the MME, as commented above under the gross operating revenue item; (ii) the fact that coal-fired thermoelectric generation in 2008 was totally directed to the National Interconnected System (SIN), while the year before part of this energy had been allocated to the export market; (iii) the intensification of energy purchases in the second half of 2008 and subsequent settlement in the CCEE, as part of the Company's portfolio management strategy; and (iv) the reduction in consumption by industrial customers, principally in December 2008.

Selling expenses

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

General and administrative expenses

General and administrative expenses increased from R$130.1 million in 2007 to R$162.3 million in 2008, due mainly to: (i) an increase of R$11.6 million in third party services paid principally to management consultants and consultancies' fees for the issue of promissory notes, new businesses, human resources, and tax and legal questions, among others; (ii) higher payroll overheads of R$4.0 million due mainly to the annual wage readjustment and increase in the number of employees; (iii) R$3.0 million in additional depreciation and amortization costs; and (iv) a rise of R$12.5 million arising from judicial settlements and payment of contributions.

Other operating revenues

Recovery of PIS and Cofins

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

EBITDA and EBITDA margin

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

EBTIDA and EBTIDA Margin
(R$ million and %)



EBITDA reached R$2,180.2 million in 2008, a 17.5% increase year-on-year

The following table allows the reconciliation of the operating result with the EBITDA:

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

Financial result

Financial policy

Tractebel Energia does not carry out any leveraged investments or investments tied to excessive risks, in addition to not contracting leveraged operations in derivative markets.

Financial income

For fiscal year 2008, financial income grew R$22.5 million in relation to the previous year, due mainly to the following factors: (i) an increase of R$16.5 million in income from money market investments, including R$4.5 million in income on the newly-acquired PPESA's own investments; (ii) a growth in monetary restatement of R$2.9 million in court deposits linked to legal actions due to the variation in restatement of indices and higher outstanding court deposits; and (iii) a R$2.1 million increase in monetary restatement on long term receivables accounts.

Financial expenses

Fiscal year financial expenses rose R$212.1 million over those of 2007 due to: (i) an increase of R$113.2 million in foreign exchange variation expenses not realized on loans and financing. This figure is net of R$21.5 million in income on a foreign exchange hedge operation still ongoing in 2007 due to the appreciation in the US dollar and Euro against the Brazilian Real; (ii) an increase of R$62.6 million in interest on loans, financing, debentures and on concession charges payable to ANEEL, largely due to interest payments of R$33.1 million on promissory notes issued in April 2008, as well as R$37.3 million in charges on PPESA's loans and financing; (iii) an increase of R$49.7 million in monetary restatement of debt due in large part to the significant appreciation of the IPCA and IGPM inflation indexes in 2008 and to the consolidation of R$15.9 million in monetary restatement on ANEEL's concession charges to PPESA; and (iv) a reduction of R$19.4 million in Provisional Contribution on Financial Transactions (CPMF [3]) expenses.

Income Tax and Social Contribution

Income Tax and Social Contribution posted an increase of R$34.7 million against 2007, due mainly to increased pre-tax profits.

[3] Temporary contribution that expired on December 31, 2007.

In 2008 net income reached R$1,115.2 million, 6.6% higher than the 2007 figure

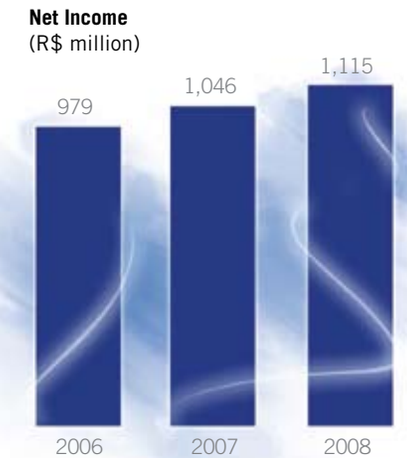


Alegrete Thermoelectric Power Plant

Net income

In 2008 net income reached R$1,115.2 million, 6.6% higher than in 2007 when the Company posted earnings of R$1,045.6 million, equivalent to R$1.70841262 earnings per share.

Net of taxes and excluding the effects of the increased not realized foreign exchange variation of R$74.7 million and the year-on-year reduction in results for exports of R$35.9 million as well as revenues from the recovery of PIS and Cofins charges of R$50.4 million, net income would have posted growth of 13.2% against 2007.



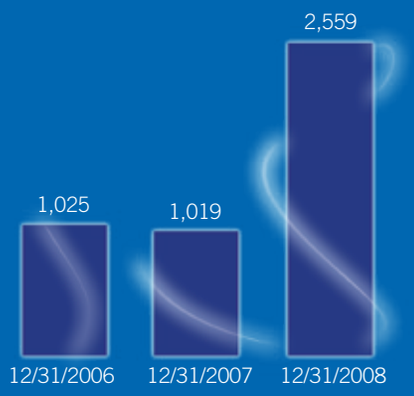
Debt

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

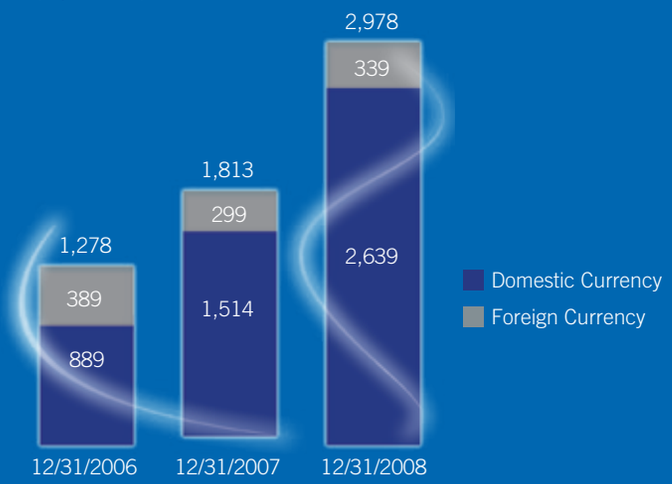
Total gross consolidated debt, mainly in the form of loans, debentures, promissory notes and financing, totaled R$2,978.6 million on December 31, 2008, a 64.3% increase compared to the position in 2007. Of the total debt at the end of the period, only 11.4% was foreign currency denominated, this being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

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

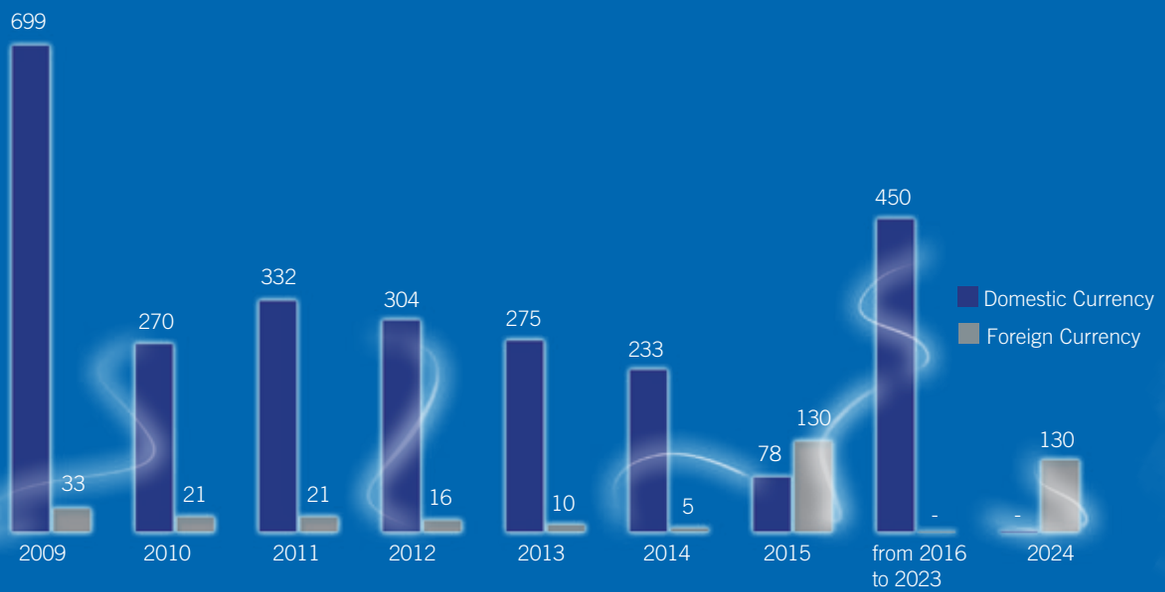
Net Debt
(R$ million)



Gross Debt Breakdown
(R$ million)



Debt Maturity Schedule
(R$ million)



Capital expenditures in the expansion, maintenance and modernization of the generating complex

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

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

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

As a consequence, considering the figure invested in construction and plant acquisition, Tractebel Energia invested R$1,488.9 million in 2008, 292.4% higher than the figure recorded in 2007, R$379.4 million. A total of R$72 million were invested in maintenance and modernization, of which R$50 million were allocated to the environmental area.

Research and Development

Tractebel Energia conducts its annual Research and Development (R&D) program in line with ANEEL's requirements and as a means of identifying sustainable solutions and interacting with local teaching and research institutions and foundations.

In 2008 R$20.0 million were invested in 22 new projects that, together with nine other on-going initiatives, comprise the R&D program for the period. The projects are primarily aimed at developing new technologies and materials for the electric power generation process, clean forms of energy generation and environmental preservation. The main highlights are as follows:

- aquatic ecology studies of the Salto Osório and Salto Santiago hydroelectric plants reservoirs;
- development of technologies for accelerating the recovery of the permanent preservation area of the Itá Hydroelectric Power Plant reservoir;
- reintroduction of *Dyckia distachya*, a bromeliad species typical of rapids that is on the Official List of Endangered Brazilian Plant Species (Ibama Ordinance 037-N of April 3, 1992) in the areas surrounding the Itá and Machadinho hydroelectric plants reservoirs;
- economic appraisal of the distributed photovoltaic generation and calculation of the capacity factor of photovoltaic solar energy systems installed in buildings connected to the electricity grid;
- study on the potential of biodiesel production in the region of Alegrete, state of Rio Grande do Sul, and its feasibility for generation in thermoelectric plants;
- analysis of the energy generation potential of biomass from native forests using sustainable stewardship practices;
- evaluation of the forest biomass potential for generating energy as a contribution to the Clean Development Mechanism (CDM);
- technological evaluation for the use of the coal from the Bonito layer in the Jorge Lacerda Thermoelectric Complex plants, state of Santa Catarina;
- development of ceramic products with the use of coal bottom ash from thermoelectric plants; and
- energy optimization during industrial process startups and stoppages.

In addition, the Company constantly invests in technological improvements, especially in its generating complex and information technology systems, as scientific and technological development is essential for the maintenance of the high quality standards of its services.

CAPITAL MARKETS

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

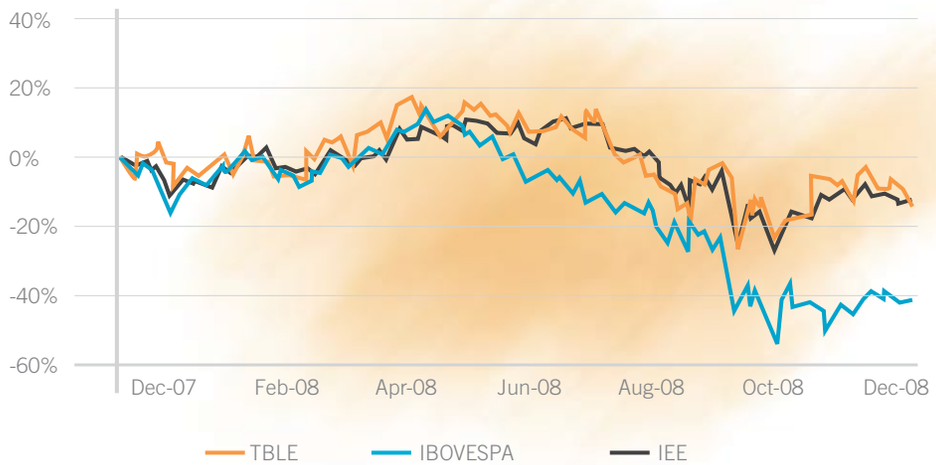
This year was a tumultuous one for the world economy. The deterioration of the international crisis hit the banking sector as well as the monetary and capital markets, which reported significant declines. The last few years' growth in the major economies registered a sharp downturn, some countries descending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

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

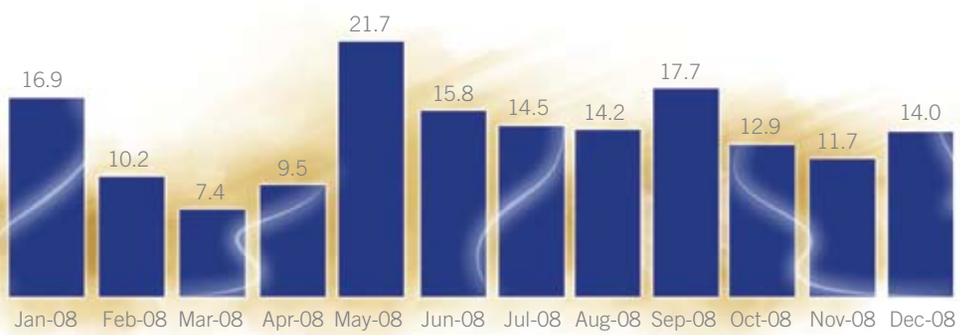
On December 31, 2008, Tractebel Energia shares closed at R$18.55/share, representing a market capitalization of R$12.1 billion.

For the fourth consecutive year, Tractebel Energia shares were selected to comprise the Corporate Sustainability Index

Tractebel Energia's Share Performance in 2008
(Base 100 - 12/31/2007)



Average Daily Trading Volume of TBLE3
(R$ million)



Corporate Sustainability Index (ISE)

For the fourth year in a row, Tractebel Energia's stock was selected to be part of the BM&FBOVESPA's Corporate Sustainability Index portfolio, which includes companies committed to sustainability practices and that present the best performance in terms of economic efficiency, social and environmental responsibility and corporate governance.

The current portfolio, comprised of 38 stocks from 30 companies of 12 industries, came into force - on December 1st, 2008 and is valid until November 30, 2009. Participants were selected among the 51 companies that answered the questionnaire sent to the 137 issuers of the 150 most liquid stocks of BM&FBOVESPA.

With a market value of R$372 billion, the new portfolio accounts for 30.7% of the total capitalization of the 394 companies with stocks traded on the Brazilian Stock Exchange. Created in 2005, the ISE became a benchmark for socially responsible investments, working as an inductor of good practices in the Brazilian business environment.

Shareholder remuneration

In fiscal year 2008 the Company's management approved the distribution of R$756.3 million in proceeds, of which R$580.3 million were in dividends and R$176.0 million were interest on shareholders' capital. These amounts account for 67.8% of the net income for the year, equivalent to R$1.1586488651 per share.

The high percentage of net income distributed to shareholders has surpassed the minimum mandatory dividend set forth in its dividend payment policy for six years.

The minimum mandatory dividend set forth in the Company's Bylaws is 30% of the net income for the year, adjusted according to Brazilian Corporate Law. In addition, the Company has approved a dividend payment policy that provides for semiannual distribution and the intention of declaring and paying dividends and/or interest on shareholders' capital of at least 55% of the net income adjusted pursuant to the legislation. The value of these contributions varies according to the Company's financial situation, its strategy and prospects, as well as macroeconomic conditions.

Shareholders' rights

The holder of each common share of the Company is entitled to vote in annual and extraordinary general meetings, receive dividends, participate in the income distribution or other payments to shareholders, monitor Tractebel Energia's management as provided for in its Bylaws, enjoy preemptive rights in the subscription of shares, convertible debentures or subscription warrants and to divest from the Company in the events provided for in Brazilian Corporate Law. In accordance with the regulations of the Novo Mercado segment, common shares may be included in a public tender offering as a result of the sale of the Company's control, receiving, at least, 100% of the price paid per common share held by the controlling group.

As a result of being listed in the Novo Mercado segment of the BM&FBOVESPA and pursuant to the arbitration clause of its Bylaws, any arbitration involving the Company must take place at the Market Arbitration Chamber.

Debenture issue

In 2007 Tractebel Energia's Board of Directors authorized the issuance of the First Public Distribution of Debentures Program in the amount of R$1.5 billion and the concomitant second issue of Company's debentures totaling R$350.0 million, equivalent to 35,000 debentures.

The debentures are valid for seven and five years, with final maturity on May 15, 2014 and May 15, 2012 for the first and second series, respectively. The debentures of the first series, valid for seven years and with final maturity on May 15, 2014, will be adjusted according to the IPCA with interest paid annually at a maximum of 8.7% p.a.

The debentures of the second series, valid for five years and with final maturity on May 15, 2012, will not be monetarily adjusted and will bear semi-annual interest at a maximum of 103.5% of the Interbank Interest Rate.

Ratings

Tractebel Energia is periodically evaluated by two credit rating agencies: Standard & Poor's and Fitch Ratings. In 2008 Standard & Poor's maintained the ratings attributed in the previous year, i.e., brAA stable to Tractebel Energia, and brAA to the Company's first and second issues of debentures, both on the Brazilian National Scale. Likewise, Fitch Ratings maintained stable in 2008 the National Long-Term AA(bra) attributed to the Company and to the first and second issues of debentures. The ratings assigned by these agencies show the Company's solidity and transparency.



Cana Brava Hydroelectric Power Plant



8

Environmental Management

ENVIRONMENTAL POLICY

Because Tractebel Energia is aware of the importance of environmental issues in the development of its activities and in the life of the communities in the areas surrounding its plants, it established environmental and ethics policies that guide its conduct in the sustainable use of natural resources and in monitoring and controlling potential impacts. As a result, it ensures environmental balance and sustainability of its business.

The Environmental Policy, set forth in January 2001 based on the Environmental Code, establishes the premises of the public commitments of Tractebel Energia and its employees:

Commitment: the respect for the environment is a key-element of the Company's identity and values.

Understanding: studies are prepared on the environmental impact of Tractebel Energia's activities in order to ensure the preservation of natural resources and the control of environmental risks, especially in a preventive way.

Technical Training: research and development programs are carried out for constantly improving the Company's methods and processes, complying with the requirements of its customers, society and of the changes in the environmental legislation.

Sharing: all of the Company's environmental goals and results are disclosed to its employees, customers, shareholders, partners and environmental agencies, always maintaining open dialogue channels with the public opinion.

These principles are detailed in the Company's Environmental Code, which is available on the Company's website.

In addition to its Environmental Code, Tractebel Energia is a signatory of the Social and Environmental Code of Ethics of Instituto Acende Brasil. The Company participated in the preparation of this document, a set of principles for the construction and operation of plants respecting social, environmental and economic aspects aimed at promoting transparency and sustainability in the electric power industry so that its growth translates into economic, social and environmental development.

By executing the Social and Environmental Code of Ethics, Tractebel Energia publicly undertook to abide by its principles:

- reduction and control of environmental impacts;
- conservation of biodiversity and natural resources;
- respect for communities;
- education and health as elements of social change; and
- transparency and dialog.

ENVIRONMENTAL MANAGEMENT SYSTEM

The Company's Environmental Management strategy uses programs and tools that allow it to identify and manage its impacts and, as a result, enables Tractebel Energia to minimize and offset them through risk control and operational improvements in the quality of its services.

All of Tractebel Energia's plants have operations monitored and connected to the Integrated Quality and Environmental Management System (SIG). This system enables the Company to maintain the quality of services and product delivery required by customers. In addition, it ensures that electric power is produced with the due environmental care, complying with legal requirements and providing constant improvement of processes and services.

In addition, the SIG controls communication with interested parties (communities, public bodies, customers, etc.), ensuring that they are properly received, recorded and replied to.

The sustainable generation of electric power is ensured by the Integrated Quality and Environmental Management System

Integrated Quality and Environmental Management System (SIG) Guidelines

Operational: maximize the generation of energy complying with the planning of the National Electricity System Operator (ONS), preserving the environmental conditions and ensuring the safety of the utilization.

Environmental: generate energy – in compliance with safety standards and with the rational use and preservation of natural resources – prevent pollution and control environmental risks, working, primarily, in a preventive way.

Proprietary: strictly use the areas required for the facilities, reallocate the remaining areas for social and environmental use, detecting and preventing its irregular use.

Relationship with society: participate in the life of the communities located in the areas surrounding the facilities, seeking to identify and meet its expectations, making available open and permanent communication tools.

It is important to highlight that all of Tractebel Energia's plants, except for the recently-acquired ones, are certified with the NBR ISO 14001:2004 and NBR ISO 9001:2000 standards.

ENVIRONMENTAL ASPECTS AND IMPACTS

Tractebel Energia has adopted a procedure for identifying the environmental aspects of its activities, products and services, determining those that may have a significant impact on the environment.

Operational control

Once significant environmental aspects and impacts are assessed, the Company defines operational controls for preventing or mitigating the impacts by:

- creating documented procedures to ensure compliance with the Environmental Policy and the Company's environmental aims and goals in all circumstances;

- defining environmental criteria for activities; and

- establishing and maintaining procedures related to identifiable significant environmental aspects of goods and services used and communicating these procedures and any relevant requirements to the Company's suppliers and service providers.

Moreover, operational controls may also be established through physical structures that prevent damage to the environment. Examples of this are the containment tanks of the transformers that, in a potential emergency leaking situation, retain oil in order to avoid ground or water contamination. These physical structures undergo periodic preventive maintenance, ensuring their effective operation in the event of emergencies.

The Company also performs inspections and operational tests during the work shifts, complementing the operational support, with the goal to prevent the occurrence of significant environment aspects and impacts

Environmental emergency assistance

The Company's Emergency Assistance Plans (PAE) identify potential situations triggered by significant environmental emergencies that may require intervention to prevent environmental impacts. Whenever necessary, these plans are reviewed, analyzed and tested to ensure their efficacy in emergency situations.

Measurement and monitoring

The characteristics of certain activities that may undergo changes in their application and are directly related to significant environmental issues and impacts are taken into account in Environmental Monitoring Plans, which provide for the monitored items and the form, frequency and registration of the monitoring.

ENVIRONMENTAL MANAGEMENT AIMS, GOALS AND PROGRAMS

To ensure compliance with the Environmental Policy, Tractebel Energia has a procedure in place providing guidance and defining environmental goals to be achieved by pre-established deadlines.

To achieve each defined environmental goal, Environmental Management Programs are established detailing initiatives, responsible parties and deadlines. Accordingly, the Company is always seeking to achieve its goals, driving its environmental performance in an on-going improvement process.

The Company establishes operational controls for preventing or mitigating possible environmental impacts of its activities

Environmental targets to be attained by 2012:

Hydroelectric Plants	Thermoelectric Plants
Participation in the Hydrographic Basin Committees in the areas of the Itá, Machadinho, Passo Fundo, Salto Santiago, Salto Osório and Cana Brava plants.	Participation in the Hydrographic Basin Committees of Lages, Charqueadas and Alegrete plants.
By 2009, reduction of waste generation by 5% in relation to the average of 2006, 2007 and 2008 (Machadinho and Cana Brava).	Reduction of noise levels to less than 56 db up to 120 meters from the silencer and 72 dB up to 10 meters from the silencer by September 2009 (Charqueadas).
Reduction of the concentration of oils and grease from the effluent run-off to the plants' drainage shafts to 50% of the maximum allowed by legislation by January 2010 (Cana Brava).	Reduction of noise caused by the car vibrator upon coal receipt under the responsibility of the Utilities Central by December 2009 (Jorge Lacerda).
Building a room for washing parts of the mechanical shop by July 2009 (Itá).	Maintenance of noise levels in critical equipment below 80 dB (Lages).
Replacement of equipment containing mercury in the plants by December 2009 (Salto Osório and Salto Santiago).	To receive more than 8,500 visitors in 2009 (Jorge Lacerda).
Reduction, by 2009, of 3% in the consumption of treated water, based on the average treated water consumption in 2006, 2007 and 2008 (Cana Brava).	To reach, by the end of 2009, an emission index of particulate material lower than 80 mg/Nm^3 (Charqueadas).
Implementation, by December 2009, of a system to use the percolation water from inspection shafts (Salto Osório).	To receive 1,500 visitors in two years (2009 and 2010 – Lages).
Recovery of the concession areas by planting 100,000 saplings of native species from the *cerrado* by April 2012 (Cana Brava).	To receive 400 visitors by December 2009 (Charqueadas).
Reforestation of the areas around the reservoir through the planting of 60,000 saplings of native species (Passo Fundo).	Implementation of the Wastewater Treatment System of the Soot Treatment Plant – to maintain the emission of DB05 at levels below 55 mg/l (Lages).
Recovery of degraded areas used as worksite by December 2009 (Salto Santiago).	Waterproofing of the coal yard by December 2009 (Jorge Lacerda).
To increase (based on 2008 results) by 5% the number of plant visitors and participants in the lectures about environmental awareness promoted by the Company in the cities affected by the reservoir (Cana Brava).	To reduce the annual specific consumption of NaOH to 0.75 kg/m^3 and of HCl to 0.80 Kg/m^3 by December 2009 (Lages).
To serve 6,000 people each year through the Environmental Education Program in nearby cities (Machadinho).	To reduce by 20% the soda and acid consumption, in Kg/m^3, by December 2009 (Alegrete).
To receive at least 1,800 visitors annually in each plant, including students from schools, universities and associations (Salto Osório and Salto Santiago).	Maintenance of the specific coal consumption level below 1.5 ton/MWh (Charqueadas).
Implementation of 10 initiatives aimed at the social-environmental needs of the community surrounding the reservoir by December 2009 (Passo Fundo).	Readjustment of the ash system by implementing the closed cycle system by December 2010 (Jorge Lacerda).
	Implementation of a vegetable curtain around the biomass yard by December 2009 (Lages).
	Implementation of an urban forestry program around the plant by December 2009 (Charqueadas).
	Participation in the processes of environmental recovery of degraded areas together with the state environmental body – Fatma (Jorge Lacerda).
	To reach, by the end of 2009, an emission index of particulate material lower than 0.6 Kg/MWh (Jorge Lacerda).
	Maintenance of particulate material emissions below 100 mg/Nm^3 in the main boiler and 260 mg/Nm^3 in the reserve boiler (Lages).
	To reach, by the end of 2009, an emission index of SO_2 lower than 400 mg/Nm^3 at 6% Oxygen (Charqueadas).



Environmental legislation and requirements

The Company periodically identifies, updates and evaluates compliance with legal and other environmental requirements that are applicable to its activities.

The main requirements include laws, decrees, ordinances, regulatory instructions, resolutions and commitments undertaken with public authorities. Accordingly, the environmental situation is constantly monitored and initiatives are determined to maintain or achieve the legal standards and the commitments voluntarily assumed by the Company.

Certifications

All the operational activities of the Company's electric power generation are managed by the Integrated Quality and Environmental Management System, certified according to NBR ISO 9001:2000 and NBR ISO 14001:2004 standards, which include the following overall goals:

- having an effective role in conservation initiatives in the areas surrounding its plants and reservoirs;
- paving the way for mitigating the environmental impacts caused by the creation of the reservoirs, fostering improvements in the local quality of life;
- using natural resources rationally;
- reducing the generation of solid wastes, liquid effluents and atmospheric emissions;
- reducing noise pollution; and
- enhancing the relationship with the local community.

In addition, the implementation projects for the Social Responsibility Management System and the Occupational Health and Safety Management System are expected to begin in 2009. These systems will be incorporated into the Integrated Quality and Environmental Management System and audited for ABNT NBR 16001 and OHSAS 18001 certifications, respectively, by the end of 2010. Initially, these certifications will be implemented in the plants already NBR ISO 14001 and NBR ISO 9001 certified and in the São Salvador Hydroelectric Power Plant, which is under construction and to which the scope of environmental and quality certifications will be expanded.

ENVIRONMENTAL LICENSING

At the plants it implements and operates, Tractebel Energia responsibly follows all environmental rules and regulations so as to minimize the impacts arising from their activities. All plants comply with the legislation in force and the conditions established under the environmental licenses.

Environmental licensing procedure

The environmental licensing procedure in Brazil was set forth by the National Environmental Policy – Law 6,938/81 and regulated by Conama Resolution no. 237, of December 19, 1997. It stipulates to the relevant environmental agencies the licensing of the location, establishment, expansion and operation of facilities and activities that use environmental resources.

When granting the environmental license, the relevant agency sets forth the conditions, restrictions and measures of environmental control that must be complied with by the business or individual to locate, establish, expand and operate facilities or activities that use natural resources, deemed potentially or effectively polluting.

Types of licenses

LP – Previous Environmental License – Granted in the preliminary phase of the planning of the facility or activity, it approves its location and conception, certifies its environmental feasibility and sets forth the basic and conditional requirements to be met in the next phases of its implementation.

LI – Installation Environmental License - Authorizes the installation of the facility or activity in accordance with the specifications included in the plans, programs and projects approved, including the environmental control measures and other conditional requirements.

LO – Operating Environmental License – Authorizes the operation of the activity or facility, after verifying the effective compliance with the terms included in the prior licenses, with the environmental control measures and conditional requirements set forth for the operation.

PLANTS LICENSING

Hydroelectric Plants	License	Issued on	Expires on	Issuer
Salto Santiago	**Operating License 17961**	02/18/2009	02/18/2010	**IAP**
Salto Osório	**Operating License 17960**	02/18/2009	02/18/2010	**IAP**
	Installation License 6994 – *Vila Residencial* Sewage Treatment Plant	07/11/2008	07/11/2010	**IAP**
Passo Fundo	**Operating License 444/2009-DL**	01/28/2009	01/27/2013	**FEPAM**
Itá	**Operating License 68/99 -** renewal required in April 2008	09/01/2004	08/31/2008	**IBAMA**
Machadinho	**Renewal of Operating License 160/2001**	11/28/2007	11/28/2013	**IBAMA**
	Operating Environmental License 1027/2005 – transmission line 500 kV	12/20/2005	12/20/2013	**FATMA**
Cana Brava	**License to Operate – Soil Use Management 212/2005 -** renewal required in September 2007	02/04/2005	01/09/2008	**AGMA**
	License to Operate – Soil Use Management 239/2005 – transmission line 230 kV. Renewal required in September 2008	02/17/2005	02/05/2009	**AGMA**
Ponte de Pedra	**Rectification of Operating License 395/2004 -** renewal required in February 2008	09/10/2004	09/10/2008	**IBAMA**
	Operating License 3091/2007– transmission line 230 kV	07/09/2007	07/08/2009	**SEMA-MT**
José Gelazio da Rocha	**Operating License 1606/2006 -** renewal required in October 2008	11/10/2006	11/10/2008	**SEMA-MT**
	Operating License 296921/2009 – transmission line	02/20/2009	02/20/2012	**SEMA-MT**
Rondonópolis	**Operating License 2736/2007**	03/06/2008	05/16/2010	**SEMA-MT**

Wind Power Plants				
Beberibe	**Operating License 43/2008 – COPAM – NUCAM**	01/22/2008	01/21/2009	**SEMACE**
	Operating License 107/2008 – COPAM – NUCAM – 1st stretch of the transmission line	02/12/2008	02/11/2009	**SEMACE**
	Operating License 40/2008 – COPAM – NUCAM – 2nd stretch of the transmission line	01/22/2008	01/21/2009	**SEMACE**
Pedra do Sal	**Operating License D001833/08**	12/12/2008	12/12/2010	**SEMAR**
	Operating License D001832/08 – transmission line	12/12/2008	12/12/2010	**SEMAR**

Thermoelectric Plants				
Jorge Lacerda Complex	**Operating Environmental License 01/2008 –** UTLA	01/07/2008	01/07/2012	**FATMA**
	Operating Environmental License 02/2008 – UTLB	01/07/2008	01/07/2012	**FATMA**
	Operating Environmental License 03/2008 – UTLC	01/07/2008	01/07/2012	**FATMA**
	Operating Environmental License 0328/2007 - Energy Mineral Coal Terminal	07/02/2007	07/02/2011	**FATMA**

Charqueadas	**Operating License 8045/2008-DL**	10/29/2008	10/28/2009	**FEPAM**
	Ordinance 178/2007 – authorization for surface water catchment in Jacuí River	02/05/2007	-	**DRH**
Alegrete	**Operating License 3696/2005-DL -** renewal required in August 2008	07/28/2005	12/14/2008	**FEPAM**
	Ordinance 16/2007 – authorization under precarious status for surface water catchment in Ibirapuitã River	10/16/2007	-	**DRH**
William Arjona	**Operating License 017/2008**	04/07/2008	04/07/2013	**IMASUL**
Lages	**Operating Environmental License CODAM-PS/014/2006 -** renewal required in September 2008	01/13/2006	01/13/2009	**FATMA**
	Operating Environmental License CODAM-PS/026/2006 – reserve boiler – renewal required in September 2008	01/13/2006	01/13/2009	**FATMA**
	Operating Environmental License CODAM-LGS/045/2008 – water catchment in deep driven wells for human consumption	05/19/2008	05/19/2012	**FATMA**
	Operating Environmental License 1057/CODAM/LGS/2007 – steam wood drying unit	12/04/2007	12/04/2011	**FATMA**
	Operating Environmental License 1058/CODAM/LGS/2007 – water catchment, adduction and treatment for industrial supply	11/29/2007	11/29/2011	**FATMA**
	Directive Release 228/2008 – conditioned authorization for the use of biomass combustion ashes from UCLA in agriculture and forestry	04/09/2008	-	**FATMA**

Plants under construction				
Destilaria Andrade	**Operating License nº 52000054 -** Version two	09/26/2008	-	**CETESB**
São Salvador	**Operating License 794/2008 –** São Salvador and transmission line 230 kV	11/18/2008	11/18/2012	**IBAMA**
	Authorization for Vegetation Suppression 248/2008 – transportation infrastructure refurbishment (total: 3.28 ha)	07/17/2008	07/17/2009	**IBAMA**
Areia Branca	**Installation License 071**	04/30/2002	04/30/2004	**FEAM**
Seival	**Installation License 589/2009**	02/18/2009	02/18/2014	**IBAMA**
	Preliminary License – transmission line 230 kV – requested in December 2007	-	-	**IBAMA**

Caption:

AGMA: Environmental Agency of the State of Goiás
DRH: Water Resources Department of the Environmental Secretariat of the State of Rio Grande do Sul
FATMA: Environmental Foundation – State of Santa Catarina
FEAM: State Environmental Foundation – State of Minas Gerais
FEPAM: Henrique Luiz Roessler State Environmental Protection Foundation – State of Rio Grande do Sul
IAP: Environmental Institute of the State of Paraná
IBAMA: Brazilian Institute of the Environment and Natural Renewable Resources
IMASUL: Environmental Institute of the State of Mato Grosso do Sul
SEMACE: State Environmental Board – State of Ceará
SEMA-MT: State Secretary of the Environment of the State of Mato Grosso
SEMAR: Water Resources and Environmental Secretariat – State of Piauí
CETESB: Environmental Sanitation Technology Company – State of São Paulo
COPAM: Council of Environmental Policies and Management of the State of Ceará
CODAM: Coordination of Environmental Development of the Environmental Foundation of the State of Santa Catarina

CLEAN DEVELOPMENT MECHANISM AND CARBON CREDITS

The Lages Cogeneration Unit is registered with the Executive Committee of the United Nations Framework Convention on Climate Change (UNFCCC) as an activity that meets the requirements of the Clean Development Mechanism (CDM) as established under the Kyoto Protocol. As a result, the thermoelectric plant is authorized to generate carbon credits for trading by Lages Bioenergética.

The project provides for the annual generation of approximately 220,000 Certified Emission Reductions (CERs, also known as carbon credits), from November 2004 to October 2014. Each CER is equivalent to one tonne of CO_2 (carbon dioxide) emissions avoided. In 2007 Tractebel Energia signed a contract for the sale of 750,000 CERs, a volume that represents approximately 35% of the total CERs to be issued, for delivery to the Prototype Carbon Fund (PCF) in seven annual installments of 88,000 tonnes until 2013, with the last installment of 134,000 tonnes to be transferred in 2014. The PCF is the fund managed by the World Bank that aims at purchasing carbon credits.

In addition, two other sales were made in the carbon credits market: 190,000 RCEs in 2006 and 270,000 tonnes in 2008.

The Lages Cogeneration Unit, located in the state of Santa Catarina, uses wood chips from several logging companies to produce electricity and steam. By using these residues that would have otherwise been disposed of in nature, the plant contributes to preventing methane emissions – a gas with Global Warming Potential (GWP) 21 times higher than carbon dioxide – resulting from their decay.

RELATIONSHIP WITH THE LOCAL COMMUNITY

Tractebel Energia develops programs aimed at the relationship with local communities focusing on the environmental education of several stakeholders. One of the main programs involves visits to the plants and is aimed at offering information on the energy generation process, simply and responsibly showing respect for the environment and society.

In the visits, systematically organized, the Company's technicians guide students, representatives of government entities and NGOs, and people from the community, presenting the operation in the generating complex and its integration with the environment and society.

This program has been an important driver in the dissemination of environmental awareness, reflected in the constant requests by the community for native seedlings from the Brazilian *cerrado* savannah. Moreover, the Company is constantly invited to participate in events and give lectures about the subject, ranging from the construction of hydroelectric plants to environmental reforestation programs, environmental preservation, energy, water and other issues related to its operation.

Multiple uses of reservoirs

In partnership with the local governments of the municipalities where its plants operate, Tractebel Energia seeks to create in its reservoirs public recreational areas. In the parks created in the areas surrounding the reservoirs, cultural and sporting events are promoted and, in the lakes, the Company works to develop fishing and raise the awareness of visitors about the best locations and times for fishing.



Communication between the Company and the communities, included in the visitation programs to the plants, plays an essential role in the multiple uses of reservoirs, as it works as a link between the community and the plant. Consequently, it seeks to establish a harmonious relationship with the community, making it a partner in the use of waters and in the monitoring required to achieve and maintain the best environmental quality possible.

PLANTS IN OPERATION

At its operational plants, the Company has several projects for improving environmental conditions and controlling the impacts of its operations. The main environmental initiatives of some plants are presented as follows:

Jorge Lacerda

Environmental park

In 2008 Tractebel Energia began the construction of a new park to promote the environmental recovery of 0.50 km^2 of an area near the Jorge Lacerda Thermoelectric Complex, located in Capivari de Baixo, state of Santa Catarina. Developed by the Universidade do Sul de Santa Catarina (Unisul), the Jorge Lacerda Environmental Park will have trails, bike paths, a lake, an environmental education center, an amphitheater, a wooded area and other recreation options.

In addition, the plant develops environmental education projects such as “Learning to Recycle”, a community garden that is also present in Lages, and an environment week that is held at all of the Company’s plants.



Ecological basin located in Tubarão, state of Santa Catarina. The area underwent an auto-regeneration process after serving as an ash basin for the Jorge Lacerda Thermoelectric Complex and is preserved and monitored by Tractebel Energia

Itá

Control of migrating fish species and Permanent Preservation Area

In partnership with the Consórcio Machadinho and the Fresh Water Fish Farm and Biology Laboratory (Lapad) of Universidade Federal de Santa Catarina (UFSC), the Consórcio Itá has a project to ensure the preservation of the migrating fish species of the Uruguai River basin through captive breeding.

The Consórcio Itá also has an agreement with Ibama/SC for the production and release of approximately 450,000 fingerlings per year in the tributaries of the Uruguai River. This project has been carried out for approximately ten years, totaling nearly 4.5 million fingerlings of native species of the Uruguai River basin.

The plant's reservoir, located on the border of the municipalities of Itá, state of Santa Catarina, and Aratiba, state of Rio Grande do Sul, includes an area of 22.59 km^2 belonging to a Permanent Preservation Area (APP) adjoining the 7.41 km^2 Fritz Plaumann State Park, state of Santa Catarina, and the 4.61 km^2 Teixeira Soares Municipal Park, state of Rio Grande do Sul.

The parks together with the 0.15 km^2 Severiano de Almeida Municipal Environmental Preservation Park, state of Rio Grande do Sul, are environmental offsets of the Itá plant. The Permanent Preservation Area bordering the Uruguay River includes the preserved green areas of the bordering properties, which total 13.41 km^2. Tractebel Energia offers a team for environmental and property monitoring of the reservoir and the surrounding area and maintains cooperative agreements with the environmental police for environmental monitoring. The biodiversity index of the region comprises 27 mammal, 94 bird, 31 reptilian, 11 amphibian, 40 fish and 60 tree species.

Community

Through the Consórcio Itá, Tractebel Energia developed, in partnership with the Association of Municipalities Bordering the Itá Dam (Amulbi) and the Brazilian Small Business Support Service (Sebrae), an integrated regional development plan. The goal is to foster tourism and agribusiness in the region and, to do so, between 2007 and 2008 R$240,000 were allocated for the donation of nautical equipment and saplings of native species from the Botanic Nursery of the Itá plant to farmers.

In addition, since 2001, the Itá plant has developed educational projects targeting the community at the Environmental Dissemination Center (CDA) through thematic exhibitions, and a library, video library and photographic archives that present social and environmental information about the region and programs developed by the plant. From its inception to the end of 2008, the CDA received 178,815 visitors.



Itá Hydroelectric Power Plant

Machadinho Hydroelectric Power Plant



Machadinho

Preservation of migrating fish species and Permanent Preservation Area

The Consórcio Machadinho has a project for the preservation of migrating fish species in partnership with the Consórcio Itá (see the description of the Itá projects for details).

Located between the municipalities of Piratuba, state of Santa Catarina, and Maximiliano de Almeida, state of Rio Grande do Sul, its reservoir has 44.05 km^2 of APP, adjoining the Espigão Alto State Forest Park, state of Rio Grande do Sul.

The Espigão Alto State Forest Park, with a total area of 13.33 km^2, is connected to the APP of the Machadinho reservoir and to the remaining areas owned by the Consórcio Machadinho, totaling 38.89 km^2. The monitoring of the park and the APP is the responsibility of the Environmental Police of the states of Santa Catarina and Rio Grande do Sul, which maintain an operational support agreement with the consortium.

The fauna of the region is comprised of 52 mammal (22 rodent and 17 carnivorous) species; 192 bird (160 local, 32 migrating and 47 endangered) species; 63 fish species, especially *lambaris, cascudos* and *birus*; and two reptilian species that are more relevant: *cotiara* (a venomous snake) and *cobra-bola* snake. The flora, in turn, presents 522 identified species, approximately half of which are of herbs.

Salto Santiago Hydroelectric Power Plant



Salto Osório, Salto Santiago and Cana Brava

Reforestation program at the reservoirs

In addition to the social and environmental programs such as the aquatic ecology studies carried out in the plants, Tractebel Energia has a reforestation program in place that covers an area of 4.62 km² (including the three plants) and provides for the planting of 628,000 saplings. In the reservoirs of Salto Santiago and Salto Osório, the goal is to plant 578,000 saplings by May 2010. By the end of 2008, the Company had already planted 333,576 saplings in an area of approximately 2.25 km².

At the Cana Brava plant, in addition to the conclusion and consolidation of the nursery, in 2008, 60,000 saplings of native species from the *cerrado* were produced to be planted in the reservoir area and to be donated to the community, surpassing the annual goal of 50,000 saplings. Of these, 7,654 saplings have already been planted in the plant's concession areas.

The program, developed with the participation of specialists, was approved by the relevant environmental authorities and has the support of the communities of the surrounding areas of the reservoirs. In addition to conserving the surrounding areas, these communities contribute by planting the saplings donated by Tractebel Energia.

The reservoir of Cana Brava plant has a total APP area of 3.2 km², in the city of Cavalcante, in northern region of the state of Goiás, near the Tocantins River. The fauna of the region is classified in two categories according to the pattern of geographic distribution.

Community

As part of its relationship with the surrounding communities, the Company promotes visits from the population, students and teachers to the plants, during which the visitors receive information about the operation of the generation facility, the importance of the plant, and the social and environmental programs developed by Tractebel Energia. In 2008 the plants received 250 entities from 15 communities, totaling 7,300 visitors.

Also in 2008, Tractebel Energia began its Solar Collector project with the participation of nine organizations from the municipalities adjacent to Salto Osório and Salto Santiago plants. Organization representatives participated in a workshop at the Itá plant where they received instructions on how to assemble the heater. In 2009 the project will continue to be carried out with the distribution of the material required for manufacturing and installing the heater at the organizations' facilities.

Passo Fundo

Permanent Preservation Area

The reservoir of the Passo Fundo Hydroelectric Power Plant, located in Entre Rios do Sul, state of Rio Grande do Sul, has 64 islands, totaling 4.11 km^2 of APP.

It borders the Rondinha State Park, in Rondinha, state of Rio Grande do Sul, with an area of 10 km^2, and the Sagrisa Municipal Reserve in Pontão, state of Rio Grande do Sul, with 4 km^2. The Environmental Police of Rio Grande Sul is responsible for monitoring both the park and the reserve, and also work in partnership with the Company.

Within this environmental protection area, the following were identified: 18 mammals, 123 birds, 14 reptiles, 10 amphibians and 44 fish, in addition to 20 species of native plants.



Passo Fundo Hydroelectric Power Plant

PLANTS UNDER CONSTRUCTION

The main impacts of a hydroelectric plant occur during construction, which changes the region's structure and dynamics. As a result, it requires the introduction of several initiatives to mitigate or offset these impacts. As an example of these initiatives, we point out: monitoring of water quality; protection and conservation of the flora; monitoring and conservation of the region's terrestrial and aquatic fauna; monitoring of potential changes in the water table; monitoring of erosion; and activities involving initiatives for the prevention of accidents with poisonous wildlife or the monitoring of water snails and insects, such as black flies (*Simulium pertinax*) and mosquitoes, identifying potential carriers of disease.

Due to society's increasing concern for environmental-related issues, the construction of a hydroelectric plant only occurs after extensive studies are carried out and submitted to public hearings and analyses by environmental agencies. The winner of the public bidding process held by the government for the concession of the hydroelectric operation becomes responsible not only for the implementation and operation of the plant, but also for the complete environmental management of the area surrounding the reservoir.

In the São Salvador Hydroelectric Power Plant, Tractebel Energia has developed, in all stages of the project, social and environmental programs that give priority to sustainable initiatives, primarily committing itself to social inclusion programs, the protection and stewardship of natural resources focused on social and economic development, and to changes in previous standards of production and consumption.

Among the initiatives adopted in the several programs developed with the community, the highlights are:

Natural resources

• Donation of the wood from the removal of the vegetation of the reservoir area to the landowners of the region, allowing the legal use of this material and avoiding deforestation of natural reserves.
• Creation of a fund from the sale of wood from the worksite to be used in educational initiatives.

Environmental education

• Campaigns to raise the population's awareness about environmental protection, developed through games, cinema and theater, also enabling the community's cultural enrichment.
• Recycling programs and construction of recycling warehouses, creating jobs and income for the most destitute population. The construction of the warehouses is made possible by a fund created with the sale of the wood from the worksite.

Biodiversity

• Introduction of a nursery for the production of saplings, aimed at the renovation of the permanent preservation areas around the lake. Local low-income youths are trained and work in the production of saplings, transmitting and perpetuating technical knowledge of the native species of the *cerrado*.
• Monitoring and stewardship of the fauna enables the study of the animal species from the *cerrado*, fostering biological research and knowledge. Based on the information obtained, educational initiatives are implemented, addressing issues such as hunting and the importance of preserving endangered species.
• Studying the flora of the *cerrado*, which allows the identification of new species or previously unidentified ones.
• Studying the fish of the Tocantins River basin in the stretch impacted by the facility, providing knowledge about regional biodiversity and the importance of the species for the community.

The construction of a hydroelectric plant only occurs after extensive studies are carried out and submitted to public hearings and analyses by environmental agencies

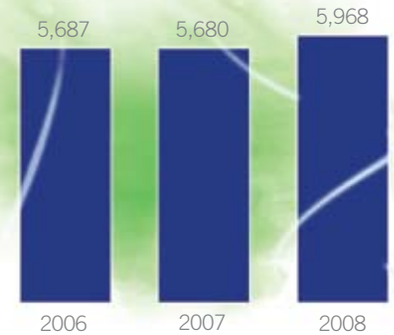
CONSOLIDATED ENVIRONMENTAL INDICATORS

In line with its commitment to the preservation and rational use of natural resources, Tractebel Energia monitors a series of environmental indicators in order to reduce the impact caused by its operations.

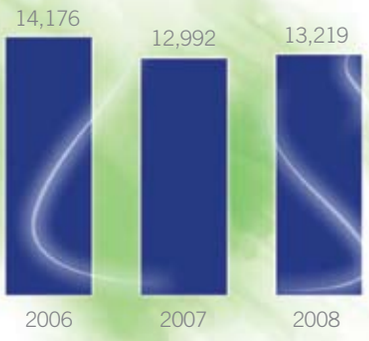
Emissions

Tractebel Energia's main atmospheric emissions are carbon dioxide (CO_2), sulphur dioxide (SO_2), nitrogen oxide (NOx) and particulate matter (PM) related to the production at the thermoelectric plants. The following graphs show the total emissions of the Charqueadas, Alegrete and William Arjona thermoelectric plants, the Jorge Lacerda Thermoelectric Complex and the Lages Cogeneration Unit.

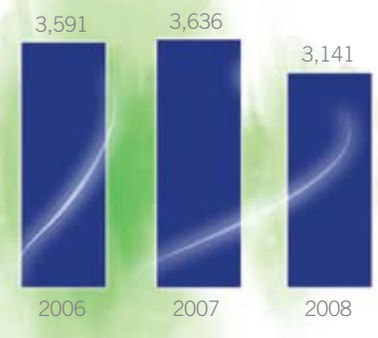
CO_2 Emissions
(thousand tonnes)



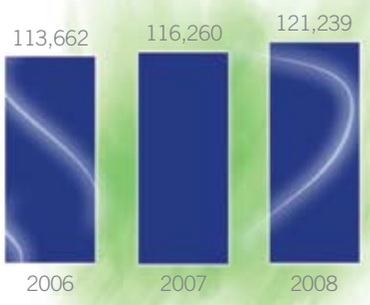
NOx Emissions
(tonnes)



Particulate Matter Emissions
(tonnes)



SOx Emissions
(tonnes)



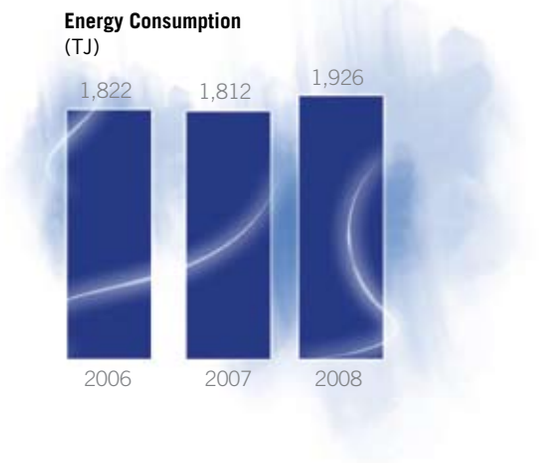
The overall increase in emissions in 2008 was due to the higher dispatch demand of the thermoelectric plants during the year. Still, the 4.8%, 1.7% and 4.1% increase in the emissions of CO_2, NOx and SOx, respectively, was lower than the 9.7% increase in the production of the thermoelectric plants in 2008 when compared to 2007. Also in this context, the emissions of particulate material presented a substantial 13.6% decrease due to the upgrades on the electrostatic precipitators that retain the particles. These results reflect the efficiency of Tractebel Energia's management programs in the environmental control of emissions and the rational use of fuels in its thermoelectric plants.

Emission control

Electrostatic precipitators: retention of more than 99% of the emissions of particulate matter.
Control of sulphur levels in coal and fuel oil: reduction in the creation of sulphur dioxide and its emission into the atmosphere.
Reuse of waste: use of 100% of fly ash produced as raw material in the production of cement.

Direct electric power consumption

Tractebel Energia's own plants generate the energy consumed in the production process. In 2008 1,926,143 GJ (535 GWh) were consumed in the operation of its plants, which resulted in the generation of 34,128 GWh (equivalent to 123 million GJ) of electric power. This amount includes the production of the plants purchased in 2008 after the respective conclusions of the acquisitions.



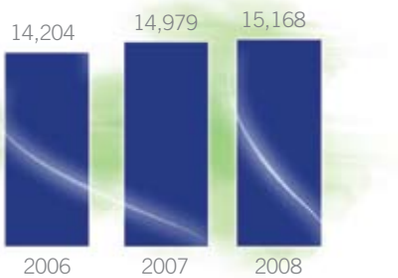
The increase in energy consumption is due to the growth in the total generation of Tractebel Energia's plants.

In order to decrease its indirect energy consumption, the Company has measures in place to reduce the consumption of fossil fuels. These include the acquisition of bi-fuel vehicles and preferring to run them on ethanol, as well as using conference calls in order to avoid transportation of its employees whenever possible, thus reducing fuel consumption and, as a result, decreasing the emission of Greenhouse Gases (GG).

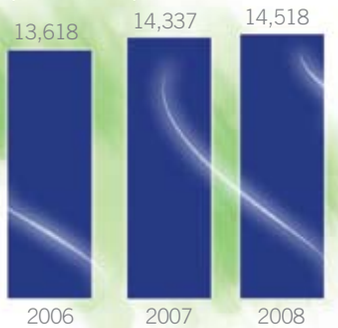
Water

The Company constantly monitors and checks the quality of the water in the reservoirs of its hydroelectric plants and the rivers in the areas surrounding its thermoelectric plants to prevent their contamination. Consequently, it seeks to ensure the balance of the ecosystems, compliance with the legal requirements in force, and the safety of its operations.

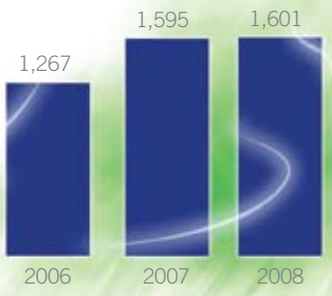
Surface Water Consumption
(thousand m³)



Total Water Discharge
(thousand m³)



Ground Water Consumption
(thousand m³)



In 2008 the 1.2%, 0.4% and 1.3% increases in surface water consumption, underground water consumption and in water discharge, respectively, were due to the increase in the energy production of the thermoelectric plants, which was 9.7% higher than in the previous year.

Thermoelectric Plants

The thermoelectric plants are responsible for most of Tractebel Energia's effluents. Because of that, the thermoelectric plants have closed-circuit effluent systems to prevent polluting rivers in the surrounding areas and allowing the reuse of water in several processes. At the Charqueadas plant, this initiative allowed the reduction by 90% of the total water consumed in the plant. At the Jorge Lacerda Thermoelectric Complex, in turn, approximately 7 million m³ of water used for extracting ash was reused, accounting for 50% of the total consumed by the plant.

In the units where the closed-circuit recirculation has not yet been implemented, effluents are treated using a physical and chemical process (sedimentation and neutralization) before they are released into the receiving bodies of water.

Environmental impact control

Vacuum filter (Lages): reduction of the humidity of the ash and slime retained, decreasing the waste of water with these residues.
Containment basins: prevention of the pollution through leakages in the stocking of fuel.

Hydroelectric plants

In order to ensure the quality of the water in the reservoirs, the Company does physical, chemical and biological monitoring in partnership with research institutes and companies in the regions where it operates. In addition, because of their direct influence on the quality of the water, the areas surrounding the reservoirs are closely monitored.

Among the processes enhanced to minimize the environmental impacts, it is worth highlighting the substitution in 2008 of a mineral oil-based lubrication system for a water-based system at the Machadinho plant, avoiding mineral oil leakage and spillage risks, as the lubricant could drip from the pumps and the drainage tank of this system.

The control of effluents in drainage shafts at the Cana Brava Hydroelectric Power Plant aims to reduce the concentration of oils and grease in the effluents to 50% of the 20 mg/l allowed by legislation.

Environmental impact control

Monitoring of the water table: collect and analysis of water samples and measure of the levels at the cisterns in properties.
Control of erosive processes: study of the rocks and obtainment of samples of types of soil for analysis and prevention of erosion at the barriers.

Hydroelectric plants and SAPs reservoirs

Plant	Area (km²)
Itá	142
Machadinho	79
Passo Fundo	151
Salto Osório	55
Salto Santiago	208
Cana Brava	139
Ponte de Pedra	14.5
José Gelazio da Rocha	0.27
Rondonópolis	0.024

Hydrographic basins

Tractebel Energia is a voluntary member of several hydrographic basin committees of its concession areas, which are involved in issues such as the rational use of hydrological resources; environmental control and management; environmental education; biodiversity conservation; and basic sanitation. These include Baixo Jacuí (Charqueadas, state of Rio Grande do Sul); Ibicuí River (Alegrete, state of Rio Grande do Sul); Passo Fundo River (Passo Fundo, state of Rio Grande do Sul); the Apuaê and Inhandava rivers (Machadinho, state of Rio Grande do Sul); Do Peixe River (state of Santa Catarina) and Jacutinga River (Itá, state of Santa Catarina); Tubarão River and the Lagunar Complex (Jorge Lacerda, state of Santa Catarina). The Company is also an alternate member of the Water Resources Board of state of Paraná.

Solid waste

All solid waste generated in the plants is separated and sent for appropriate final disposal. Combustible waste (such as tank sludge and paint) classified as dangerous is co-processed and usually used as fuel in cement industry processing. The used lubricant oil is re-refined and, through an industrial process, transformed into basic oil, the main raw material for manufacturing the finished lubricant.

Waste disposal

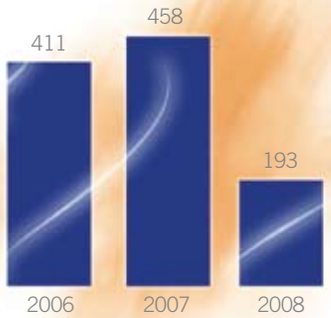
All of the Company's plants select the waste produced and send it to recycling or to appropriate disposal, in order to minimize the impacts on the environment. The Company's waste management, which constantly seeks to improve reuse methods, includes packaging, temporary in-house warehousing, transportation and final disposal of the waste.

Hazardous waste

The transportation of hazardous waste complies with environmental licensing regulations and United Nations rules. Safety measures are in place against leakage, such as the use of safety labels for chemical products, the use of containment barriers, and the adequate signaling of vehicles. Companies hired for this kind of transportation are duly licensed and authorized within Brazil. Hazardous waste is not imported or exported.

The main hazardous waste produced by the Company includes: reusable chemical product containers, empty drums, bulbs and reusable towels, oil for re-refining, waste from health care services, chemical products, batteries, oil-contaminated water and materials, ash, rockwool and aerosol containers.

Hazardous Waste Transported
(tonnes)



Hazardous waste disposal in 2008

Disposal	Type of waste	Amount (tonnes)
Local storage	Sludge from sewage treatment plants (ETA), material containing asbestos or fiberglass, batteries, Individual Protection Equipment (EPI), smoke detectors	1.55
Reutilization	Chemical products reusable containers and returnable industrial towels	4.60
Recycling	Used lubricant oils	64.89
Recovery	Smoke detectors	0.00
Incineration (or use as fuel)	Medical waste and material contaminated with askarel	0.17
Industrial landfill	Waste or materials contaminated with oil, grease or chemical products, waste grease, sludge from sewage treatment plants, material containing asbestos or fiberglass, batteries, chemical products, material containing mercury	84.17
Sterilization – class II landfill	Medical waste	0.01
Co processing	Waste or materials contaminated with oil, grease, chemical products, asbestos, fiberglass or askarel	121.48
Encapsulation – class I landfill	Batteries	1.21
TOTAL		**276.54**

Non-hazardous waste

The main non-hazardous waste generated by Tractebel Energia is ashes, originated in the combustion process of the coal-fueled plants, in addition to paper, plastic, glass and metal scraps (ferrous and non-ferrous).

The ashes are divided into two types: fly ash, which is dragged with the combustion gases and retained in the electrostatic precipitators, and bottom ash, which remains at the bottom of the boiler. The former accounts for approximately 80% of the total volume of waste and is sold to the cement industry as raw material for pozzolanic cement, replacing the limestone in its composition. Bottom ash has a high pH and is used as a neutralizer of soil acidity and in the recovery of coal waste deposits.

Part of the bottom ash from Charqueadas plant returns to the mine pit and is used in the environmental recovery of the area from where the coal used in the thermoelectric plant was mined.

In addition, the bottom ash is used as a base for highway asphalt paving. In 2008 for instance, the ash was used in widening the stretch of the BR 101 federal highway near the Jorge Lacerda Thermoelectric Complex. Each year, Tractebel Energia records an increase in the volume of recycled, reused and recovered non-hazardous waste. In 2008 this volume accounted for approximately 100% of the total.

Nonhazardous waste disposal in 2008*

Disposal	Type of waste	Quantity (tonnes)
Reutilization	Uncontaminated silica gel	0.03
Recycling	Fly ashes, construction debris, polystyrene, wood, paper, cardboard, plastic, metal and glass	978,619.55
Incineration	Wood	16.75
Local storage	Welding waste	0.05
Industrial landfill	Bottom ashes and rock wool, construction debris, sandblasting slag, rock wool, welding waste, rubber and electronic scraps	273.99
Spoil area	Garden waste and wood	17.20
Co-processing	Rubber scrap	0.03
Treatment - decontamination	Sludge from sewage	39.11
Recovery of degraded area – mining lands	Bottom ashes	501,719.05
Landfill	Common, organic waste, paper, plastic, glass and polystyrene	236.67
Composting	Organic and garden waste	50.65
Total		**1,480,973.08**

*The figures above include ashes from thermoelectric power plants

In 2008 there was a spill of 1,000 liters of oil in the tailrace of Salto Santiago Hydroelectric Power Plant as a result of the explosion and fire of a step-up transformer. The incident was duly communicated to the Environmental Institute of Paraná (IAP), the relevant environmental licensing body, through the local Environmental Police precinct. The environmental protection and monitoring teams of the plant arrived quickly at the location and removed the spilled oil from the water of the tailrace, and no substantial environmental damage occurred.

Recycling

In 2008 approximately 80% of the paper used by the Company was recycled paper, totaling 7.2 tonnes and allowing the Company to reach its goal of 50% established in 2007. The Company's goal is to recycle 100% of the recyclable waste it generates.



Jorge Lacerda Thermoelectric Plant

Fuel

The fuel consumed by Tractebel Energia is derived from oil (diesel and fuel oil) and coal and is basically used in the thermoelectric plants for generating energy. The Lages Cogeneration Unit is powered by wood chips (biomass) supplied by logging companies and other industries in the region.

Fuel	2006	2007	2008
Coal (tonnes)	3,215,121	3,341,888	3,532,719
Fuel oil (m^3)	2,844	2,748	29,776
Diesel (m^3)	3,280	2,944	37,267
Natural gas (m^3)	193,378,463	23,563,014	0

The increase in consumption of fuel oil is a result of the high dispatch level of the Alegrete Thermoelectric Plant, as explained on page 59. In 2008 the plant produced 78,622 MWh, after being inoperative for five years.

Diesel consumption increased due to the high dispatch level of the William Arjona Thermoelectric Plant, which expanded its production to 98,967 MWh in 2008, 47% higher than in 2007. In addition, the plant used diesel instead of natural gas, a fuel that was not consumed in 2008.

Transportation

The main environmental impact arising from the transportation of workers and goods and materials used in operations is air pollution caused by burning fuels such as oil and kerosene.

In order to control this impact, the Company has a procedure in place to monitor the levels of black smoke from diesel-fueled vehicles used by the suppliers and to notify them in the event of noncompliance with the legal/regulatory standards.

In addition, to avoid oil, fuel and chemical spills, Tractebel Energia has preventive and containment operating procedures in place, in addition to Emergency Assistance Plans (PAE).

Biodiversity

Tractebel Energia develops programs to manage its impact on the biodiversity of the areas where its plants are located and the surrounding areas, monitoring the flora, and the terrestrial and aquatic fauna, in addition to meteorological and seismological conditions of the habitats, to preserve species and offer the conditions required to balance diversity in the regions where it operates.

Flora

At the hydroelectric plants, the impact on the vegetation caused by the construction of the plants is offset with the production of saplings, reforestation on the banks of the reservoirs, support in the maintenance or creation of Conservation Units, and several other initiatives contributing to protecting and conserving biodiversity, controlling erosion and silting, in addition to protecting water resources from contamination.

All in all, over 300,000 saplings were planted in APPs and the other areas surrounding the Company's reservoirs and plants in 2008. Tractebel Energia also promoted the donation of saplings to public bodies and NGOs in the regions where it operates. In 2008 over 50,000 saplings of native species were donated.

The biodiversity management programs aim at preserving species and offering the conditions required to balance diversity

Main initiatives

Monitoring and conservation of the flora: collection of seeds and flowers to be studied and recorded in order to subsequently produce seedlings and ensure the continuation of the species in the region.
Recovery and formation of gallery forests: in 2008 the gallery forests of the Itá Hydroelectric Plant underwent a process of reforestation and recovery of the forests at the edges of the reservoir.
Production of native species seedlings: reforestation and recovery of the areas surrounding the plants and the local communities.





Fauna

Each plant has fauna stewardship and monitoring programs to ensure the biodiversity and the environmental conditions required for the preservation and development of the species, prior to, during and after the construction of the reservoirs.

Thanks to these programs, it is possible to detect and prevent any unbalances in the populations due to the new reservoir. In addition, in the areas where it operates, Tractebel Energia does studies associated to awareness programs for the local communities that encourage them to participate in the protection and conservation of the biodiversity of these locations.

Main initiatives

Environmental corridors: studies and projects are developed at the plants for the creation and preservation of environmental corridors formed by native species of the local flora, with a view to connecting native woods that were isolated due to human occupation. As a result, paths are created allowing animals to circulate and breed in a location with a biodiversity similar to their original habitat.

Preservation strips: at the edges of some reservoirs preservation strips are maintained for the development of the fauna and flora of the region.

Rescue and conservation of the fauna: study and rescue of the animals of the region during the deforestation and the creation of the reservoir.

Control of the proliferation of potential health problem vectors: periodic studies are carried out into disease-carrying insects and water snails and an assessment of venomous animals with programs for preventing accidents.

Machadinho Hydroelectric Power Plant



Ictiofauna

With the construction of the hydroelectric plants and reservoirs, the aquatic environment is changed, favoring the rise and adaptation of different species of fish in each period of formation until the stabilization of the lake. As a result, Tractebel Energia has R&D projects aimed at ictiofauna to understand the dynamic balance that is created during the formation and maturity of the lakes and adopt at each plant the best stewardship approach to minimize the impacts on the species.

In 2008 the Company promoted the release of fingerlings into the reservoirs of the Uruguai River and its tributaries, the donation of saplings to the community and the planting of saplings in the areas surrounding the reservoir as an offset for the non-monetary sanction it received. This sanction was the result of the imprisonment of fish caused by lowering the level of the reservoir, which, in turn, was a result of the operation of the plant, at a level inferior to usual.

Main initiatives

Monitoring of migrating fish: in the ictiofauna program, Tractebel Energia develops initiatives specific for the migrating fish species, which include monitoring using electronic chips with some species in the reservoirs to observe their habits and lifestyles, in order to learn about and preserve the native species.
Research and monitoring of the golden mussel: the waters of the basins where the Company operates are constantly analyzed to detect the presence of the golden mussel (*Limnoperna fortunei*). This invading species has still not been registered in any reservoir of the Company.
Fish population recovery of rivers: reproduction of fry of native species for recovering the fish population of the reservoirs of the hydroelectric plants. Through this initiative, Tractebel Energia has an agreement in place with Ibama for the recovery of the population of the Uruguai River basin. In research carried out in partnership with the Fresh Water Fish Farm and Biology Laboratory (Lapad) of Universidade Federal de Santa Catarina (UFSC), the Company has been reproducing in laboratory fry of endangered species in the region, such as *dourado, curimbatá, piava e piracanjuba*.

Investments in environmental protection

In 2008 R$50 million were invested in the adoption of cleaner technologies, emissions control, environmental education and training, external certification, external environmental management services, personnel allocated to general environmental management activities and R&D projects related to environmental issues.

In addition, approximately US$152,000 were spent in third-party liability insurance for any environmental-related event as a result of sudden pollution such as spillage.

Competency, training and awareness

To promote the training and awareness of its employees, Tractebel Energia constantly invests in environmental awareness and training initiatives to minimize and control its environmental impact, in accordance with the Company's commitment to sustainable development.





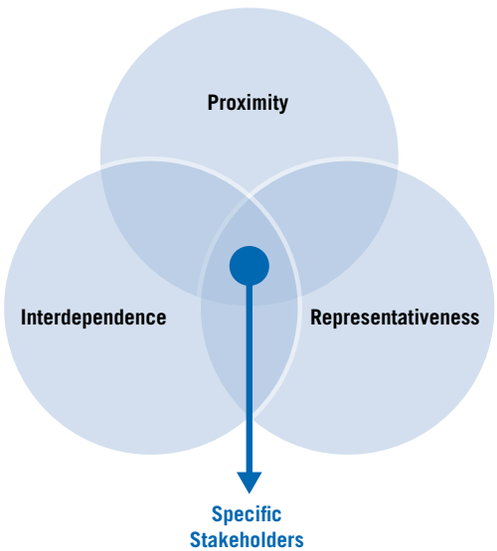
9 Social Management

RELATIONSHIP WITH STAKEHOLDERS

Tractebel Energia's operation has a direct and an indirect impact on its various stakeholders. On the other hand, the opinions and activities of these groups may influence the Company's decisions. As a result, the Company has several communication channels with the different stakeholders to receive their demands and identify their interests.

Such channels comprise an important tool for maintaining transparency, improving sustainability efforts and generating value for the stakeholders.

In line with this position, in preparing this report the Company identified 10 large stakeholders and, based on criteria of proximity, interdependence and representativeness, it selected specific stakeholders who were consulted on topics of wider interest to be discussed in Tractebel Energia's 2008 Annual Sustainability Report.



Stakeholders	Examples
Government	Administrative bodies (federal, state and local) and regulatory bodies of the industry
Shareholders	Controlling (GDF SUEZ) and minority shareholders
Employees and representatives	Direct and outsourced employees and unions
Customers	Traders, distributors and free customers
Community	Population in the areas surrounding the plants and headquarters
Social, environmental, corporate and industry entities	NGOs, educational and research institutions, social organizations and professional associations
Financial institutions	Banks, financing agents and debenture holders
Companies in the industry	Partners and competitors
Suppliers	Equipment, material and service providers
Press	Reporters and the media (television, radio, newspapers, magazines and websites)

These specific stakeholders were consulted through a questionnaire, the result of which indicated the need to prioritize the analysis of five main issues, all of which were discussed in this report:

- economic performance (generated and distributed value);
- community (management of the impacts of operations);
- emissions, effluents and waste;
- presence in the market (hiring workers and suppliers locally); and
- training and education.

The next section presents the Company's main stakeholders and the initiatives aimed at each of them with a view to monitoring expectations, impacts, risks and opportunities.

EMPLOYEES AND REPRESENTATIVES

Tractebel Energia acknowledges the value of the people who build its success. Based on this premise, its human resources management policy promotes constant investments in the employee development to maintain a solid growth base for the business, always in line with its corporate strategy and culture.

In order to maintain this structure and retain the knowledge required for the development of the business over time, the Company implemented a program for training successors for key-positions, which includes, in addition to hiring new, highly-skilled employees, the identification, retention and development of in-house talents.

Moreover, the Management Board approved for 2009 a diagnostic assessment and the beginning of procedures for obtaining NBR ISO 16001 certification – Social Responsibility – Management System – Requirements. The standard stipulates compliance with social goals related to labor and human rights, and that compliance is evaluated in all plants, hired companies and suppliers, such as:

- rights of the child and the adolescent, including fighting child labor;
- workers rights, including the right of free association, negotiation, fair remuneration and basic benefits, as well as fighting forced labor;
- promotion of diversity and fighting discrimination (cultural, gender, race/ethnicity, age and people with special needs);
- commitment to professional development; and
- promotion of health and safety.

The human resources management promotes an ongoing investment in the development of its employees

Personnel

Own employees

The Company's workforce is comprised of professionals with great know-how of the electric power industry in its strategic, managerial, technical and economic aspects. At the end of 2008, Tractebel Energia had 941 direct employees hired according to Brazil's Consolidated Labor Law (CLT). Over the year, the Company hired 61 employees and terminated 36.

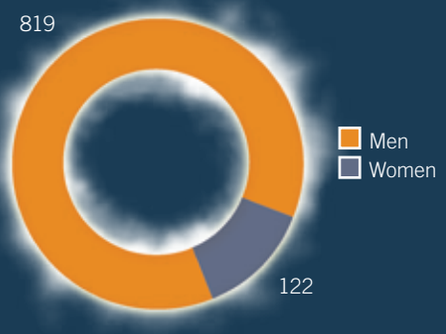
In order to prepare young workers for the labor market, the Company offered an internship opportunity to 61 students, 17 from higher education institutions and 44 from technical schools. In 2008 Tractebel Energia hired 14 former interns.

State	2006	2007	2008
Santa Catarina	629	626	640
Rio Grande do Sul	151	153	158
Paraná	93	94	96
São Paulo	5	4	4
Mato Grosso do Sul	10	9	9
Goiás	17	31	34
Total	**905**	**917**	**941**

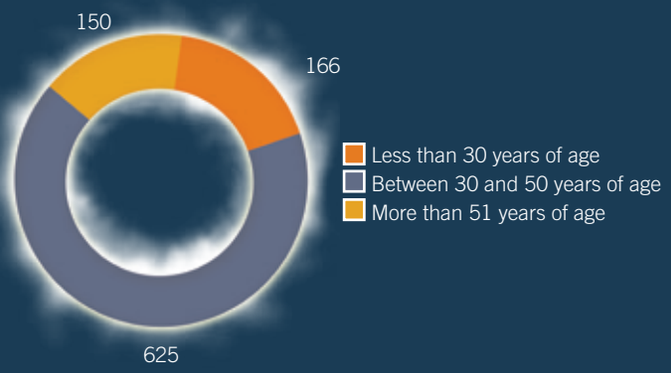
In most of the regions in which it operates, Tractebel Energia has partners assisting it with local recruiting and selection, to promote the creation of local jobs and meet its requirements in terms of costs and quality.

The high level of skills and experience of the workers employed at Tractebel Energia ensure the maintenance of the quality of the services offered. The Company's staff is comprised of 35% college graduates and 40% holders of associates degrees. In addition, approximately 20% of the employees are 50 years old or older and have ample experience in their positions.

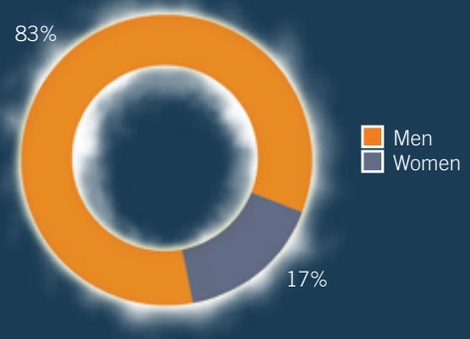
Employees by Gender



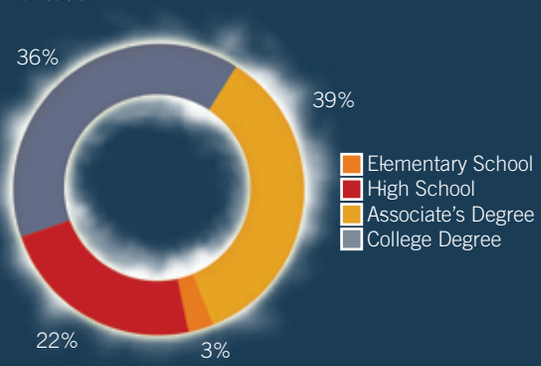
Employees by Age



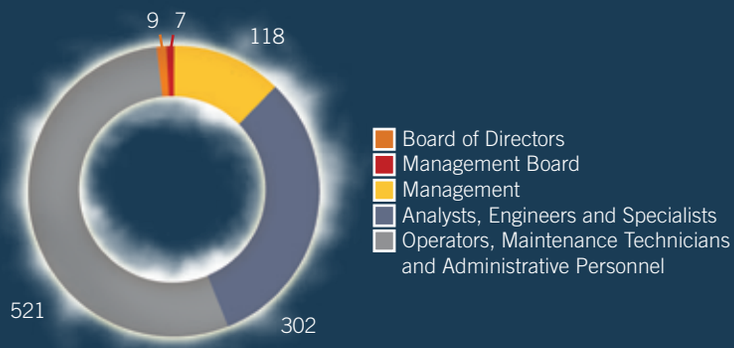
Distribution in Councils and Committees by Gender



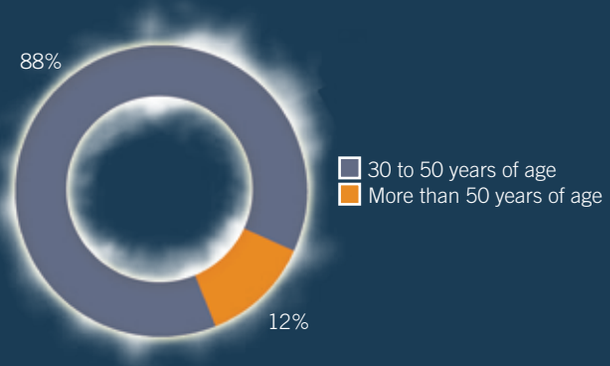
Education



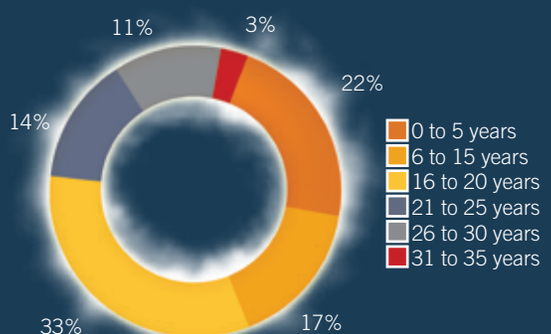
Employees by Occupation



Distribution in Councils and Committees by Age



Employees by Length of Service1[1]



[1] Employees' length of service is computed from their hiring by Eletrosul, and therefore, prior to privatization

Outsourced employees

During 2008, 2,235 outsourced employees provided specialized services to Tractebel Energia without having an employment relationship with the Company.

Remuneration

In order to retain and develop talented employees, the Company has adopted a compensation policy in line with market practices and monitored through salary surveys. Remuneration benchmarks are periodically checked with companies of similar size and business activities through salary surveys carried out by a specialized consulting firm. In Tractebel Energia's salary policy, no distinction is made based on the gender or race of its employees.

In light of the characteristics of the activities developed by the Company, the smallest salary paid to our workers is 2.6 times higher than Brazil's current national minimum wage.

The Company also offers variable remuneration based on individual performance that reflects each employee's contribution to the achievement of corporate results. This remuneration consists of a profit-sharing scheme based on the participation of the area in which the employee works on the Company's profit and results and on the result of the employee's individual behavioral evaluation. Employees at the management level have an additional bonus for achieving specific goals.

The position evaluation system used by the Company is based on the method adopted by a consulting firm specialized in human resources and takes into account the integration of factors such as knowledge, problem solving skills, and responsibility for results.

Climate survey

As part of the Organizational Climate Management program, Tractebel Energia does a biennial survey that, in addition to evaluating the efficiency of human resources management policies, streamlines the relationship of trust between the Company and its employees.

This survey affords shared career management aimed at improving a working environment that ensures productivity and, as a result, has a positive impact on the employees' quality of life and on the results of the Company, as well as on its relationships with customers, suppliers, shareholders, the government and the community.

The last climate survey, done in 2007 and organized by a specialized consulting firm, reported an 8 p.p. improvement in the organizational climate, which represents a rate of satisfaction related to the working environment of approximately 66% of the employees. The average satisfaction level in the market in general and in the energy sector stands at 59%, 7 p.p. below the Company's average.

Fringe Benefits

Tractebel Energia offers to all of its employees and their dependents health care services covering medical, dental, pharmaceutical and psychological assistance. In addition, the benefits granted to all employees include group life insurance, coverage for incapacity and disability, childcare and nutrition, and a retirement plan.

A total of 95% of its employees contribute funds to PREVIG, Tractebel Energia's Complementary Pension Society. The private pension fund is comprised, as a general rule, of employee contributions matched by the Company. In 2008 Tractebel Energia transferred R$17.1 million to PREVIG.

In addition, the Company also sponsors a closed private pension plan with the Eletrosul Foundation of Social Assistance and Security (Fundação ELOS), assumed among the Company's obligations when it was privatized, which has 2,197 participants.



Occupational health and safety

The occupational health and safety management is based on the preventive culture adopted by Tractebel Energia, and is developed with a view to ensuring safety and promoting improved health and quality of life for all of its employees. In 2008 Tractebel Energia invested R$3.6 million in the area.

A medical evaluation is carried out on an annual basis and, through a questionnaire on habits and attitudes, health improvement goals are established. Based on this evaluation, the main indicators for health and lifestyle are available on the Intranet for each employee, allowing each employee to monitor the evolution of his or her health over time.

The Company also develops awareness programs, supporting, among other initiatives, the adoption of a healthy lifestyle, practice of physical activities and exercise, implementation or maintenance of healthy eating habits, and combating chemical dependence.

The Company has nine Internal Occupational Accident Prevention Committees (CIPAs), with the participation of 74 employees and both employer and employee representatives. In addition to the CIPAs, there are seven Safety Engineering and Occupational Medicine Specialized Service (SESMT) groups, comprised of 12 direct employees.

The occupational safety professionals of the SESMT and the CIPA are present in all of Tractebel Energia's units and are responsible for the inspections, training and meetings. The formal committees on health and safety, comprised of representatives from the management and employees, account for up to 25% of the employees.

The occupational safety practices involve all workers (both direct and outsourced employees) and their goal is to eliminate occupational accidents. In order to reach this goal, Tractebel Energia takes a preventive approach, with training, lectures and discussions that make the employees reflect on behaviors and situations which expose them to the risks inherent to their professional activities.

Occupational health and safety indicators

Tractebel Energia employees	**2006**	**2007**	**2008**
No. of hours of risk exposure	1,754,486	1,614,368	1,682,994
No. of disabling occupational injuries	2	0	0
No. of occupational and transportation-related injuries (disabling and non-disabling)	9	3	4
No. of days lost – disabling occupational injuries	14	0	14
Rate of occupational disease (TDO)	0	0	0
Frequency rate (FR) [1]	1.14	0.00	0.00
Severity rate (SR) [2]	0.01	0.00	0.00
Fatal accidents	0	0	0
Rate of absenteeism [3]	1,844	2,480	3,314

Outsourced employees	**2006**	**2007**	**2008**
No. of hours of risk exposure	4,610,832	3,222,363	3,309,534
No. of disabling occupational injuries	19	9	16
No. of occupational and transportation-related injuries (disabling and non-disabling)	68	54	32
No. of days lost – disabling occupational injuries	446	358	388
Frequency rate (FR) [1]	4.12	2.80	4.80
Severity rate (SR) [2]	0.10	0.11	0.12
Fatal accidents	1	0	1
Absenteeism [3]	([4])	([4])	([4])

[1] Number of disabling occupational injuries per million worker-hours of risk exposure.

[2] Number of days lost as a result of disabling occupational injuries per thousand worker-hours of risk exposure.

[3] Number of days absent from work due to ordinary illnesses, unrelated to occupational hazards.

[4] Control done by third-party companies.

For two years in a row, Tractebel Energia's frequency (disabling occupational injuries) and seriousness (days lost as a result of disabling occupational injuries) rates were zero among its employees, which highlights the efficacy of the Company's occupational health and safety programs.

In 2008 one fatal accident was recorded with an employee of a service provider at the Jorge Lacerda Thermoelectric Complex. Tractebel Energia created a committee appointed by the Management Board, consisting of occupational safety engineers and representatives from the area, to investigate and analyze the factors contributing to the accident, as well as the proposal of measurements for controlling and improving labor procedures and methods and the physical facilities in order to prevent new incidents.

In addition to prevention campaigns and the safety training, the Company annually holds the Internal Occupational Accident Prevention Week (Sipat) at all of its productive units and its headquarters. These initiatives are aimed at improving safety conditions in the different working environments and processes. Moreover, Tractebel Energia's CIPAs are in line with those of outsourced companies.

One of the Company's main challenges for 2009 and 2010 will be to obtain OHSAS 18001 (Occupational Health and Safety Assessment Series) certification, a management tool that will enable Tractebel Energia to control and improve existing occupational health and safety standards.

Lages Cogeneration Unit



Training and development

To ensure that the medium and long-term corporate strategies are carried out and to maintain the quality of the services rendered, Tractebel Energia structures and offers to its employees a series of initiatives to support their professional development.

Training hours per employee in 2008

Occupation	Average
Managers	81.3
Administrative	68.5
Operational technician	64.2
Overall	**72.4**

The Company develops awareness programs, supporting the adoption of a healthy lifestyle

Machadinho Hydroelectric Power Plant



Tractebel Energia offers career self-management tools and invests in developing leadership

In the year, approximately R$3 million were invested in 68,187 hours of training, mainly in regular education (16,449 hours – undergraduate and graduate studies), occupational safety (13,421 hours) and behavioral training (11,955 hours – ethics, respect for human rights, leadership and communication).

In 2008 lectures were held on the Code of Ethics for all employees, including 11 direct employees from the Company's safety team, which covered topics such as diversity, non-discrimination and human rights. The topics are also presented in the Programa Bem-Vindo, targeting new employees.

Career management

Through evaluation programs and feedback, which enhance relationships and processes, Tractebel Energia offers career self-management tools, two of which are:

- annual performance evaluation of all employees: evaluates the goals and the commitment of employees to the Company's values; and
- skills mapping every three years for employees at the management level: a 360° evaluation process resulting in an Individual Development Plan (PDI) based on organizational skills.

In order to ensure the efficacy of these tools, the Company invests in the development of leaders, focusing on senior and intermediate management levels.

Tractebel Energia supports high school education, as well as undergraduate and graduate studies in areas of common interest to the Company and the employee, by paying a portion of the monthly tuition charged by educational institutions. In 2008 30 employees from the technical areas received undergraduate scholarships and 35 employees from the managerial area received graduate scholarships from Tractebel Energia.

In addition, the Company has transitional support programs for employees who are retiring or leaving the Company, such as pre-retirement planning, Voluntary Redundancy Schemes (PDV) with severance pay based on age and on time of service; and assistance through training and advice in the transition to a life without work.

Union and labor relations

The Company has routine negotiations with labor unions and all professional associations representing its employees. Each year, collective employment agreements are entered into in compliance with the guidelines of the International Labor Organization (ILO). All employees have the right to free association and are covered by these agreements. These involve issues such as pay raises, pension plans, benefits, health and safety, protective equipment, and training and education for the members of emergency brigades and the CIPAs, in addition to accident analysis and investigative committees.

The Company has not established any specific guidelines in its code of ethics or staff manual for providing notice of operational changes.

PRESS

Tractebel Energia's relationship with the press is based on transparency and ethics, so that they may bring accurate information to the population. The Company's spokesperson is its CEO, who may delegate this responsibility to the other Directors on a case-by-case basis.

Press releases are provided by a third-party company and are supervised by the Communications Support area, under supervision of the Administrative Director.

CUSTOMERS

Tractebel Energia seeks to maintain a close relationship with its customers to precisely detect their needs and expectations and, as a result, develop customized products and services.

Because it operates not only as a generator but also as a trader, Tractebel Energia has a market edge, as it has an ample range of options for supplying energy to its customer base – distributors, traders and industries.

Periodically, independent consultants carry out a satisfaction survey in which issues that may be improved and opportunities for developing new products and services are determined. The latest satisfaction survey was done in February 2008.

Main results

2008 client satisfaction survey

Top of mind	91.5%
Recommendation to partners and branches	79.6%
Commitment to the business	66.7%
Commitment to environmental responsibility	70.2%
Commitment to social responsibility	69.4%

In addition to the survey, the customer opinions are collected through after-sales service; the Company maintains a team of customer service managers ready to immediately address any potential issues. In addition, technical seminars and visits to the generation plants are also organized so that customers may obtain a better understanding of Tractebel Energia's operations.

The Company's website also makes an exclusive channel for these stakeholders available, aimed at enhancing communication and publishing updated information on contracted supply and the energy market in general, in addition to making it possible for customers to monitor the quality of the energy consumed and their monthly bills. The Company's information security policy and procedures ensure that all information and data related to customers are maintained strictly confidential.

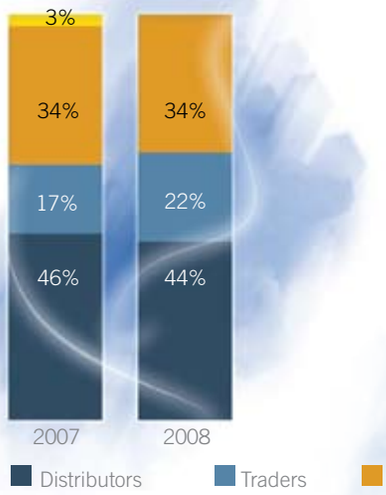
Customer base

Tractebel Energia's main customers are electricity distributors, electricity traders and free customers - basically large industrial consumers located in the southern, southeastern and mid-western Brazil.

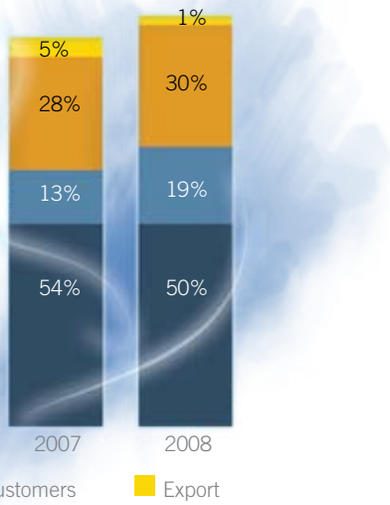
At the end of 2008, the Company had approximately 120 free customers who mostly operate in the following industries: pulp and paper, fertilizers, industrial gases, petrochemicals, autos and food.

In 2008 the share of free customers in the Company's physical sales remained stable in relation to the previous year at 34%, while its share in gross operating revenue related to contracted sales increased 2.1 p.p., totaling 30%.

Share of Clients in Physical Sales



Share of Clients in Contracted Sales that are Part of Gross Operating Revenue



SUPPLIERS

The policy for contracting suppliers pre-selects only partners with sustainable practices and who are aligned with the principles set forth by the Company's Code of Ethics and Environmental Code. As a result, Tractebel Energia increases its control so that social and environmental responsibility trickles down its entire value chain.

In addition to the criteria of quality, timeliness and reliability of the products and services offered, the social and environmental management processes they have adopted are also evaluated. To do so, Tractebel Energia has a training and performance evaluation method for its suppliers focusing on their commitment to and engagement with social responsibility, human rights, occupational health and safety, and the environment.

In the evaluation criteria of environmental performance of the suppliers, a highlight is the requirement that coal suppliers have NBR ISO 14001 certification. The supply agreements are kept only with companies that prepare themselves to obtain the certification.
To ensure compliance with the social responsibility criteria, all of the Company's supply agreements have specific provisions that forbid the use of child labor and forced labor by any supplier or service provider, as provided for by Tractebel Energia in its Code of Ethics.

All purchasing processes are controlled by an electronic system, therefore ensuring the transparency of the operations. Through a quote tool and a reverse auction, suppliers send their offers and quotes through the web, which are then recorded in the system together with all procedure developments. As a result, the purchaser may evaluate, compare and select the offer that best meets the Company's demand with more flexibility, reducing the lead time of procurement by up to 30%.

With a view to fostering the development of the economic and social environment of the communities where it operates, Tractebel Energia seeks to meet its hiring demands with local suppliers, especially for long-term (over 12 months) services.

In 2008 taking into account all production units, the organization maintained outsourced maintenance, environmental, utilities, monitoring, cleaning, IT and infrastructure service agreements with 65 companies that use local workforces. These agreements amounted to approximately R$26 million, which represents 44% of the total.

GOVERNMENT

Tractebel Energia maintains a constructive dialog with the government through its participation in committees and boards on the state and local levels of the areas in which it operates:

Participation in Committees and Boards
Water Resources Board of the State of Paraná
National Water Resources Board – Hydrographic basin committees
Baixo Jacuí Hydrographic Basin
Ibicuí River Hydrographic Basin
Passo Fundo River Hydrographic Basin
Hydrographic Basin of the Apuaê and Inhandava rivers
Peixe River Hydrographic Basin
Jacutinga River Hydrographic Basin
Hydrographic Basin of the Tubarão River and the Lagunar Complex

These committees promote discussions on issues such as the rational use of water resources and the importance of basic sanitation. Participation in other committees related to the areas of the Itá, Machadinho, Passo Fundo, Salto Santiago, Salto Osório and Cana Brava power plants are among the Company's goals for the next years.

In addition, because of its experienced team specialized in the electricity industry, the Company is constantly invited to participate in discussion forums and in the development of regulatory frameworks. Its employees also participate in several committees and initiatives connected to professional associations, regulatory and normative bodies and organized civil society movements. Tractebel Energia, however, does not have a formal policy of operating in the preparation of public policies and lobbies.

Political parties

The financial contributions that may occasionally be made by Tractebel Energia to political parties or on behalf of candidates for offices in the Legislature are previously approved by the Company's Ethics Committee and take place in strict compliance with the legislation in force regarding donations to electoral campaigns. In this sense, all initiatives of this nature are duly reported through the Internet on the website of the Superior Electoral Court (TSE).

INVESTORS

Tractebel Energia has several communication channels available to its investors, to whom it provides a specific area on the Company's website where performance data and other information are made available that help the decision making process.

The Company discloses material facts or notices to the market through the website and electronic newsletters. In addition, each year, the Company's performance for the year is presented in nationally-circulated newspapers and in the Annual Sustainability Report.

The Investor Relations department, responsible for the relationship with these stakeholders, promotes quarterly conference calls to present results, meetings with investors and investment advisors such as those promoted by the Association of Capital Markets Analysts and Investment Professionals (Apimec), and visits to the Company's plants. In addition, it constantly participates in lectures and seminars organized by the main investment banks, thereby promoting the necessary investor access to information about the Company.

Tractebel Energia develops programs and supports sustainability projects in the regions where its headquarters and the plants under its responsibility operate

COMMUNITY

Sustainability is inherent to the culture of the Company and its controlling group. Tractebel Energia develops initiatives and supports sustainability projects in the regions where its headquarters and the energy generation plants under its responsibility operate and that are compatible with its sustainability programs, listed as follows:

Tractebel Energia Environmental Improvement Program:

focused on environmental education, restoration of degraded areas and reforestation. Its goals are:

- reduction of the impact of the Company's activities on the environment;
- support for the preservation of the environment;
- ecological awareness;
- rationalization of the use of natural resources; and
- improvement of the quality of life.

Tractebel Energia Cultural Development Program:

focused on the cultural development of the communities. Its goals are:

- preservation and fostering of cultural traits characteristic to the region;
- local cultural development;
- promotion of the use of tax incentives in benefit of the communities; and
- assistance to children from low-income communities.

Tractebel Energia Social Responsibility Program:

focused on the improvement of the quality of life of children from low-income communities. Its goals are:

- education of children;
- partnerships in social assistance, health promotion and justice (defense of the rights of the child and the adolescent);
- support for the generation of jobs and income;
- professional qualification of youths; and
- community awareness for overcoming misery and for the social inclusion of at-risk children.

In 2008 the Company invested more than R$5 million to support over 200 projects selected among the approximately 600 proposed by partner institutions representing the various communities. In addition, it planted over 300,000 saplings, made the installation of 30 solar water heater kits using recyclable material (PET bottles) feasible, and did surveys to identify wants and wishes in social, environmental and cultural issues of the regions where the plants are located to support sustainability initiatives to be carried out in 2009.

This process includes and benefits several institutions, such as hospitals, day-care centers and charities. Since 1998, the Company has maintained programs of sponsorship and donation to the entities of the communities where it is located. The initiatives are focused on children from low-income families, education, culture and the environment. The Company participates in community events, partnerships with local governments and other institutions, in addition to initiatives of sponsorship in cultural and charity-related activities.

An example of such initiatives carried out in partnership with others is the development fund being implemented in the region of the Serra da Mesa and Cana Brava hydroelectric plants with the Inter-American Development Bank (IDB), Furnas Centrais Elétricas and Companhia Paulista de Força e Luz (CPFL) for the sustainable generation of income in local vulnerable communities. In 2008 projects for aquaculture, olericulture, farming and ranching that will be developed in 2009 were presented for development with resources from this fund. The fund is managed by the Brazilian Service for the Support of Small Businesses (Sebrae) of the state of Goiás and coordinated by the Ministry of Mining and Energy (MME) and will receive contributions equivalent to US$2.2 million, of which US$333,000 is donated by Tractebel Energia.

Jorge Lacerda Thermoelectric Complex

The Company approved the Jorge Lacerda Environmental Park project in Capivari de Baixo, state of Santa Catarina, which, as described on page 83, is aimed at the environmental recovery of the area surrounding the plant of the same name.

In addition, several other social and environmental projects are developed in the Jorge Lacerda Thermoelectric Complex, as highlighted in the following table:

Main social projects developed at the Jorge Lacerda Thermoelectric Complex in 2008

Learning Minor Agreement	Maintained in partnership with the Tubarão Welfare Commission for Minors, it is aimed at training and hiring teenagers from the cities of Capivari de Baixo and Tubarão, both in the state of Santa Catarina. In 15 years, the program has already trained 200 minors, who were well received in the regional labor market.
Learning to Recycle Project	A project in partnership with Rádio Cidade that offered training and lectures on the importance of recycling to 15 schools.
Child and Teenager Support Center	Direct donations and partnership with the local Rotary Club providing for 95 children enrolled in the Child and Teenager Support Center of the town of Capivari de Baixo, state of Santa Catarina.
Technical Course on Electric Power Generation Processes	Tractebel Energia maintains a technical course in partnership with Senai and offers a 50% refund of the monthly tuition to students and 100% to its employees. Of the students who concluded the course, 27 were already employed by the Company and 26 others were hired after the course.
Nossa Senhora da Conceição Hospital	Remodeling the hospital's cafeteria, located in the city of Tubarão, state of Santa Catarina.
Music for Children Project	Donation of material to the 170 students of the music school of Capivari de Baixo, state of Santa Catarina.



Several social projects are also being developed and implemented at the other Tractebel Energia plants that benefit the surrounding communities, as shown in the following examples:

Passo Fundo Hydroelectric Power Plant

The Company held educational campaigns that included the donation of books and reusable shopping bags. In addition, a commission was created in Entre Rios do Sul, state of Rio Grande do Sul, where the plant is located, comprised of representatives of Tractebel Energia, the community and the local government. This commission is aimed at implementing the Cultural House, an innovative initiative with funds raised through the Rouanet Act. The House will accommodate an amphitheater, cultural and educational workshops, and a museum that will exhibit, among other things, equipment donated by the plant to promote the regional culture.

Cana Brava Hydroelectric Power Plant

In addition to the Regional Development Fund, the Company participated in a health improvement project for the community, in partnership with other local companies and the Social Service for Industry (SESI). Tractebel Energia also introduced a sapling nursery in 2008 for planting and donation to the community.

Salto Santiago Hydroelectric Power Plant

The Company donated computers, supported school remodeling, cultural programs, the expansion of a library, construction of a warehouse and the recycling of waste.

Salto Osório Hydroelectric Power Plant

Tractebel Energia assisted with the production of ecological bags and uniforms, the edition of the magazine of the local center of the Association of Parents and Friends of the Mentally Handicapped (APAE), the construction of a school playground and a leisure area, and donated computers and furniture to schools.

Charqueadas and Alegrete Thermoelectric Plants

The Company made investments for the improvement of the wastewater and effluent systems of the region. It also contributed to the development of cultural projects, donating saplings, equipment, construction materials and clothes for the community, in addition to supporting and participating in projects such as Educative Media and Social Insertion. Other initiatives were developed in partnership with institutions such as the Lions Club, APAE, rest homes and NGO Voluntary Partners.

Environmental education program at the Machadinho Hydroelectric Power Plant



To increase its contribution to the development of society and its communication with the community and the other stakeholders, Tractebel Energia, represented by its employees and/or Directors, participates in several forums, bodies and committees. These include the following:

- National Electricity System Operator (ONS);
- Energy Research Agency (EPE);
- Brazilian Association of Electric Power Generation Companies (Abrage);
- Brazilian Association of Independent Electric Power Producers (Apine);
- Brazilian Mineral Coal Association (ABCM);
- Brazilian Association of Electric Power Concessionaires (ABCE);
- Electric Power Research Center (Cepel);
- Acende Brasil Institute;
- Corporate Management Committee Foundation (Fundação COGE);
- Industrial Federation of the state of Santa Catarina (Fiesc); and
- Industry Center and Federation of the state of Rio Grande do Sul (Fiergs).

Implementation of new projects

Policy

The communities located in the areas surrounding the plants that are in the implementation stage receive special attention from Tractebel Energia. This is because the new facility changes the dynamics of the municipalities and results in social and environmental impacts on the community. Taking into account the cultural identity and characteristics of each region, Tractebel Energia's policy for the social transformation arising from the construction of hydroelectric plants provides for measures aimed at indemnifying and relocating the population living and/or working in the areas affected by the creation of the reservoirs.

Prior to beginning construction of the hydroelectric plant, the Company prepares a social and economic record of the area where the project will be implemented through an evaluation of the inhabitants of the region, a study of the economic activities of the location and a study of the local history in order to recover the archeological heritage existing in the area.

After registration, the Company puts in place measures that minimize the impacts of the implementation, as presented in the following table:

Initiatives developed in the implementation of the plants

Areas involved	Measures taken
Housing	**Landowning families**
Relocation of families, who become the legal owners of the land or property where they are relocated	Indemnification for vacant land and productive and non-productive improvements
	Rural or urban relocation
	Letter of credit for self-relocation
	Non-landowning families (with effective ties to and economic dependence on the land)
	Indemnification of productive and non-productive improvements
	Collective relocation
	Relocation to remaining areas
	Letter of credit for self-relocation
Infrastructure	Construction of houses
	Basic sanitation
	Energy
Economic development	Economic assistance for the first productive cycle
	Technical support for three years

These measures provide benefits to the community in the implementation of hydroelectric plants such as the generation of jobs, additional tax revenue, new economic opportunities, and improvement of the local health, education, recreation, safety and sanitation infrastructure.

Projects developed in the new facilities

In addition to the social and economic studies of the implemented areas, the Company maintains constant contact with the population. At the São Salvador Hydroelectric Power Plant a free hotline was made available so that the population may contact Tractebel Energia by telephone. Moreover, several programs were put in place to inform, discuss and instruct the population about the changes in the region as a result of the implementation of that plant:

- bimonthly newsletter – distribution to farms, local governments, supermarkets and schools;
- bi-weekly radio programs;
- thematic folders about environmental education, relocation of the population, and prevention of accidents with venomous animals;
- institutional videos with the monitoring of the progress of construction;
- monthly forums for negotiating relocation with the local resident associations; and
- survey with the landowners of the relocation areas.

Programs for supporting the local governments of the directly impacted areas are aimed at the adjustment of the basic services infrastructure to ensure service for the population that relocates to the region due to the implementation of the plant. In São Salvador, the programs resulted in investments in the amount of R$7 million.

These programs resulted in lasting improvements for the local populations and involve partnerships with local governments, state secretariats and other public bodies and institutions.

In the fields of education, funds were invested in the construction of new classrooms, a library and IT labs, and in hiring professionals and providing educational materials and school meals.

In the area of basic sanitation, a highlight is the construction of sanitary landfills in the municipalities of São Salvador do Tocantins and Paranã, both in the state of Tocantins, the donation of trash collection trucks and the construction of collection centers for recyclable waste.

In the area of public health, needs were found that resulted in the investment of over R$2.2 million, including the implementation of a dental clinic, remodeling and acquisition of equipment for ambulances and health clinics, acquisition of drugstore supplies, transportation and removal of patients, participation in the construction of the new Palmeirópolis Hospital, state of Tocantins, and the hiring of physicians, nurse technicians and community agents to strengthen the teams of the Programa de Saúde da Família (family health program).

In line with the dismantling of the temporary infrastructure and laying off the workforce, sustainability studies on the economic activities were carried out for the municipalities of São Salvador do Tocantins and Palmeirópolis, both in the state of Tocantins, to identify local talent and potential, seek state and federal development and income programs and recommend professional training courses.

In the area of security, a new police station was created and the existing stations were expanded, in addition to the repair and upgrade of vehicles and the donation of equipment and uniforms. Tractebel Energia has also entered into an agreement in the state of Tocantins with the Independent Company of the Environmental Military Policy (Cipama) to maintain monitoring of the area near the facility.

CERTIFICATIONS

In addition to the renewal of the NBR ISO 9001 and NBR ISO 14001 certifications, the Company concluded the diagnostic assessment to initiate in 2009 the OHSAS [1] 18001 certification process to achieve and systematically control and improve the level of its occupational health and safety performance. Also in 2009, the ABNT NBR 16001 [2] social responsibility standard certification process will be initiated, reiterating the importance of these topics for the Company and its commitment to constant evolution.

[1] *Occupational Health and Safety Assessment Series*

[2] Brazilian Association of Technical Standards - Brazilian Standard

ACKNOWLEDGEMENTS AND AWARDS - 2008

First place among the best companies for shareholders in 2008

Tractebel Energia was the number one among The Best Companies for Shareholders in 2008 in the over R$15 billion in market value category of the III Ranking Capital Aberto. Organized by the magazine Capital Aberto, the ranking indicates the companies that were the best in terms of EVA, share profitability, liquidity, corporate governance and sustainability.

Honorable mention in corporate governance

The Company was runner-up in the Best Annual Report Award presented by the Brazilian Association of Publicly-traded Companies (Abrasca), and received an honorable mention in corporate governance, one of the five special categories, for achieving the best score in this item among the 82 participating companies.

Best Company in the Brazilian Electric Industry Award

Tractebel Energia received the aforementioned prize for having been elected the Best Company in the Electric Power Industry in 2007 by Conjuntura Econômica magazine, published by the Brazilian Institute of Economy of the Fundação Getulio Vargas (IBRE/FGV). The award is given annually to 12 companies classified in the survey of Brazil's 500 Largest Corporations. The selection takes into account objective parameters of the recent economic and financial performance of the companies, especially the results of the year prior to the award.

Fourth place among the 100 largest companies of Santa Catarina

Tractebel Energia was fourth among the 100 largest companies of the state of Santa Catarina according to Amanhã magazine and PricewaterhouseCoopers (PwC). The Company stood out in the biggest net income category.

2008 LIF Award

The Cambona IV Agroforestry System of the Machadinho Hydroelectric Power Plant was the winner in the environment category of the LIF (Liberté, Égalité, Fraternité) Award presented by the French-Brazilian Chamber of Commerce. The award is for social responsibility projects developed by the private sector and by NGOs. The Cambona IV System directly benefits 85 low-income families (approximately 340 people) of small farmers from the municipality of Machadinho, state of Rio Grande do Sul. Through the Association of Yerba Mate Producers (Apromate), local producers maintain a sustainable yerba mate agroforestry plantation system, innovative in Brazil.

2008 Environmental Brazil Award

Apromate's project, described above, was also a winner in the Environmental Brazil Award in the forest category. The award promotes initiatives and acknowledges the best responsible environmental preservation projects developed by companies in Brazil.

2008 Fritz Muller Award

The Fritz Plaumann State Park, created as an offset for the construction of the Itá Hydroelectric Power Plant, was elected the winner in the preservation areas category. Given by the Environmental Foundation of the state of Santa Catarina (Fatma), the Fritz Muller Award, acknowledges the main projects and work developed for preserving the environment in the state. The Park, built in partnership with private companies, Fatma and civil society, allows the protection and public use of the most important remaining area of the Deciduous Seasonal Forest (Uruguai River Forest).

2008 Ecology Expression Award

The social and environmental management program of the Salto Osório and Salto Santiago Hydroelectric Power Plants was the winner in the environmental management category of the energy industry of the Ecology Expression Award. The program developed innovative methods and solutions for the development and consolidation of environmental programs adapted to the local circumstances. It includes assessments and studies on the quality of the water and fish species in the reservoirs, in addition to their environmental monitoring and reforestation with native forest species.

Valor Carreira Award

Tractebel Energia was ranked one of the 50 best companies in people management according to a study by Hewitt Associates in partnership with the newspaper Valor Econômico.

National Quality of Life Award

Tractebel Energia's health and quality of life program, Geravida, received the National Quality of Life Award presented by the Brazilian Quality of Life Association. Each year, the award selects successful organizations and partnerships that promote the improvement in the quality of life of their employees. Tractebel Energia was audited by a firm that verified the support from those in leading positions, the participation and commitment of employees, and the generation of two new initiatives based on indicators and the suggestions received when developing the program.

Best in Brazil Seal

The Company received the Best in Brazil seal from the Centro de Estudos Sextante Brasil in the area of human capital management for sustainable development. Only two among the 100 Brazilian companies being evaluated received the distinction. Tractebel Energia met 71% of the sustainability criteria. In addition to sustainability, the following were also analyzed: generation of value for the business, health and safety, training and development, retention, labor relations, equity in the internal distribution of income and specialization of the human resources team.

Honorable Mention in the Osvaldo Checcia Human Being Award

Tractebel Energia's personnel management received an honorable mention in the Osvaldo Checcia Human Being Award, granted by the Brazilian Association of Human Resources, with the case "Climate at Tractebel Energia: Shared Management". The award acknowledges practices that appreciate the human being inside and outside organizations.

Regional Aberje Award

The social communication program of the São Salvador Hydroelectric Power Plant implementation was the winner of the regional North-Northeast stage of the Aberje Award of Business Journalism from the Brazilian Association of Business Communication.

CONSOLIDATED SOCIAL REPORT

	2008	2007
1. BASIS OF CALCULATION	**R$ thousand**	**R$ thousand**
1.1 - Net revenue	3,441,044	3,043,427
1.2 - Operating result	1,589,520	1,486,800
1.3 - Gross payroll	93,011	88,062

2. INTERNAL SOCIAL INDICATORS	R$ thousand	% of gross payroll	% of net revenue	R$ thousand	% of gross payroll	% of net revenue
2.1 - Food	7,191	7.73	0.21	6,605	7.50	0.22
2.2 - Mandatory social charges	29,517	31.73	0.86	27,910	31.69	0.92
2.3 - Private pension plan	15,210	16.35	0.44	11,367	12.91	0.37
2.4 - Private pension plan - conversion of special retirement into retirement for time of service	2,047	2.20	0.06	1,075	1.22	0.04
2.5 - Health	11,058	11.89	0.32	9,405	10.68	0.31
2.6 - Education	3,955	4.25	0.11	4,905	5.57	0.16
2.7 - Profit sharing program	14,982	16.11	0.44	13,038	14.81	0.43
2.8 - Other benefits	5,377	5.78	0.16	2,908	3.30	0.10
TOTAL (2.1 to 2.8)	**89,337**	**96.04**	**2.60**	**77,213**	**87.68**	**2.55**

3 - EXTERNAL SOCIAL INDICATORS	R$ thousand	% of operating result	% of net revenue	R$ thousand	% of operating result	% of net revenue
3.1 - Taxes (net of social charges)	893,301	56.17	25.96	777,659	52.30	25.55
3.2 - Contribution to society/investments in citizenship	8,429	0.53	0.24	7,415	0.50	0.24
TOTAL (3.1 to 3.2)	901,730	56.70	26.20	785,074	52.80	25.79

4. ENVIRONMENTAL INDICATORS	R$ thousand	% of operating result	% of net revenue	R$ thousand	% of operating result	% of net revenue
4.1 - Related to the Company's operations	11,281	0.71	0.33	11,421	0.77	0.38
4.2 - Related to ongoing projects	38,331	2.41	1.11	25,773	1.73	0.85
TOTAL (4.1 to 4.2)	49,612	3.12	1.44	37,194	2.50	1.23

5. WORKFORCE INDICATORS	2008	2007
Number of employees at year-end	941	917
Number of new hires in the period	61	46
Number of outsourced employee(s)	2,235	2,023
Number of trainee(s)	61	60
Number of employees over 45 years of age	382	353
Number of women working at the Company	122	119
% Management positions held by women	3.7%	0
% African descendent employees working at the Company	There is no formal statement by the employees on their races, therefore the number of African descendents working in the Company cannot be listed	

Cana Brava Hydroelectric Power Plant



GRI INDEX

GRI indexes		Page	Notes
Profile			
1. Strategy and analysis			
1.1	Statement from the most senior decision-maker of the organization on the sustainability relevance for the organization	4 and 5	
1.2	Description of key impacts, risks and opportunities	42 and 43; 47 to 50 and 117 to 119	
2. Organizational profile			
2.1	Name of the organization	2	
2.2	Primary brands, products and/or services	11 to 23	
2.3	Operational structure	11 to 23	
2.4	Location of the organization's headquarters	11	
2.5	Number of countries where the organization operates		Tractebel Energia's operations are located in Brazil
2.6	Nature of ownership and legal form	2; 20 and 21	
2.7	Markets served	11 to 19; 111 and 112	
2.8	Scale of the organization	11 to 23	
2.9	Significant changes during the reporting period	11	
2.10	Awards received in the reporting period	120 and 121	
Report parameters			
3. Profile disclosure			
3.1	Reporting period	3	
3.2	Date of most recent previous report	3	
3.3	Reporting cycle	3	
3.4	Contact point	134	
3.5	Process for defining Report content	3	
3.6	Boundary of the Report	3	
3.7	Statement on any specific limitations on the scope or boundary of the Report	3	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities	3	
3.9	Data measurement techniques	3	

GRI indexes		Page	Notes
3.10	Explanation on the effect of any re-statements of information provided in earlier reports	3	
3.11	Significant changes from previous reporting periods in the scope, boundary or methods applied in the Report	3	
GRI summary			
3.12	Table identifying the location of information in the Report	124 to 133	
3.13	External data verification		Tractebel Energia adopts external verification of its report being audited by BDO Trevisan
Governance, commitments and engagement			
4. Governance			
4.1	Governance structure	30 and 31	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	32	
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	32	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	32	
4.5	Linkage between compensation for members of the highest governance body, senior managers and executives, including the organization's performance	38	
4.6	Process in place for the highest governance body to ensure conflicts of interest are avoided	38	
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, social and environmental topics	32 to 37	
4.8	Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance and the status of their implementation	cover and 32 to 38	

GRI indexes		Page	Notes
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance	32 to 38	
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance		There is no self-assessment process regarding economic, environmental or social dimensions in the Board of Directors. However, once this assessment is considered good practice, the adoption of a model complying with self-assessment is being analyzed
4.11	Explanation of whether and how the precautionary principle is addressed by the organization	50	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	113 and 117 to 119	
4.13	Memberships in associations and/or national/ international advocacy organizations in which the organization: has positions in governance bodies; participates in projects or committees; provides substantive funding beyond routine membership dues	113 to 117	
4.14	List of stakeholders groups engaged by the organization	102 and 103	
4.15	Basis for identification and selection of stakeholders with whom to engage	102 and 103	
4.16	Approaches to stakeholder engagement	102 and 103	
4.17	Key topics and concerns	102 and 103	

Economic			
Information on economic management		**42 and 114 to 119**	
Aspect: economic performance			
EC1	Direct economic value generated and distributed	cover	
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	50; 68 and 82	
EC3	Coverage of the organization's defined benefit plan obligations	106	
EC 4	Significant financial assistance received from government		In 2008 Tractebel Energia received a fiscal incentive to reduce Income Tax referring to revenues from the exploration of Ponte de Pedra Energética S.A. (R$3,894,016.60)

GRI indexes		Page	Notes
Aspect: market presence			
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	106	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	113	
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	104	It does not include segregation by members of senior management hired from local community
Aspect: indirect economic impacts			
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	114 to 119	
EC 9	Understanding and describing significant indirect economic impacts, including the extent of impacts	114 to 119	
Environment			
Information on environmental management		**74 to 79 and 89 to 99**	
Aspect: material			
EN1	Materials used by weight or volume.	95	
EN2	Percentage of materials used that are recycled input materials.	94	
Aspect: energy			
EN3	Direct energy consumption by primary energy source	90	
EN4	Indirect energy consumption by primary source		Not applicable. The Company's main consumption at the plants is generated by them, that is, it does not comprise indirect consumption of energy (external source purchases)
EN5	Energy saved due to conservation and efficiency improvements		Not measured. The Company does not measure energy saved with improvements in conservation and efficiency
EN6	Initiatives to provide energy-efficiency or renewable energy based products and services, and reduction in energy requirements as a result of these initiatives		Not applicable
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	90	

GRI indexes		Page	Notes
Aspect: water			
EN8	Total water withdrawal by source	91	
EN9	Water sources significantly affected by withdrawal of water		Not applicable. In these cases, water withdraw by the Company does not meet the criteria that defines significant withdrawals
EN10	Percentage and total volume of water recycled and reused	91 and 92	
Aspect: biodiversity			
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	83 to 88	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	96 to 99	
EN13	Protected and restored habitats	83 to 88	
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	96 to 99	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk		Not measured
Aspect: emissions, efluentes and waste			
EN16	Total direct and indirect greenhouse gas emissions by weight	89	
EN17	Other relevant indirect greenhouse gas emissions by weight		Not measured. Measurement does not encompass the business' indirect emissions, however, the Company intends to monitor them in the medium term.
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	89 and 90	
EN19	Emissions of ozone-depleting substances by weight	89	
EN20	NOx, SOx, and other significant air emissions by type and weight	89	
EN21	Total water discharge by quality and destination	91 and 92	
EN22	Total weight of waste by type and disposal method	92 to 94	
EN23	Total number and volume of significant spills	94	
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	93	

GRI indexes		Page	Notes
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff		Not applicable. Wastes carried out by the Company in these cases do not comply with criteria defined by GRI
Aspect: products and services			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation		Not applicable to products and services offered by the Company
EN27	Percentage of products sold and their packaging materials that are reclaimed by category		Not applicable to products and services offered by the Company
Aspect: conformity			
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	99	
Aspect: transportation			
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	95	
Aspect: general			
EN30	Total environmental protection expenditures and investments by type	99	
Labor practices and decent work			
Information on social management		**103 to 111**	
Aspect: employment			
LA1	Total workforce by employment type, employment contract, and region	104 to 105	
LA2	Total number and rate of employee turnover by age group, gender, and region	105	
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	106	Every employee at Tractebel Energia works full-time
Aspect: relations between employees and governance			
LA4	Percentage of employees covered by collective bargaining agreements	111	
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	111	

GRI indexes		Page	Notes
Aspect: work safety and health			
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	108	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	108 and 109	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	108 and 109	
LA9	Health and safety topics covered in formal agreements with trade unions	111	
Aspect: training and education			
LA10	Average hours of training per year per employee by employee category	109	
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	110 and 111	
LA12	Percentage of employees receiving regular performance and career development reviews	110	
Aspect: opportunity diversity and equality			
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	105	There is no formal statement by the employees on their races, therefore the number of African descendents working in the Company cannot be listed
LA14	Ratio of basic salary of men to women by employee category		Not applicable. Tractebel Energia makes no distinction between the salary of men and women in any position

GRI indexes		Page	Notes
Human rights			
Information on social management		**38; 106 to 111 and 113**	
Aspect: investment practices and purchase processes			
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	113	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken		Every standard contract of the company has human right clauses (forbidding child labor and any type of forced work)
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	110	
Aspect: non-discrimination			
HR4	Total number of incidents of discrimination and actions taken		There were no discrimination cases recorded in the period of the Report
Aspect: freedom of association and collective bargaining			
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights		These types of operations have not been identified
Aspect: child labor			
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor		These types of operations have not been identified
Aspect: forced labor or compulsory labor			
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor		These types of operations have not been identified
Aspect: security practices			
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	110	
Aspect: indigenous rights			
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken		These types of occurrences have not been identified

GRI indexes		Page	Notes
Society			
Information on social management		**38 and 39; and 114 to 117**	
Aspect: community			
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	114 to 119	
Aspect: corruption			
SO2	Percentage and total number of business units analyzed for risks related to corruption	113	Business units have a system to control acquisition processes that also reduce corruption risks. However, they are not evaluated regarding risks related to corruption
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	38	
SO4	Actions taken in response to incidents of corruption		These types of occurrences have not been identified
SO5	Public policy positions and participation in public policy development and lobbying	113	
Aspect: public politics			
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	114	
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes		These types of occurrences have not been identified
Aspect: compliance			
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		These types of occurrences have not been identified

GRI indexes		Page	Notes
Product responsibility			
Information on social management		**111 to 112**	
Aspect: client health and security			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures		Not applicable to services offered by Tractebel Energia. Products and services offered by Tractebel Energia do not direct impact customers' health and safety
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes		Not applicable to services offered by Tractebel Energia
Aspect: labeling of products and services			
PR3	Type of product and service information required by labeling procedures, and percentage of significant products and services subject to such information requirements		Not applicable to services offered by Tractebel Energia. Products and sevices offered by the Company are not subject to requirements of labeling procedures
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes		Not applicable to services offered by Tractebel Energia
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	111	
Aspect: marketing communication			
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship		Not applicable. The Company did not join these types of programs in the period covered by the Report
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes		Not applicable
Aspect: customer privacy			
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data		These types of claims have not been recorded
Aspect: compliance			
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services		Energy supply is regulated and inspected by Aneel (Brazilian Electricity Regulatory Agency). In 2008, the Company did not record any fine

BDO Trevisan

INDEPENDENT AUDITORS' LETTER REPORT ON THE 2008 ANNUAL SUSTAINABILITY REPORT OF TRACTEBEL ENERGIA S.A.

To the
Board Members, Management and Shareholders of Tractebel Energia S.A.

1. We were hired with the purpose of ensuring the information referring to the social and environmental performance indicators disclosed in the 2008 Annual Sustainability Report of Tractebel Energia S.A., prepared under the responsibility of the Company's management. This responsibility includes the design, implementation and maintenance of internal controls for the adequate preparation and presentation of the 2008 Annual Sustainability Report of Tractebel Energia S.A. and the proper application of the criteria established. Our responsibility is to issue a limited assurance report on this sustainability report.

2. The limited assurance procedures were applied in conformity with the Limited Assurance Standard and Procedures - NPO 1 issued by IBRACON - Brazilian Institute of Independent Auditors, and, therefore, included: (i) planning of the work, taking into consideration the significance, coherence and volume of the quantitative and qualitative information presented in the 2008 Annual Sustainability Report of Tractebel Energia S.A., as well as the systems and processes used in obtaining and checking this information disclosed in the 2008 Annual Sustainability Report of Tractebel Energia S.A.; (ii) understanding internal controls; (iii) checking, on a test basis, the evidence and records that support the quantitative and qualitative data of the 2008 Annual Sustainability Report of Tractebel Energia S.A.; (iv) meetings and interviews with the managers in charge of preparing the information; (v) crosschecking financial information against the proper records; (vi) inquiring and observing, on a test basis, the information of qualitative nature and the ongoing projects, respectively; (vii) calculations and recalculations, on a test basis, of formulas, tables, percentages and indicators described in the report. Accordingly, the applied procedures referred to above were considered sufficient to allow a limited assurance level and, consequently, do not include the procedures required for the issue of a broader assurance report, as defined in the Limited Assurance Standard and Procedures NPO-1.

3. The purpose of our work was to verify and evaluate whether the social and environmental performance indicators included in the 2008 Annual Sustainability Report of Tractebel Energia S.A. are in compliance with the Global Reporting Initiative (GRI G3) guidelines for sustainability reports, regarding obtaining qualitative information, measurement and calculation of quantitative information. The opinions, historical and descriptive information, and the information subject to subjective evaluations are not within the scope of the works performed. Our work did not include any judgmental analysis of the sustainability policies and practices adopted by the Company or the validation and evaluation of targets and challenges established by Tractebel Energia S.A. in the report. Also, we did not review the internal control system, or the operating, accounting, and finance systems of Tractebel Energia S.A. Our work was not intended to validate the security environment of those systems; our main purpose was to verify whether the information included in the systems corresponds to the data stated in the report. The procedures adopted do not represent an examination pursuant to the Independent Financial Statement Auditing Standards, in which case we would issue an opinion as to such financial statements.

4. Based on our review, we are not aware of any material change that should be made to the social and environmental performance indicators included in the Annual Sustainability Report of Tractebel Energia S.A. for the year ended December 31, 2008, for such indicators to be in conformity, in all material aspects, with the criteria used.

5. The financial statements of Tractebel Energia S.A., for the year ended December 31, 2008, were audited by other independent auditors, whose report was issued on March 12, 2009. Social and environmental performance indicators based on accounting information included in the 2008 Annual Sustainability Report of Tractebel Energia S.A. were taken from these financial statements, which were not reviewed for the purpose of assurance of accounting.

6. The information, as well as the social and environmental performance indicators for the years ended December 31, 2007 and 2006 were not reviewed for assurance purposes neither by us nor by other independent auditors.

Florianópolis, March 27, 2009



Esmir de Oliveira
Engagement Partner
CRC 1SP109628/O-1 "S" SC
BDO Trevisan Auditores Independentes
CRC 2SP013439/O-5

CORPORATE INFORMATION

Assistance to Shareholders
Banco Itaú S.A.
Unified Assistance Department
Phone.: +55 11 5029-7780

Depositary bank
In Brazil: Banco Itaú S.A.
In the United States of America (American Depositary Receipts): The Bank of New York Mellon

Financial statements auditing
Deloitte Touche Tohmatsu

Annual sustainability report auditing
BDO Trevisan

Investor relations
ri.tractebel@tractebelenergia.com.br
Phone.: +55 48 3221-7221

Manoel Arlindo Zaroni Torres
Finance and Investor Relations Director in office

Antonio Previtali Jr.
Investor Relations Manager

Rafael J. Caron Bósio
Investor Relations Analyst

Ana Sayuri H. Sylvestre Machado
Investor Relations Analyst

Mariana Nicoletti Puricelli
Investor Relations Analyst

Relationship with the press and the communities
comunicacao@tractebelenergia.com.br
Phone.: +55 48 3221-7076

Luciano Flávio Andriani
Administrative Director

Luciane Rodrigues Pinheiro Pedro
Communications Assistant

Patrícia Franco Bahry
Communications Assistant

Company's address
Rua Antônio Dib Mussi, 366
CEP 88015-110 – Florianópolis, SC - Brazil
Tel.: +55 48 3221-7000
Fax.: +55 48 3221-7001

Website
www.tractebelenergia.com.br

Financial publicity
Diário Oficial de Santa Catarina
Diário Catarinense
Valor Econômico

Ethics Committee
Corporate e-mail: comitedeetica@tractebelenergia.com.br

Members:
Administrative Director (coordinator):
Phone.: +55 48 3221-7060

Manager of the Legal Counsel Unit:
Phone.: +55 48 3221-7042

Manager of the Human Resources Unit:
Phone.: +55 48 3221-7029

Manager of the Internal Auditing Unit:
Phone.: +55 48 3221-7314

GDF SUEZ Group Ethics Office
16, rue la Ville l'Evêque
75383 Paris 08 – France
ethic@suez.com
Phone.: + 33 1 4006-6400
Fax.: + 33 1 4006-2969

FINANCIAL STATEMENTS FOR FISCAL YEARS 2008 AND 2007

138 Balance Sheets
140 Statements of Income
141 Statements of Changes In Shareholders' Equity (Company)
142 Statements of Cash Flow
144 Statements of Value Added
145 Notes to the Financial Statements
145 1 – Operations
146 2 – Presentation of Financial Statements
149 3 – Summary of Significant Accounting Practices
150 4 – Temporary Cash Investments
151 5 – Consumers, Concessionaires and Permittees
152 6 – Recoverable Taxes
153 7 – Deferred Tax Assets
155 8 – Tax Reconciliation
156 9 – Sales of Assets and Rights
156 10 – Investments
164 11 – Property, Plant and Equipment
168 12 – Intangible Assets
168 13 – Units 4 and 5 of William Arjona Thermoelectric Power Plant
169 14 – Trade Accounts Payable
169 15 – Loans and Financing
175 16 – Debentures
176 17 – Taxes Payable
176 18 – Obligations with the Research and Development Program
177 19 – Reserves for Contingencies
182 20 – Concession Fees Payable
185 21 – Post-Employment Benefits
189 22 – Deferred Tax Liabilities
189 23 – Shareholders' equity
190 24 – Dividends
191 25 – Operating Expenses Detailed by Type
192 26 – Reversal (Recording) of Operating Provisions, Net
192 27 – Recovery of Pis and Cofins
192 28 – Financial Income and Expenses
193 29 – Financial Instruments
196 30 – Related-Party Transactions
198 31 – Guarantees to Third Parties
199 32 – Insurance
199 33 – Long-Term Agreements
202 34 – Subsequent Events
204 35 – Reconciliation to the International Financial Reporting Standards (IFRS)
207 Independent Auditor's Report
208 Fiscal Council Report

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Continues on next page

Continuation:

	Parent Company		Consolidated	
	2008	2007	2008	2007
Total effects on cash and cash equivalents	(253,135)	377,949	(374,086)	537,251
Cash and cash equivalents				
Balance at beginning of year	571,755	193,806	794,091	256,840
Balance at end of year	318,620	571,755	420,005	794,091
	(253,135)	**377,949**	**(374,086)**	**537,251**
Payments made during the year				
Interest on loans, financing and debentures	97,116	73,191	142,734	114,892
Income and social contribution taxes	282,774	102,500	351,353	154,470
Transactions not involving cash				
Offset income and social contribution taxes	48	16,974	2,446	21,638
Proposed dividends and interest on own capital credited	176,000	545,279	176,000	545,279
Proposed dividends receivable from subsidiaries	4,071	91,006	-	-
Adjustments effect from the Law 11,638	(4,919)	-	(4,919)	-

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

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

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

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

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

1 – OPERATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Incorporation of Ibitiúva Bioenergética S.A.

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

Acquisition of Ponte de Pedra Energética S.A.

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

Merger of the Subsidiary Companhia Energética Meridional

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

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

2 – PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in conformity with Brazilian accounting practices, in conjunction with the regulation of the Brazilian Securities Commission (CVM) and, when applicable, the regulation of the Brazilian Electricity Regulatory Agency (ANEEL), and they are presented with amounts expressed in thousands of reais, except when otherwise indicated.

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

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

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

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

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

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

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

Deferred assets

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

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

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

b.1) Transfer of investments to intangible assets

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

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

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

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

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

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

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

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

c) Comments regarding the other possible options

c.1) Adjustment to present value

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

c.2) Cash Flow and Value Added Statements

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

c.3) Other transactions

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

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

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

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

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

3 – SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

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

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

c) Allowance for doubtful accounts - was recorded at an amount deemed sufficient by the Company's management to offset eventual losses in the realization of receivables from consumers, concessionaires and permittees and from other credits, based on individual analysis of existing credits.

d) Inventories - stated at weighted average cost of acquisition, which does not exceed market value.

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

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

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

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

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

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

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

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

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

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

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

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

p) Consolidated financial statements
Intercompany balances and transactions and investments in investees are eliminated in consolidation.

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

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

4 – TEMPORARY CASH INVESTMENTS

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

[1] Sale of securities with repurchase commitments assumed by the seller, concurrent with the resale commitment assumed by the buyer. These transactions have immediate liquidity, yield fixed interest and are backed by federal government and private securities.
[2] Banco Safra, Banco Bradesco, Banco Itaú, Banco Santander, Banco HSBC, Banco do Brasil, Banco Votorantin, Banco ABN AMRO, Banco UNIBANCO and Caixa Econômica Federal (CEF).

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

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

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

5 – CONSUMERS, CONCESSIONAIRES AND PERMITTEES

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

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

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

Agents involved in legal proceedings or delinquent

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

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

6 – RECOVERABLE TAXES

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

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

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

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

7 – DEFERRED TAX ASSETS

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

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

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

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

	Parent Company	Consolidated
Recorded deferred tax assets		
2009	13,642	14,488
2010	18,243	23,091
2011	24,405	24,759
2012	30,899	31,223
2013	58,420	58,674
2014 to 2015	30,256	30,754
2016 to 2018	39,450	39,930
	215,315	**222,919**

	Parent Company	Consolidated
Unrecorded deferred tax assets		
2019	3,492	3,492
2020	734	734
2021	734	734
2022	734	734
2023 to 2025	2,202	2,202
2026 to 2028	2,202	2,202
2029 and thereafter	1,686	1,686
	11,784	**11,784**
	227,099	**234,703**

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

8 – TAX RECONCILIATION

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

(*) Reduction in Property, Plant and Equipment in Use

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

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

9 – SALES OF ASSETS AND RIGHTS

	Parent Company and Consolidated	
	2008	2007
Restated original value	103,988	101,496
(-) Discount to present value	(18,071)	(20,181)
	85,917	**81,315**
Classification in balance sheet:		
Current	17,448	-
Non-current	68,469	81,315
	85,917	**81,315**

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

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

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

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

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

10 – INVESTMENTS

a) Breakdown

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

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

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

b) Investments in subsidiaries

b1) Accounted for under the equity method

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

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

Changes in investments

Equity in subsidiaries

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

Goodwill – Parent Company

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

Information on the subsidiaries

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

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

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

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

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

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

Merger of Subsidiary Companhia Energética Meridional – CEM

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

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	28,344
Concessionaire – Parent Company	31,962
Transactions within CCEE	187
Collaterals and restricted deposits	1,643
Other	1,072
TOTAL CURRENT ASSETS	**63,208**
NON-CURRENT ASSETS	
Long-term assets	
Escrow deposits	24,487
Deferred tax assets	1,613
Other	798
	26,898
Permanent assets	
Property, plant and equipment	753,618
Intangible assets	72,745
	826,363
TOTAL NON-CURRENT ASSETS	**853,261**
TOTAL ASSETS	**916,469**

LIABILITIES AND SHAREHOLDERS' EQUITY	
CURRENT LIABILITIES	
Trade accounts payable	5,811
Proposed dividends	25,104
Financing and debentures	29,053
Taxes	4,445
Accounts payable – Parent Company	13,988
Other obligations	9,578
TOTAL CURRENT LIABILITIES	**87,979**
NON-CURRENT LIABILITIES	
Long-term liabilities	
Financing and debentures	125,845
Concession fees payable	244,614
Reserve for contingencies	3,165
TOTAL NON-CURRENT LIABILITIES	**373,624**
NET ASSETS	**454,866**
TOTAL LIABILITIES	**916,469**

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

Companhia Energética São Salvador (CESS)

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

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

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

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

The adjusted contractual amounts are as follows:

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

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

Lages Bioenergética Ltda. (Lages)

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

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

Tractebel Energia Comercializadora Ltda.

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

Delta Energética S.A. (Delta)

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

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

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

Energia América do Sul Ltda (EAS)

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

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

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

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

Tupan Energia Elétrica S.A. (Tupan) and Hidropower Energia S.A. (Hidropower)
In December 2008, Gama completed the process of acquisition of the total capital stock of Tupan and Hidropower for the amount of R$240,859.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b.2) Stated at acquisition cost

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

11 – PROPERTY, PLANT AND EQUIPMENT

a) Breakdown

	Parent Company				
	2008				2007
	Average depreciation rates	Adjusted cost	Accumulated depreciation/ amortization	Net	Net
In service					
Hydroelectric generation					
Salto Santiago plant	2.5	641,188	(520,565)	120,623	135,231
Salto Osório plant	2.7	332,545	(239,351)	93,194	75,201
Passo Fundo plant	2.4	120,159	(94,074)	26,085	28,186
Itá plant (consortium)	3.6	1,233,683	(265,073)	968,610	1,012,729
Cana Brava plant	3.2	180,618	(31,470)	149,148	154,336
Machadinho plant (consortium)	3.0	964,194	(158,386)	805,808	-
		3,472,387	**(1,308,919)**	**2,163,468**	**1,405,683**
Thermoelectric generation					
Jorge Lacerda Complex	4.4	2,521,171	(1,447,070)	1,074,101	1,131,510
Charqueadas plant	6.4	59,398	(51,398)	8,000	8,304
Alegrete plant	3.6	8,289	(7,356)	933	979
William Arjona plant	4.3	174,706	(79,446)	95,260	99,343
		2,763,564	**(1,585,270)**	**1,178,294**	**1,240,136**
General and other equipment	10.0	**52,436**	**(27,006)**	**25,430**	**24,852**
		6,288,387	**(2,921,195)**	**3,367,192**	**2,670,671**
Property, plant and equipment in progress					
Hydroelectric generation		**9,395**	**-**	**9,395**	**20,452**
Thermoelectric generation		**43,681**	**-**	**43,681**	**41,375**
General and other equipment		**3,824**	**-**	**3,824**	**2,200**
		56,900	**-**	**56,900**	**64,027**
Total property, plant and equipment		**6,345,287**	**(2,921,195)**	**3,424,092**	**2,734,698**
Special obligations		**(9,755)**	**-**	**(9,755)**	**(9,480)**
		6,335,532	**(2,921,195)**	**3,414,337**	**2,725,218**

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

b) Changes in property, plant and equipment

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

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

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

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

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

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

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

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

d) Allocation of financial charges

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

e) Special Obligations

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

f) Regulatory Body concessions and authorizations

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

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

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

g) Restriction on assets

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

h) Federal Government assets used by the Company

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

12 – INTANGIBLE ASSETS

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

	Consolidated				
	2008				2007
	Average amortization rates	Adjusted cost	Accumulated amortization	Net	Net
License	20,0	15,741	(9,475)	6,266	2,316
Electricity purchase right	10,0	64,561	-	64,561	-
Goodwill coming from CEM	10,0	44,578	(26,623)	17,955	22,289
Goodwill coming from ITASA	10,0	72,793	(54,388)	18,405	27,948
Acquired rights (Seival plant)	-	19,528	-	19,528	19,528
		217,201	**(90,486)**	**126,715**	**72,081**

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

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

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

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

On October 26, 2004, the Company's Management notified the Advisory Department of the Ministry of Mines and Energy that, after the end of the agreement with the CBEE, these generation units would be maintained and remain available for centralized operation, according to the standards and procedures of the ONS (National Electric System Operator), beginning on January 1, 2005, under the same conditions as units 1, 2 and 3.

Accordingly, the process of depreciation of these units was not discontinued. Concurrently with depreciation, the Company is reversing the accelerated amortization recognized over the agreement period with the CBEE.

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

14 – TRADE ACCOUNTS PAYABLE

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

15 – LOANS AND FINANCING

a) Breakdown

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

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

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

b) Changes in loans and financing

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

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

c) Breakdown by foreign currency and local indices

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

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

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

d) Changes in foreign currencies and indices

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

e) Contractual terms and conditions

	Parent Company	Consolidated
Foreign Currency		
STN and Deutsche Bank	Libor + 0.55% p.a. to 1.075 % p.a.	Libor + 0.55% p.a. to 1.075 % p.a.
BNP Paribas (Floating Rate Note)	Euribor + 2.75% p.a.	Euribor + 2.75% p.a.
Local Currency		
ELETROBRAS	12% p.a.	12%p.a.
BNDES, financing agents of BNDES and BRDE	TJLP + 4% p.a.	TJLP + 2.5% p.a. to 5.0% p.a. and UMBNDES + 5% + Variable Rate. [(a)]
Commercial banks:		
Fixed rate	8.13% p.a.	8.13% p.a. to 9.5% p.a.
Linked to CDI (interbank deposit certificate)	-	100% to 102% of CDI
Linked to TJLP (long-term interest rate)	-	TJLP + 3.5% p.a.
Promissory Notes – 3rd issue	103,5% of CDI	103.5% of CDI

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

f) Loans and financing – Non-current liabilities

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

g) Guarantees

g.1) Tractebel Energia S.A.

Loans and financing in foreign currency

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

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

Loans and financing in local currency

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

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

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

g.2) ITASA

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

g.3) Lages Bioenergética Ltda.

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

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

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

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

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

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

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

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

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

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

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

g.9) Eólica Pedra do Sal S.A.

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

h) Covenant agreements

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

16 – DEBENTURES

a) Breakdown

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

b) Changes in debentures

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

c) Contractual terms and conditions

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

d) Changes in indices

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

e) Maturities of debentures stated in non-current liabilities

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

f) Covenant agreements

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

17 – TAXES PAYABLE

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

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

18 – OBLIGATIONS WITH THE RESEARCH AND DEVELOPMENT PROGRAM

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

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

19 – RESERVES FOR CONTINGENCIES

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

a) Breakdown

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

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

Tax Contingencies

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

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

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

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

National Institute of Social Security (INSS)
Main contingencies related to INSS are the following:

The Company received a tax debt assessment notice for the nonpayment of the additional contribution (NFLD) for SAT (Occupational Accident Insurance) for the period from April 1999 to March 2004, due to the lack of evidence of the risk factor related to the work environment.

The Company argues that there is no basis in the legislation referred to in the notice for the mentioned period, and that the additional contribution is payable if the employee is entitled to a special retirement benefit, which is not the case in said period. The Social Security Board of Appeals decided, based on the defense arguments filed by the Company, to convert the sentence into an inspection. The amount accrued as of December 31, 2008 is R$18,111 (R$16,146 on December 31, 2007).

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

Civil contingencies

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

Occupational diseases and accidents

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

Environmental

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

Sundry lawsuits

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

Labor contingencies

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

b) Change in provisions

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

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

c) Contingencies of possible or remote risk

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

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

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

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

Tax contingencies

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

PIS and COFINS

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

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

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

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

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

Income and social contribution taxes

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

INSS

The main notices classified as possible risks are as follows:

- Assessment notice related to the social security contribution collection notices on indemnities. The Company was partially acquitted at the administrative level and filed a lawsuit, in which it obtained a favorable decision at the lower court. Currently, the Company is awaiting judgment of the INSS appeal. As of December 31, 2008, the adjusted amount is R$3,186 (R$2,841 on December 31, 2007).

- Tax assessment notices resulting from the alleged joint liability of and transfer of liability from Eletrosul Centrais Elétricas S.A. (ELETROSUL) to Tractebel Energia, in questionings related to the levy of social security charges on labor services provided by outsourced companies, until the spin-off of ELETROSUL, and resulting establishment of Centrais Geradoras do Sul do Brasil S.A. (GERASUL), currently Tractebel Energia. In 2008, the Taxpayers Council collected the loss of contributions for certain notices, and the Company performed the write-off of said proceedings. Other notices with the same purpose are also pending judgment by the Council. On December 31, 2008, the adjusted amount is R$1,627 (R$3,639 on December 31, 2007).

Civil contingencies

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

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

Labor contingencies

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

20 – CONCESSION FEES PAYABLE

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

(*) Included in the caption "Other".

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

Cana Brava Powerplant

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

Ponte de Pedra Powerplant

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

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

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

a) Change

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

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

	Parent Company	Consolidated
2010	1.873	2.307
2011	1.873	2.273
2012	1.873	2.243
2013	1.873	2.214
2014	1.873	2.188
After 2015	276.417	545.458
	285.782	**556.683**

21 – POST-EMPLOYMENT BENEFITS

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

a) Pension plan

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

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

a.1) Defined Benefit Plan

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Changes in post-employment benefits are summarized below:

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

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

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

a.2) Defined contribution plan

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

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

b) Confidentiality bonus

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

22 – DEFERRED TAX LIABILITIES

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

23 – SHAREHOLDERS' EQUITY

a) Authorized capital

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

b) Subscribed and paid-up capital

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

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

The Company's capital structure is as follows:

	% of Capital	
Shareholders	**2008**	**2007**
GDF SUEZ Energy Latin America Participações Ltda.	68.71	68.71
Banco Clássico S.A.	10.00	10.00
BNDES Participações S.A. (BNDESPAR)	2.13	2.80
Federal Government	1.90	1.90
Other	17.26	16.59
	100.00	**100.00**

c) Breakdown of reserves

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

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

24 – DIVIDENDS

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

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

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

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

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

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

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

25 – OPERATING EXPENSES DETAILED BY TYPE

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

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

26 – REVERSAL (RECORDING) OF OPERATING PROVISIONS, NET

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

27 – RECOVERY OF PIS AND COFINS

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

28 – FINANCIAL INCOME AND EXPENSES

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

29 – FINANCIAL INSTRUMENTS

a) Risk management

a.1) Market risk

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

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

Risks related to investments

The Company adopts a conservative fund investment policy, and the majority is appropriated in government securities or purchase and sale commitment pegged to government securities.

The minority is appropriated in private securities in prime banks, with a rating higher than AA+(bra) ascribed by international risk rating agencies, indexed to CDI and with daily liquidity.

Exposure to exchange risk

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

Exposure to the risk of interest rates and fluctuating indices

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

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

a.2) Credit risk

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

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

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

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

a.3) Hydrological Risks

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

a.4) Environmental Risks

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

b) Fair Value

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

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

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

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

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

30 – RELATED-PARTY TRANSACTIONS

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

ITASA

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

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

Lages Bioenergética Ltda.

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

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

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

Tractebel Energia Comercializadora Ltda.

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

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

a) 150 monthly average MW effective between March 1, 2008 and March 1, 2015
b) 1190 monthly average MW effective between January 1, 2009 and December 31, 2016
c) 540 monthly average MW effective between January 1, 2009 and December 31, 2016

Companhia Energética São Salvador

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

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

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

Suez-Tractebel S.A. (Indirect Subsidiary)

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

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

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

(*) Interest on own capital.

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

(a) GDF SUEZ Energy Latin America Participações Ltda

(b) Tractebel Energia Comercializadora

(c) SUEZ-Tractebel S.A.

(d) Leme Engenharia Ltda

Compensation of Management's key people

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

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

31 – GUARANTEES TO THIRD PARTIES

ITASA

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

Lages Bioenergética Ltda.

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

CESS

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

PPESA

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

Companies recently acquired

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

32 – INSURANCE

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

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

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

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

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

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

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

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

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

33 – LONG-TERM AGREEMENTS

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

a) Connection agreement

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

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

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

b) Transmission and distribution network usage agreement

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

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

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

c) Electricity purchase and sale of bilateral agreements

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

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

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

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

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

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

d) Purchase of electricity from Argentina

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

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

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

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

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

e) Purchase of natural gas

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

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

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

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

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

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

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

f) Lease Agreements

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

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

g) Agreements for Destilaria Andrade Thermoelectric Power Plant construction

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

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

34 – SUBSEQUENT EVENTS

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

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

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

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

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

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

a) Introduction

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

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

b) Reconciliation Procedures

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

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

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

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

Monetary adjustment

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

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

Post-employment benefits

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

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

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

Foreign exchange variation

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

Capitalized financial charges

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

Borrowing costs

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

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

Pre-operating expenses

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

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

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

Capitalization on investment acquisition

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

Deferred income and social contribution taxes

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

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

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

BOARD OF DIRECTORS

Maurício Stolle Bähr
Chairman

Jan Franciscus Maria Flachet
Vice-Chairman

Manoel Arlindo Zaroni Torres
Board Member

Victor-Frank de Paula Rosa Paranhos
Board Member

Dirk Beeuwsaert
Board Member

José Carlos Cauduro Minuzzo
Board Member

Luiz Antônio Barbosa
Board Member

José Pais Rangel
Board Member

Luiz Leonardo Cantidiano Varnieri Ribeiro
Board Member

EXECUTIVE BOARD

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

José Luiz Jansson Laydner
Business Development and Sales Director

Miroel Makiolke Wolowski
Project Implementation Director

José Carlos Cauduro Minuzzo
Energy Production Director

Marco Antonio Amaral Sureck
Planning and Control Director

Luciano Flávio Andriani
Administrative Director

ACCOUNTING DEPARTMENT

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

DELOITTE TOUCHE TOHMATSU
Auditores Independentes
CRC 2SP 011.609/O-8 "F" SC

Antônio Carlos Brandão de Sousa
Accountant
CRC 1RJ 065.976/O-4 "S" SC

FISCAL COUNCIL REPORT

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

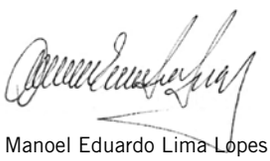
Rio de Janeiro, March 12, 2009



Newton de Lima Azevedo Junior
Conselheiro Presidente



Paulo de Resende Salgado
Conselheiro



Manoel Eduardo Lima Lopes
Conselheiro

In line with the sustainability concepts presented in this Report, this project was carried out using alternative techniques and materials that minimize the social and environmental impacts of this publication.

This Report was printed using only vegetable oil-based inks, which do not contain heavy metals such as barium or copper. If not disposed of properly, these heavy metals pose environmental risks, in addition to health hazards for workers who are constantly in contact with these elements. Additionally, vegetable oil-based inks do not require any component that is derived from petroleum, a non-renewable resource, in their manufacture.

The cover and pages of this Report were printed on coated paper from managed forests certified by the Forest Stewardship Council - FSC, and the Financial Statements were printed on 100% recycled paper made of 75% pre-consumer and 25% post-consumer material obtained directly from recycling cooperatives. The jacket of this publication is made with the first white paper ever manufactured from 100% recycled post-consumer fiber.

CREDITS

GENERAL COORDINATION
Tractebel Energia S.A.

GRI CONSULTANCY, WRITING, EDITION AND TRANSLATION
MZ Integrated Corporate Communications

REVISION
Communications Support Department
Investor Relations Department
Relata Editorial
Mario Benevides

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MZ Design

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Atrativa Indústria Gráfica

Rua Antônio Dib Mussi, 366 CEP 88015-110 - Florianópolis - SC - Brazil
Phone.: +55 48 3221 7000 - Fax.: +55 48 3221 7001

