(A free translation of the original in Portuguese)

ISA CAPITAL DO BRASIL S.A and Subsidiaries

Consolidated Financial Statements at December 31, 2008 and 2007 and Report of Independent Auditors

EXPLANATORY NOTE ABOUT THE RESTATEMENT OF THE 2008 FINANCIAL STATEMENTS

JUNE 10, 2009

Dear Shareholders,

The Management of ISA Capital do Brasil S.A., following the recommendation of the Company's majority shareholder in the Ordinary General Meeting (OGM) held on April 30, 2009, has reconsidered its method of accounting for derivative financial instruments (swap) and foreign currency debt contracts (bonds), and has restated the 2008 Financial Statements with respect to the adjustments arising from the amendment of Law 6404/76 by Law 11638/07 and CVM Resolution 566, of December 17, 2008, which approved CPC 14 of the Accounting Pronouncements Committee. Accordingly a revised filing has been made with the Brazilian Securities Commission (CVM) of these financial statements accompanied by the Management Report and Report of Independent Auditors.

For a better understanding of the restatement made to the 2008 Financial Statements, we present below a summary of the procedures initially adopted by the Company, which produced effects in the 2008 Financial Statements published on March 30, 2009, as well as the procedures adopted to restate them, after the recommendation of the majority shareholder.

The procedures initially adopted.

As permitted by CVM Resolution 566/08, which approved technical pronouncement CPC 14, the Company had recorded both the derivative financial instruments (swap) and the foreign currency debt contracts (bonds) based on the fair value (market value). Accordingly, the effects of the application of this methodology produced the following adjustments recognized in the 2008 financial statements published on March 30, 2009:

a) At January 1, 2008 – the balances at December 31, 2007 of the aforementioned derivative financial instruments (swap) and foreign currency debt contracts (bonds) were adjusted on January 1, 2008 by R$ 117,891 thousand (amount resulting from the difference between the accounting balance and the market value at 12/31/2007) and the corresponding entry was recorded in shareholders' equity with a credit in the retained earnings (accumulate deficit) account; and

b) At December 31, 2008 – the balances of the same derivative financial instruments (swap) and foreign currency debt contracts (bonds) were marked-to-market and produced the negative result of R$ 25,682 thousand, increasing the loss for the year from R$ 8,991 thousand to R$ 34,673 thousand.

The majority shareholder understood that this accounting method initially adopted by the Company of recording the derivative financial instruments (swap) and foreign currency debt contracts (bonds) at fair value (market value), despite being supported by the applicable legislation, does not reflect adequately the substance of the coverage contracted and, consequently, would produce volatility in the future results of the Company. For this reason, the OGM held on April 30, 2009 recommended that the Company's management reconsider the accounting method adopted to avoid the aforementioned situations.

The procedures adopted for the restatement.

After reviewing the methodologies available under the applicable legislation for the recognition of the derivative financial instruments (swap) and foreign currency debt contracts (bonds), the Company, as permitted by CVM Resolution 566/08, which approved technical pronouncement CPC 14, restated its 2008 Financial Statements by recording its derivative financial instruments (swap) and its foreign currency debt contracts (bonds) in accordance with the methodology denominated "hedge accounting – fair value hedge". With the adoption of that methodology, the impacts on the result arising from the variation of the fair value of the derivatives assets (swap) will be neutralized by the recognition of the variation of the fair value of the debt contracts (bonds), which are the items being hedged. Therefore, the net effect in result is only the variation of the fair value of the derivatives liabilities (swap) comprised of the General Market Price Index (IGP-M) variation plus Interest Coupon ("spread").

When restating the Financial Statements, by adopting the hedge accounting methodology, at first all the adjustments previously implemented were reversed and new adjustments were made, as follows:

a) At January 1, 2008 – the balances at December 31, 2007 of the aforementioned derivative financial instruments (swap), previously not designated as hedge instruments, were adjusted at January 1, 2008, by R$ 96,106 thousand (amount resulting from the difference between the accounting balance and market value at 12/31/2007) and the corresponding entry was recorded in shareholders' equity with a credit in retained earnings (accumulated deficit). Differently from the criterion previously adopted, the balances at December 31, 2007 of the foreign currency debt contracts (bonds) recorded at amortized cost remained unchanged; and

b) At December 31, 2008 - with the designation at July 31, 2008 of the new derivative financial instruments (swap) as hedges, linked to the foreign currency debt contracts (bonds), which are the hedged items, both measured at fair value, the adjustments in result for the year produced positive effects in the amount of R$ 65,218 thousand, changing from loss of R$ 8,991 to net profit of R$ 56,227 thousand.

Based on the above, Management submits these restated 2008 Financial Statements, accompanied by the Management Report and the Report of Independent Auditors, for the examination and approval of the Shareholders.

The Management

MANAGEMENT REPORT – FISCAL YEAR 2008

Dear Shareholders,

The Management of ISA Capital do Brasil S.A., in compliance with legal requirements and its bylaws, submits for your examination the Management Report and the corresponding Financial Statements with the Report of Independent Auditors for the year ended December 31, 2008.

ISA Capital is a Brazilian holding company, the control of which is held by Interconexión Eléctrica S.A. E.S.P. a Colombian mixed state/private capital company, controlled by the Colombian Government, whose main activity is the operation and maintenance of the electric energy transmission network.

Parent company of CTEEP - Companhia de Transmissão de Energia Elétrica Paulista since July 26, 2006, ISA Capital holds 55,924,465 common shares issued by CTEEP, representing 89.40% of the voting capital and 37.46% of total capital. This interest in CTEEP's capital, at December 31, 2008, is recorded in the investments account in ISA Capital's Financial Statements, the amount of which is R$ 2.2 billion.

This is the largest investment made by the ISA Group in its expansion process, which confirms the Group's leadership in the electricity transmission segment in Latin America.

ISA Capital and its parent company Interconexión Eléctrica S.A. E.S.P. are responsible for ensuring, promoting and improving the quality of the electric energy transmission services offered by subsidiary CTEEP, also aiming at the improvement of its economic and financial results by applying the best practices and worldwide management practices to the benefit of all its shareholders and the community.

Luis Fernando Alarcón Mantilla
Chairman of the Board of Directors

1. COMPANY PROFILE

ISA Capital do Brasil S/A ("ISA Capital" or "Company") is a Brazilian holding company, established as a limited liability partnership on April 28, 2006 and transformed into a corporation on September 19, 2006. On January 4, 2007 it was registered with the Brazilian Securities Commission (CVM) as a public company.

The Company's corporate objective includes holding equity interest in other companies or ventures as a partner or shareholder, partnership in joint ventures, membership in consortiums or any other type of business cooperation.

ISA Capital is controlled by Interconexión Eléctrica S.A. E.S.P. ("ISA"), a Colombian mixed capital company, controlled by the Colombian Government, whose main activity is the operation and maintenance of electric energy transmission networks, in addition to participating in activities related to the provision of electric energy services.

ISA Capital is the parent company of CTEEP - Companhia de Transmissão de Energia Elétrica Paulista ("Subsidiary" or "CTEEP") since July 26, 2006, upon the financial settlement of the public auction promoted by the Government of the State of São Paulo at the São Paulo Stock Exchange (BOVESPA) on June 28, 2006, when the CTEEP's share control was sold.

The Company paid to the Government of the State of São Paulo for the purchase of 31,341,890,064 common shares, representing 50.1% of CTEEP's common shares and 21.0% of capital, the amount of R$1.2 billion, corresponding to R$ 38.09 per one thousand shares. In addition to this payment, ISA Capital paid to the Government of the State of São Paulo the amount of R$ 19.4 million as an additional price for the shares purchased at the auction to compensate for the discount offered to CTEEP's employees on the acquisition of a certain batch of shares. This amount paid for the acquisition of the control of CTEEP is subject to possible adjustment, pursuant to the CTEEP shares purchase agreement, to be established based on the amounts actually paid by CTEEP as benefit and retirement supplement to former employees in accordance with State Law 4819/58.

On September 12, 2006 the Company purchased another 10,021,687 common shares issued by CTEEP, representing 0.016% of this type of shares, for R$ 229 thousand. These shares remained from CTEEP common shares offered by the Government of the State of São Paulo to CTEEP's employees pursuant to the terms of Sale Notice SF/001/2006.

On January 9, 2007, pursuant to article 254-A of the Corporation Law, and as established by said Notice and the Purchasing Agreement of the CTEEP Shares, ISA Capital conducted at BOVESPA a Public Offering Auction ("OPA") for the acquisition of shares issued by CTEEP still outstanding in the market, for an amount corresponding to 80% of the amount paid for the control of CTEEP shares. At this Auction, the Company purchased 24,572,554,070 common shares issued by CTEEP, corresponding to 39.28% of the total of this type of shares, for R$ 30.74 per one thousand shares, totaling R$ 755.4 million.

As a result of this acquisition, ISA Capital became the holder of 55,924,465,821 common shares issued by CTEEP, corresponding to 89.40% of the voting capital and to 37.46% of CTEEP's total capital. After the reverse stock split made by CTEEP in August 2007, the Company became the holder of 55,924,465 common shares.

2. FINANCING OF THE PURCHASE OF CTEEP SHARES

2.1 Issue of Bonds

The acquisition of the CTEEP shares was financed by a combination of debt and capital, in various stages.

In January 2007 the Company issued bonds in the international capital market in the amount of US$ 554 million. The issue had as agents J.P. Morgan and ABN Amro, and was divided into two tranches of notes (senior notes), one in the amount of US$ 200.0 million, with 5-year term, interest rate of 7.875% p.a., and call option in 2010 and 2011, maturing in 2012, and the other tranche in the amount of US$ 354.0 million, with 10-year term and interest rate of 8.800% p.a., maturing in 2017 ("Notes"). Of the total issue, 60% were distributed in the United States, 36% in Europe, 2% in Latin America and 2% in Asia. The bonds are listed on the Luxembourg Stock Exchange and may be traded in NASDAQ's Market Portal.

The Notes are guaranteed by first degree collateral on CTEEP's shares owned by the Company. After the first tranche of Notes issued by the Company, maturing in 2012, is paid, a portion of the CTEEP shares pledged as collateral may be released.

At the time, the success of the issue was based on the confidence of investors in the financial structure of the operation, the support of the ISA Group to its investments in Brazil, the positive projection of CTEEP in the Brazilian energy sector, as well as on the international level credit ratings by Standard & Poor's (BB- positive outlook) and Fitch Ratings (BB stable outlook). These ratings were similar to those of the Federative Republic of Brazil and reflected the low risk of the energy transmission business and the prospects of expansion. Later, new evaluations were made by the same companies. In April 2008 Fitch Ratings attributed the same rating as before (BB stable outlook) and in January 2009 Standard & Poor´s attributed the rating BB+ stable outlook.

2.2 Derivative Financial Instruments

As a result of the issue of bonds mentioned above, the Company entered into certain derivative financial instrument transactions to meet its operating needs of reducing the exposure to foreign exchange risks. These risks are managed through the establishment of strategies, implementation of control systems, and determination of exposure limits. During the course of 2008, after studying and analyzing the macroeconomic scenario, the Company entered into new swap contracts establishing new exchange rates, IGP-M and Spread, also excluding the Recouponing partial payment clause included in previous contracts, thus eliminating possible intermediary payments caused by exchange rate fluctuations.

3. COMMITMENTS ASSUMED

The Company assumed, in the process of acquiring the control of CTEEP, several commitments and obligations required by Notice SF/001/2006, which have already been complied with. The agreement for the purchase of the CTEEP shares, signed on July 26, 2006, also imposed on the Company and its Parent Company some obligations to be observed in the management of CTEEP related to the compliance with previous agreements, corporate governance rules, preservation of the rights of CTEEP employees, maintenance and continuity of the quality of the electric energy transmission services, among others. The Company's management has been strictly complying with all of the obligations assumed.

According to market practice, the Company assumed various commitments and obligations to the financing banks and the purchaser of the Notes, which restrict the availability and possibility of the Company pledging its assets in other operations. In addition to the obligations, the credit agreements and the Notes issue documents contain several clauses related to CTEEP, establishing that if, for any reason, CTEEP should fail to observe the conditions provided in the referred documents, the Company's creditors will subject the Company to default interest and declare the Company's debt immediately due and payable.

The Company has been duly and strictly meeting its financial commitments and obligations. During 2008, as provided in the bond debt agreement, ISA Capital paid the semi-annual interest in the total amount of R$ 78.8 million (equivalent to US$ 46.9 million); paid installments related to the above-mentioned derivative agreements in the amount of R$ 239.9 million; paid to the Government of the State of São Paulo and to the shareholders that participated in the IPO, respectively, the amounts of R$ 6.2 million and R$3.8 million as adjustment of the auction price arising from the obligations under Law 4819/54 as provided in the aforesaid Notice and Purchase Agreement of the CTEEP shares; and complied with other obligations related to the Company's operation.

4. RECEIPT OF INCOME FROM THE SUBSIDIARY

As a result of its interest in the capital of CTEEP, 37.46% of total capital, ISA Capital received during 2008 income totaling R$ 268.1 million. Of this total, R$ 63.7 million refer to the retained earnings account, R$ 14.7 million refer to 2007 and R$ 189.7 million to 2008.

5. CAPITAL INCREASE

During 2008 the Company's controlling shareholder made three capital contributions in the amount of R$ 11.5 million. These capital contributions were used to cover cash outflows.

6. CORPORATE RESTRUCTURING

The corporate restructuring involving the Company, ISA Participações do Brasil Ltda. and CTEEP was concluded on February 18, 2008. This corporate restructuring, which was previously approved by the National Electric Power Agency (ANEEL) through ANEEL Resolution No. 1164 of December 18, 2007, had the objective of improving the capitalization and cash flow conditions resulting from the use of the tax benefit in CTEEP through amortization of the goodwill paid by the Company in the process of acquiring the share control of CTEEP, as established in CVM Instruction No. 319/99 as amended. This restructuring process included the following significant events:

a) on January 30, 2008 the Company made a capital contribution in ISA Participações, with the conveyance of shares held in the capital of CTEEP;

b) on February 11, 2008 ISA Participações recorded a provision amounting to R$ 450.4 million corresponding to 66% of the goodwill balance at January 31, 2008 of R$ 682.4 million, resulting in a net amount (tax benefit) of R$ 232.0 million; and

c) on February 28, 2008 CTEEP merged ISA Participações net assets, in the amount of R$ 232.0 million represented by the tax benefit amount previously mentioned which, in accordance with the requirements of CVM Instruction 319/99, was recorded by CTEEP in " Deferred Income Tax and Social Contribution" as a corresponding entry to the Special Goodwill on Merger Reserve account under Shareholders' Equity.

7. INDEPENDENT AUDITORS

In compliance with CVM Instruction No. 381, of January 14, 2003, ISA CAPITAL informs that PricewaterhouseCoopers Auditores Independentes was contracted in May 2007 to perform the audit of its Financial Statements, for a period of two years. Since then it has provided only external audit services.

The Management

Balance Sheets at December 31

In thousands of reais, unless otherwise indicated (A free translation of the original in Portuguese)

Assets	Note	Company 2008	Company 2007 Restated	Consolidated 2008	Consolidated 2007 Restated
Current assets					
Cash and cash equivalents	5	1,593	64,253	124,617	255,900
Trade accounts receivable	6	-	-	299,329	183,055
Inventories		-	-	31,952	31,881
Interest on capital and dividends receivable - Subsidiary		85,558	14,656	-	-
Amounts receivable - São Paulo State Finance Department	7	-	-	19,786	16,030
Tax benefit - goodwill from merger	8	-	-	28,832	-
Taxes and contributions to offset	9	24,633	11,284	27,873	69,101
Deferred income tax and social contribution	10	-	-	11,315	8,224
Pledges and restricted deposits	11	55,209	41,767	55,209	41,767
Prepaid expenses	12	2,871	2,831	5,755	6,644
Other		65	108	32,025	17,018
		169,929	134,899	636,693	629,620
Non-current					
Long-term receivables					
Trade accounts receivable	6	-	-	45,088	35,765
Amounts receivable - São Paulo State Finance Department	7	-	-	454,639	321,953
Tax benefit - goodwill from merger		-	-	176,743	-
Deferred income tax and social contribution	10	-	-	76,648	60,805
Pledges and restricted deposits	11	-	-	51,860	49,794
Prepaid expenses	12	12,752	15,663	12,752	20,507
Loans receivable	13	64,131	45,705	64,131	45,705
Other		-	-	2,407	7,556
		76,883	61,368	884,268	542,085
Investments	14	2,081,308	2,168,717	-	1
Property, plant and equipment	15	52	51	4,234,666	4,082,454
Intangible assets	16	-	2	474,326	747,037
		2,158,243	2,230,138	5,593,260	5,371,577
Total assest		**2,328,172**	**2,365,037**	**6,229,953**	**6,001,197**

Balance Sheets at December 31

In thousands of reais, unless otherwise indicated (continued)

		Company		Consolidated	
Liabilities and shareholders' equity	**Note**	**2008**	**2007**	**2008**	**2007**
Current liabilities					
Loans and financing	17	105,777	55,249	451,279	187,440
Suppliers		219	193	36,495	29,343
Taxes and social charges payable	18	8,783	6,352	28,259	65,058
Regulatory charges payable	19	-	-	36,528	33,122
Interest on own capital and dividends payable		-	-	147,714	27,757
Provisions	20	-	-	34,922	46,627
Amounts payable Law 4819/58 - São Paulo State Finance Department	4	6,153	5,838	6,153	5,838
Amounts payable Law 4819/59 - IPO	4	3,840	3,680	3,840	3,680
Amounts payable - Fundação CESP	21	-	-	6,210	13,875
Other		4	-	6,786	7,865
		124,776	71,312	758,186	420,605
Non-current					
Long-term liabilities					
Loans and financing	17	981,306	1,257,433	1,492,592	1,658,146
Regulatory charges payable	19	-	-	2,805	-
Provisions	20	-	-	174,152	179,632
Amounts payable - Fundação CESP	21	-	-	68,503	129,434
Amounts payable Law 4819/58 - São Paulo State Finance Department	4	206,127	192,657	206,127	192,657
Amounts payable Law 4819/59-IPO	4	129,263	120,779	129,263	120,779
Special liabilities - reversal/ amortization		-	-	24,053	24,053
Negative goodwill		-	-	66,525	83,510
		1,316,696	1,570,869	2,164,020	2,388,211
Minority interest		-	-	2,421,047	2,469,525
Shareholders' equity					
Capital	23	839,778	828,267	839,778	828,267
Retained earnings (accumulated deficit)		46,922	(105,411)	46,922	(105,411)
		886,700	722,856	886,700	722,856
Total liabilities and shareholders' equity		**2,328,172**	**2,365,037**	**6,229,953**	**6,001,197**

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

Statements of Operations
Years Ended December 31
In thousands of reais, unless otherwise indicated (A free translation of the original in Portuguese)

		Company		Consolidated	
	Note	**2008**	**2007**	**2008**	**2007**
Gross operating revenues					
Electricity network usage charges	24(a)	-	-	1,785,457	1,548,248
Other revenues	24(b)	-	-	16,982	15,046
		-	-	1,802,439	1,563,294
Deductions from operating revenues					
Taxes	25	-	-	(95,256)	(82,228)
Regulatory charges	25	-	-	(143,115)	(165,652)
		-	-	(238,371)	(247,880)
Net operating revenues		-	-	1,564,068	1,315,414
Cost of operation services	26	-	-	(311,453)	(313,158)
Gross profit		-	-	1,252,615	1,002,256
Operating income (expenses)					
General and administrative	26	(4,424)	(5,960)	(113,771)	(47,542)
Management fees	26	(1,237)	(982)	(7,992)	(5,440)
Other revenues, net		-	-	2,934	78,210
Financial expenses	27	(502,460)	(535,630)	(744,910)	(717,744)
Financial income	27	351,332	269,274	300,369	299,485
		(156,789)	(273,298)	(563,370)	(393,031)
Equity in the earnings of investees		302,885	320,595	-	-
Operating profit		146,096	47,297	689,245	609,225
Income tax and social contribution					
Current	28	-	-	(279,328)	(90,380)
Deferred	28	-	-	20,581	(175,397)
Income before minority interest and reversal of interest on own capital		146,096	47,297	430,498	343,448
Minority interest		-	-	(524,300)	(534,888)
Reversal of interest on own capital		(89,869)	(89,435)	150,029	149,302
Net income (loss) for the year		56,227	(42,138)	56,227	(42,138)
Income (loss) per thousand shares at the end of the year- R$		66.89	(50.87)	-	-

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

ISA Capital do Brasil S.A.

Statements of Changes in Shareholders' Equity

In thousands of reais, unless otherwise indicated (A free translation of the original in Portuguese)

	Note	Capital	Legal reserve	Profit retention reserve	Retained earnings (accumulated deficit)	Total
	Note		-			
At December 31, 2006		**506,201**		**-**	**(63,273)**	**442,928**
			-			
Payment of capital on 01/10/2007		317,864	-	-	-	317,864
Payment of capital on 03/19/2007		4,202	-	-	-	4,202
Net loss for the year		-		-	(42,138)	(42,138)
			-			
At December 31, 2007 (published)		**828,267**		**-**	**(105,411)**	**722,856**
			-			
Adjustments to financial instruments - Law 11638, on 01/01/2008	31(a)	-	-	-	96,106	96,106
Payment of capital on 08/07/2008		1,575	-	-	-	1,575
Payment of capital on 08/27/2008		4,733	-	-	-	4,733
Payment of capital on 10/24/2008		5,203	-	-	-	5,203
Net income for the year		-		-	56,227	56,227
Balance after absorption of accumulated deficit		**839,778**	**-**	**-**	**46,922**	**886,700**
Appropriation of profit balance:						
Constitution of legal reserve			2,346	-	(2,346)	-
Transfer to profit retention reserve		-	-	44,576	(44,576)	-
At December 31, 2008		**839,778**	**2,346**	**44,576**	**-**	**886,700**

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

ISA Capital do Brasil S.A.

Statements of Cash Flows
Year Ended December 31, 2008
In thousands of reais, unless otherwise indicated (A free translation of the original in Portuguese)

	Company	Consolidated
Cash flows from operating activities		
Net income for the year	56,227	56,227
Adjustments to reconcile net income to cash generated by (used in) operating activities		
Minority interest	-	524,300
Depreciation and amortization	2,882	183,170
Deferred income tax and social contribution	-	(20,581)
Provision for contingencies	-	59,941
Residual value of permanent asset disposals	7	6,597
Equity in the earnings of investees	(302,885)	-
Amortization of goodwill	51,304	77,734
Amortization of negative goodwill	-	(16,985)
Interest and monetary and exchange rate variations on assets and liabilities	150,662	218,746
(Increase) decrease in assets		
Trade accounts receivable	-	(125,597)
Inventories	-	(71)
Amounts receivable - São Paulo State Finance Department	-	(125,605)
Deferred income tax and social contribution	-	1,647
Taxes and contributions to offset	3,764	58,341
Pledges and restricted deposits	-	(2,097)
Prepaid expenses	-	5,817
Other	43	(4,210)
Increase (decrease) in liabilities		
Suppliers	26	1,778
Taxes and social charges payable	2,431	(36,963)
Regulatory charges payable	-	6,211
Provisions	-	(84,318)
Amounts payable	(9,992)	(78,588)
Other	4	(2,727)
Net cash generated by (used in) operating activities	**(45,527)**	**702,767**

In thousands of reais, unless otherwise indicated (continued)

	Company	Consolidated
Cash flows from investment activities		
Investments	-	(13,605)
IEMG's cash at the time of acquisition	-	1,364
Property, plant and equipment	(16)	(289,627)
Intangible assets	-	(11,909)
Interest on own capital and dividends received	252,407	-
Capital increase	11,511	11,511
Net cash generated by (used in) investment activities	**263,902**	**(302,266)**
Cash flows from financing activities		
Loans and financing		
New loans	40,405	610,363
Loan payments (including interest)	(321,440)	(680,832)
Dividends paid	-	(461,315)
Net cash used in financing activities	**(281,035)**	**(531,784)**
Decrease in cash and cash equivalents	**(62,660)**	**(131,283)**
Cash and cash equivalents at the end of the year	1,593	124,617
Cash and cash equivalents at the beginning of the year	64,253	255,900
Changes in cash and cash equivalents	**(62,660)**	**(131,283)**

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

ISA Capital do Brasil S.A.

Statements of Changes in Financial Position
Year Ended December 31, 2007

In thousands of reais, unless otherwise indicated (A free translation of the original in Portuguese)

	Company	Consolidated
Composition of resources provided by (used in) operations		
Loss for the year/period	(42,138)	(42,138)
Expenses (income) not affecting working capital:		
Amortization of goodwill in subsidiary companies	91,089	74,104
Depreciation and amortization	5	172,667
Monetary variations and interest on non-current assets and liabilities	84,702	87,586
Residual value of permanent asset disposals	-	6,211
Deferred income tax and social contribution	-	41,795
Provision for contingency	-	(121,292)
Equity in the results of subsidiaries	(320,595)	-
Minority interest	-	(489,372)
Resources provided by (used in) operations	**(186,937)**	**(270,439)**
Financial resources were provided by		
Operations	**186,937**	**270,439**
Shareholders and related parties		
Payment of capital	**322,066**	**322,066**
Third parties		
Increase in non-current liabilities	1,338,038	1,653,871
Transfer from long-term receivables to current assets	5,702	7,405
Interest on own capital and dividends	268,380	-
	1,612,120	**1,661,276**
Total financial resources provided	**1,934,186**	**1,983,342**
Financial resources were used for		
Operations	186,937	270,439
Long-term receivables	17,760	205,943
Permanent assets:		
Investments	880,670	1
Property, plant and equipment	45	435,827
Intangible assets	-	240,305
Deferred charges	-	3,429
Transfer from non-current to current liabilities	28,921	36,845
Total financial resources used	**1,114,333**	**1,192,789**
Increase in working capital	**819,853**	**790,553**
Change in current capital		
Current assets	**96,871**	**(312,898)**
At the beginning of the year	38,028	975,837
At the end of the year	134,899	662,939
Current liabilities	**(722,982)**	**(1,103,451)**
At the beginning of the year	794,294	1,557,787
At the end of the year	71,312	454,336
Increase in working capital	**819,853**	**790,553**

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

ISA Capital do Brasil S.A.

Statements of Value Added
Year Ended December 31, 2008
In thousands of reais, unless otherwise indicated (A free translation of the original in Portuguese)

	Company	Consolidated
Revenues		
Operating	-	1,802,439
Other revenues	-	3,131
	-	1,805,570
Inputs acquired from third-parties		
Costs of services rendered	-	(18,863)
Materials, energy, third-party services and other	(1,110)	(103,290)
	(1,110)	**(122,153)**
Gross value added	**(1,110)**	**1,683,417**
Retentions		
Depreciation and amortization	(54,185)	(234,473)
Net value added of the entity	**(55,295)**	**1,448,944**
Received as transfer		
Financial income	261,462	306,979
Equity in the earnings of investees	302,885	-
Minority interest	-	(524,300)
	564,347	(217,321)
Total value added to be distributed	**509,052**	**1,231,623**
Distribution of value added		
Personnel		
Direct compensation	(767)	(100,193)
Benefits	(416)	(30,404)
Actuarial adjustment	-	68,390
FGTS	(3)	(12,406)
	(1,186)	(74,613)
Taxes, fees and contributions		
Federal	(8,577)	(544,351)
State	(18)	(10,237)
Municipal	-	(1,063)
	(8,595)	(555,651)
Remuneration of third-party capital		
Rentals	(201)	(7,557)
Interest and monetary and exchange rate variations	(442,843)	(537,575)
	(443,044)	(545,132)
Retained earnings	56,227	56,227

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

1. Operations

1.1. Corporate objective

The corporate objective of ISA Capital do Brasil S.A. ("ISA Capital" or the "Company") includes holding equity interest in other companies or ventures as a partner or shareholder, partnership in "joint ventures", membership in consortiums or any other type of business cooperation.

In a privatization auction held on June 28, 2006 at the São Paulo Stock Exchange (BOVESPA), pursuant to Notice SF/001/2006, the Government of the State of São Paulo, which was the majority shareholder of CTEEP - Companhia de Transmissão de Energia Elétrica Paulista ("CTEEP"), sold 31,341,890,064 of its common shares, which account for 50.10% of the common shares issued by CTEEP. The winner of the auction was Interconexión Eléctrica S.A. E.S.P ("ISA").

The financial settlement of the transaction took place on July 26, 2006 with the resulting transfer of the ownership of the aforementioned shares to ISA Capital do Brasil S.A. ("ISA Capital"), a Brazilian company controlled by Interconexión Eléctrica S.A. E.S.P. ("ISA"), established to operate in Brazil, thus becoming CTEEP's controlling shareholder. This transaction was approved by ANEEL on July 25, 2006, pursuant to Authorizing Resolution No. 642/06, published in the Official Gazette on July 26, 2006.

On September 12, 2006 the Company purchased another 10,021,687 common shares issued by CTEEP, held by the Government of the State of São Paulo, and became the holder of 31,351,911,751 common shares.

On January 9, 2007 the Company acquired, through a public offering auction (IPO) for the acquisition of shares held at BOVESPA, 24,572,554,070 common shares issued by CTEEP, corresponding to 39.28% of the total of this type of shares, pursuant to the public offering notice published on December 4, 2006.

As a result of this acquisition, the Company became the holder of 89.40% of the voting capital and 37.46% of the total capital of CTEEP. Thus, after the reverse stock split on July 12, 2007, of a total of 62,558,662 common shares, 55,924,465 are held by the Company.

CTEEP's shares are traded on BOVESPA. Additionally, CTEEP has a Rule 144 A American Depositary Receipts (ADRs) program in the United States. The depositary bank for the ADRs is the Bank of New York, and the custodian bank is Banco Itaú S.A.

In September 2002 CTEEP joined the Level-1 Corporate Governance Practices of BOVESPA. The commitments assumed in the adoption of these corporate governance practices ensure greater transparency of CTEEP for the market, investors and shareholders, thus facilitating their monitoring of management actions.

CTEEP's preferred shares are included in the BOVESPA Index (IBOVESPA), in the Corporate Governance Index (IGC) and the Electric Energy Index (IEE).

All amounts in thousands of reais unless otherwise indicated

1.2. Concessions

The Company is entitled to explore, directly or indirectly, the following contracts of Concession of Public Service for the Transmission of Electric Energy:

Agreement	Concessionaire	Interest (%)	Term (years)	Maturity	Annual Revenue Allowed (RAP) R$ thousand	Annual Revenue Allowed (RAP) Base
059/2001	CTEEP		20	07/07/15	1,855,698	07/08
143/2001	CTEEP		30	12/20/31	13,436	07/08
004/2007	IEMG	60	30	04/19/37	11,729	06/08
001/2008	IENNE	25	30	03/16/38	28,940	11/07
012/2008	IEPinheiros	100	30	10/16/38	6,104	06/08
013/2008	IESul	100	30	10/16/38	3,675	06/08
015/2008	IEPinheiros	100	30	10/16/38	10,322	06/08
016/2008	IESul	100	30	10/16/38	6,616	06/08
018/2008	IEPinheiros	100	30	10/16/38	2,622	06/08

Due to the acquisition of the shareholding control of CTEEP by the Company on June 28, 2006, an Amendment to the Concession Agreement 059/2001 - ANEEL of CTEEP was signed on January 29, 2007, in order to reflect this reality of CTEEP's new controlling shareholder. In this amendment, the conditions initially negotiated were maintained and a clause added defining that the goodwill paid in the auction, as well as the special liabilities and the amounts arising from the State Law 4819/58 determined in the Sale Notice SF/001/2006, will not be considered by ANEEL for evaluation of the financial and economic balance of the concession. Also due to this addendum, ISA Capital and ISA are committed to increase capital in CTEEP.

The Madeira Transmissão consortium, in which CTEEP has a 51% interest, bought the following batches of ANEEL auction 007/2008:

Batch	Description	RAP Bid (R$)	Estimated investments ANEEL (R$)	Term (months)
DC	Coletora Porto Velho - Araraquara 2, No. 01, DC, 2375 Km Transmission Line	176,249,000	1,735,000,000	36
FC	Rectifying station No. 02 AC/DC, 3150 MW; Inverting Station No. 02 DC/AC, 2950 MW	151,788,396	1,240,900,000	50

On December 18, 2008 Interligação Elétrica do Madeira S.A was created to explore the installations of these batches.

1.3. Corporate restructuring

Significant event of February 12, 2008:

"The managements of ISA Capital do Brasil S.A. ("ISA Brasil"), ISA Participações do Brasil Ltda. ("ISA Participações") and CTEEP - Companhia de Transmissão de Energia Elétrica Paulista ("CTEEP"), communicate to the public, in the manner and for the purposes of CVM Instruction 319 and amendments, the justifications for and conditions of the corporate restructuring that will be implemented, as described below:

Restructuring objectives:
The managements of the companies involved understand that this corporate restructuring will improve CTEEP's capitalization and cash flow resulting from the use of the tax benefit generated through the amortization of goodwill existing in ISA Participações.

On the restructuring:
ISA Participações shall be dissolved through merger. Upon approval of the merger, ISA Participações' quotas shall be cancelled and, in return, ISA Brasil shall receive CTEEP's common shares in the same number and type of the shares previously held by ISA Participações in CTEEP.

The net assets to be merged comprise fifty-five million, nine hundred twenty-four thousand, four hundred sixty-five (55,924,465) of CTEEP's common shares, for the goodwill paid upon the acquisition of these shares and the provision established by art. 6, item 1 of CVM Instruction 319. The net assets to be merged, based on the book value on the February 11, 2008 base date, amount to approximately R$ 1,674 million.

The merger of ISA Participações' assets shall not result in a capital increase of CTEEP. The goodwill and respective provision shall be recorded in a deferred asset account with the net amount (goodwill less provision) being recorded in a special goodwill reserve in CTEEP's shareholders' equity.

Pursuant to art. 7 of CVM IN 319, the merger protocol shall establish ISA Brasil's right to receive new common shares issued by CTEEP, always observing the preferential right of the other shareholders. The new shares shall be paid through the capitalization of portions of the special goodwill reserve, at the end of each year, as CTEEP records the tax benefit corresponding to the amortization of deferred assets (goodwill).

Additional information:
Previous Actions: The present restructuring was preceded by the transfer of the shares and of the goodwill held by ISA Brasil in CTEEP to ISA Participações.

Previous Approval: The present restructuring was approved by ANEEL, pursuant to Authorizing Resolution 1164/2007, as well as by the Board of Directors of ISA Brasil and by the Board of Directors and Statutory Audit Committee of CTEEP.

Corporate Approvals: The proposed restructuring operation is subject to the approval of CTEEP's extraordinary shareholders' meeting, as well as of ISA Participações' quotaholder.

Benefits: The goodwill to be transferred to CTEEP is based on the expected future results and has its origin in the privatization process of CTEEP, when ISA Brasil acquired from the State of São Paulo the controlling common shares of that company. Based on current tax legislation, subject to the remaining period until the end of the concession term, the amount of the goodwill to be amortized and the tax benefit to be used at CTEEP are estimated at R$ 682 million and R$ 232 million, respectively.

Rights, Votes and Dividends: The rights to vote and receive dividends, as well as the shareholding rights of the CTEEP shareholders shall not change in comparison with the political and shareholding advantages that the CTEEP shareholders had before the corporate reorganization.

Share Exchange ratio and Appraisal Reports of Shareholders' Equities at Market Value: Not applicable. The present restructuring does not involve any other asset or liability not mentioned above; it does not establish a capital increase or reduction, maintains the proportional interest of all shareholders, and does not involve any minority shareholder in the merger of ISA Participações (see Processes CVM RJ 2007-2920, 2007-3465, 2005/7838, 2005-7750, 2005-9849 and 2004-2040).

Right of Withdrawal: The approval of the decisions related to the merger shall not give dissenting shareholders the right of withdrawal, pursuant to the provisions of article 137 of Law No. 6404, of 12.15.1976.

CTEEP's Capital: CTEEP's subscribed and paid-up capital, before and after the present restructuring is four hundred sixty-two million reais (R$ 462,000,000.00), divided into one hundred forty-nine million, two hundred eighty-five thousand, and thirty-four (149,285,034) shares, of which sixty-two million, five hundred fifty-eight thousand, six hundred sixty-two (62,558,662) are common shares and eighty-six million, seven hundred twenty-six thousand and three hundred seventy-two (86,726,372) are preferred shares, all book-entry nominative shares without par value.

Liabilities: No debt or obligation shall be transferred to CTEEP by reason of this restructuring. The only liability is the provision for maintenance of the integrity of its shareholders' equity. This provision is intended to preserve the dividend flow to CTEEP's minority shareholders in accordance with the provisions of article 16 of CVM Instruction 319.

Changes in Equity: The changes in equity between the base date and the date of the decision of the corresponding corporate actions shall be reflected in CTEEP, in accordance with the assets transferred.

Experts: The specialized firms PricewaterhouseCoopers Auditores Independentes and Deloitte, Touche, Tohmatsu Consultores S/C Ltda. are responsible for the accounting appraisal report of ISA Participações and for the economic appraisal report of CTEEP to support the goodwill for tax purposes, respectively. The contracted firms are independent in relation to the companies that are the subject of the restructuring, in accordance with the independent audit rules of the Federal Accounting Council. The hiring of PricewaterhouseCoopers Auditores Independentes is subject to ratification by CTEEP's general shareholders' meeting as well as by ISA Participações' quotaholder.

Costs: The estimated cost of the present restructuring, which will be borne by ISA Brasil, is approximately R$ 660 thousand and consists, mainly, of financial, accounting and legal consulting services.

Information: all information used by the companies in planning, assessing, promoting and executing the corporate restructuring shall be made available to the shareholders as from this date, for a period of fifteen (15) days, at CTEEP's head office at Rua Casa do Ator, 1,155, 12o. andar, Vila Olímpia, CEP 04546-004, São Paulo, State of São Paulo, from Monday to Friday from 9 a.m. to 12 p.m. and from 2 p.m. to 5 p.m. The access to the documents and information shall be granted to CTEEP shareholders who should present a statement containing the respective shareholding interest, issued at most two (02) days earlier."

2. Presentation of the Financial Statements

These financial statements, according to the majority shareholder's recommendation in an Ordinary General Meeting held on April 30, 2009, were restated and approved by the Company's Board of Directors on June 10, 2009.

The Company, complying with the majority shareholder's recommendation in the Meeting aforementioned, replaced the Mark-to-Market method, previously used to record the derivative financial instruments (swap), as well as the foreign currency debt contracts (bonds), applied as a result of the alteration of Law 6404/76 by Law 11638/07 and CVM Resolution 566, of December 17, 2008, which approved the Accounting Pronouncements Committee's CPC 14, by the methodology, also supported by that Resolution, denominated hedge accounting – fair value hedge.

For a better evaluation of the impacts produced on the financial statements as a result of this alteration in the methodology, we present below comparison of the adjustments and effects in Shareholders' Equity and Result of each of them.

(i)- adjustments and effects on Shareholders' Equity and Result by applying the Mark-to-Market methodology previously adopted

Based on that methodology, the Company had recorded the following adjustments in the financial statements published on March 30, 2009:

a) **At January 1, 2008 -** the balances at December 31, 2007 of the aforementioned derivative financial instruments (swap) and foreign currency debt contracts (bonds) were adjusted on January 1, 2008 by R$ 117,891 (amount resulting from the difference between the accounting balance and the market value at 12/31/2007) and the corresponding entry was recorded in shareholders' equity with a credit in the retained earnings (accumulate deficit) account; and

b) **At December 31, 2008 -** the balances of the same derivative financial instruments (swap) and foreign currency debt contracts (bonds) were marked-to-market produced the negative result of R$ 25,682 thousand, increasing the loss for the year from R$ 8,991 thousand to R$ 34,673 thousand.

(ii) – adjustments and effects on Shareholders' Equity and Result by the application of the accounting methodology of hedge accounting – fair value hedge.

Based on this methodology, and after reversal of the adjustments implemented previously, the Company recorded the following adjustments in the financial statements:

a) **At January 1, 2008** – the balances at December 31, 2007 of the aforementioned derivative financial instruments (swap), previously not designated as hedge accounting instruments, were adjusted at January 1, 2008, by R$ 96,106 (amount resulting from the difference between the accounting balance and market value at 12/31/2007) and the corresponding entry was recorded in shareholders' equity with a credit in retained earnings (accumulated deficit), which, after such recognition presented a balance of (R$ 9,305).

Differently from the criterion previously adopted, the balances at December 31, 2007 of the foreign currency debt contracts (bonds) were recorded at amortized cost, remaining unchanged; and

b) **At December 31, 2008** - with the designation at July 31, 2008 of the new derivative financial instruments (swap) as hedges, linked to the foreign currency debt contracts (bonds), which are the hedged items, both measured at fair value, the adjustments in result for the year produced positive effects in the amount of R$ 65,218, changing from the loss of R$ 8,991 to net income of R$ 56,227.

Based on the above, the Company presents restated financial statements due to the adoption of the hedge accounting – fair value hedge for recognition of its derivative financial instruments (swap) as hedges, linked to the foreign currency debt contracts (bonds) which are the items object being hedged in accordance with CVM Resolution 566/08, which approved Accounting Pronouncements Committee's CPC 14.

These financial statements have been prepared and are presented in accordance with the accounting practices adopted in Brazil, which comprise the provisions included in the Brazilian Corporate Law (Law No. 6404/76, amended by Law 9457/97, Law 10303/01, Law 11638/07 and Provisional Measure 449); rules and regulations of the Brazilian Securities Commission ("CVM"); technical pronouncements of the Accounting Pronouncements Committee ("CPC"); and specific rules and legislation applicable to the concessionaries of electric energy public service established by the National Electric Power Agency - ANEEL.

The preparation of the financial statements in accordance with accounting practices adopted in Brazil requires management to use estimates to account for certain transactions affecting the Company's assets and liabilities, revenues and expenses, as well as the disclosure of information about the financial statement data. The final results of these transactions and information, upon their actual realization in subsequent periods, may differ from the estimates. The principal estimates related to the financial statements refer to the allowance for doubtful accounts, the provisions for contingencies and the Voluntary Termination Program (PDV).

Change in Corporate Law

On December 28, 2007 Federal Law 11638/07 was issued, and then amended by Provisional Measure - MP No. 449 of December 3, 2008, which altered and introduced new provisions to Corporate Law. The main purpose of this new law and the MP was to update the Brazilian corporate legislation so as to permit the harmonization of the accounting practices adopted in Brazil with those included in the international accounting standards, which are issued by the "International Accounting Standards Board - IASB".

The application of said Law and MP is mandatory for the annual financial statements of fiscal years started on or after January 1, 2008.

The changes in corporate Law had the following main impacts on the financial statements:

Company

(a) The debt in foreign currency (bonds) and the derivative financial instruments (swap) are now recorded at their fair value (market) pursuant to CVM Resolution 566 of December 17, 2008, which approved Technical Pronouncement CPC No. 14 (Note 31).

Consolidated

(a) Reclassification: expenses recorded as deferred charges related to SAP implementation were reclassified to intangible assets.

(b) The deferred income group was reclassified and is now part of the non-current liabilities group.

(c) Costs of the Promissory Notes issue were deducted from the liability amount and will be recorded in results over the transaction term.

In compliance with the provisions of CVM Resolution 565 of December 17, 2008, which approved CPC 13, the Company established December 31, 2007 as the transition date for the adoption of the new practices. The analysis of these financial statements at December 31, 2007 resulted in the following adjustments due to the changes introduced by said legislation:

Company

At December 31, 2007, balances of derivative financial instruments (swap), previously not designated as hedge instruments, were adjusted on January 1, 2008 by R$ 96,106 (amount arising from the difference between the accounting balance and market value at 12/31/2007) and the corresponding entry was recorded in shareholders' equity with a credit in the retained earnings (accumulated deficit) account, which balance after the adjustment amounted to (R$ 9,305). The foreign currency debt contracts (bonds), on the other hand, which were recorded in accordance with the contractual conditions, remained unchanged.

At the end of 2008, with the adoption of the hedge accounting, derivative financial instruments (swap) were considered as “derivative financial instruments for hedge” and foreign currency debt contracts (bonds) were considered as “hedged items”, and were recorded at their fair values. The net effect of marking the derivatives and the related foreign currency debt contracts (bonds) to market (“hedge accounting”) generated a positive adjustment in the result for the year of R$ 65,218, changing the loss of R$ 8,991 to net income of R$ 56,227.

Consolidated

Leasehold improvements, recorded in deferred charges in the financial statements at December 31, 2007, were reclassified to property, plant and equipment.

All amounts in thousands of reais unless otherwise indicated

Additionally, for better comparability with the current year's financial statements, the amounts related to the Adjustment Portion (PA), which on December 31, 2007 were presented in current and non-current liabilities in the amounts of R$ 33,344 and R$ 16,665, respectively, were reclassified as a deduction from the customer accounts receivable balance.

Consolidated Financial Statements

The consolidated financial statements include the financial statements of the Company and its subsidiaries.

	Base date of the financial statements	Interest %	
		2008	2007
Direct			
CTEEP	12/31/08	37.4615	37.4615
Indirect			
Interligação Elétrica de Minas Gerais S.A (IEMG)	12/31/08	60.0000	-
Interligação Elétrica Norte e Nordeste S.A (IENNE)	12/31/08	25.0000	100.0000
Interligação Elétrica Pinheiros S.A (IEPIN)	12/31/08	100.0000	-
Interligação Elétrica do Sul S.A (IESUL)	12/31/08	100.0000	-

All indirect subsidiaries were in the pre-operating stage on the base date of the consolidated financial statements.

The consolidated financial statements were prepared in accordance with accounting practices adopted in Brazil and in conformity with the rules issued by CVM, which include:

a) the elimination of receivables and payables, as well as of the revenues, costs and expenses, arising from transactions between the companies included in the consolidation;

b) the elimination of the parent company's investment against the shareholders' equity of the subsidiary; and

c) the minority shareholders' interest in the net equity and net income (loss) for the year of the subsidiary is presented separately in the balance sheet and statement of operations, respectively.

3. Significant Accounting Practices

a) Determination of results of operations

Results of operations are determined on the accrual basis of accounting.

b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits, short-term investments with high liquidity and immaterial risk of change in value, and overdraft limits used.

c) Financial instruments

(i) Classification and measurement

The Company classifies its financial instruments under the following categories: measured at fair value through results, loans and receivables, held to maturity and available for sale. Classification depends on the purpose for which the financial assets were acquired. Management establishes the classification of financial assets at initial recognition.

- *Financial assets measured at fair value through results*

Financial assets measured at fair value through results are financial assets held for active and frequent trading. The assets of this category are classified as current assets. Gains or losses arising from changes in the fair value of financial assets measured at fair value through results are presented in the statement of operations under "financial income (expenses)" in the period in which they occur.

- *Loans and receivables*

This category comprises loans granted and receivables that are non-derivative financial assets with fixed or determinable payments, not quoted in an active market. They are included as current assets, except for those with maturity term exceeding 12 months after the balance sheet date (which are classified as non-current assets). The loans and receivables, both of the Company and of CTEEP, comprise loans to affiliates, trade accounts receivable, other accounts receivable and cash and cash equivalents, except for short-term investments. Loans and receivables are accounted for at amortized cost using the effective interest rate method.

- *Assets held to maturity*

They are basically financial assets that cannot be classified as loans and receivables, since they are quoted in an active market. In this case, these financial assets are acquired with the purpose and financial capacity to keep them in the portfolio to maturity. They are recorded at the acquisition cost, plus income earned as a contra entry to income (loss) for the year.

- *Fair value*

The fair values of publicly quoted investments are based on current purchase prices. For those financial assets that do not have an active market or public quotation, the Company establishes their fair value through valuation techniques. These techniques include the use of operations recently contracted with third parties, reference to other substantially similar instruments, analysis of discounted cash flows and option pricing models that make the greatest possible use of information generated by the market and depend the least possible on information generated by management of the entity itself.

The Company and its subsidiary evaluate, on the balance sheet date, whether there are any objective evidence that a financial asset or a group of financial assets is recorded at a higher amount than its recoverable value (impairment). If there is any such evidence for the financial assets available for sale, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any loss for impairment of that financial asset previously recognized in the result - is removed from equity and recognized in the statement of operations.

(ii) Derivative financial instruments and hedge activities

Initially, the derivatives are recognized at their fair value on the date when the derivatives agreement is signed. Subsequently they are remeasured at their fair value and the changes in fair value are recorded in income (loss), except when the derivatives are designated as a hedge instrument.

In the case of the Company, in compliance with CVM Resolution 566/08, which approved technical pronouncement CPC 14, derivatives were considered as "derivative financial instruments for hedge" and the foreign currency debt contracts (bonds) were considered as "hedged items", and are recorded at their fair values (Note 31).

d) Trade accounts receivable

Includes the amounts billed relating to the use of the basic network systems and other transmission facilities (DIT) by the electric power public service concessionaires and companies connected to these systems (Note 6), with average receipt term below 60 days, and there is no need for adjustment to present value. The allowance for doubtful accounts comprises amounts of which realization is not considered probable on the balance sheet date.

e) Inventories

The materials in stock are valued and stated at average cost of purchase, which does not exceed the replacement value.

f) Investment

(i) Cost and/or equity value

The investment in CTEEP is accounted for under the equity method, based on the financial statements as at the same date as the Company's financial statements, recognized in income (loss) for the year as operating expense (or revenue).

In the subsidiary, while in the pre-operating stage, investments are accounted for under the cost method. Afterwards, they will be recorded under the equity method of accounting.

(ii) Goodwill

The goodwill or negative goodwill determined upon the acquisition of an investment is calculated as the difference between the purchase price and the book value of the net equity of the company acquired. The goodwill is based on: (i) asset appreciation, represented by the difference between the book value of the company acquired and the fair value of the assets and liabilities (recorded under Investments) and (ii) expected future profitability, represented by the difference between the fair value of the assets and liabilities and the purchase price (recorded under Intangible Assets). The goodwill determined upon the acquisition of CTEEP is amortized over the concession period.

g) Property, plant and equipment

The items that comprise the Company's property, plant and equipment are stated at cost of acquisition and/or construction, plus price-level restatements up to December 31, 1995, interest on shareholders' equity up to December 31, 1998, financial charges, monetary and foreign exchange variations on loans and financing for property, plant and equipment in progress, net of the accumulated depreciation and amortization.

Depreciation is computed on the straight-line basis, at the rates disclosed in Note 15 which consider the estimated useful lives of the assets, in compliance with the rules of the regulatory agency.

h) Impairment of assets

The recoverable amount of property, plant and equipment and other non-current assets is analyzed on a yearly basis or whenever events or changes in circumstances suggest that the accounting value may not be recoverable. The Company did not identify indicators of any impairment of its assets. The concession agreements set forth an indemnification for property, plant and equipment at the end of the concession period. Criteria for computation of this indemnification have not yet been defined by the Conceding Power. However, in the understanding of management and of its legal advisers, said indemnification amount should approximate the residual value of property, plant and equipment on that date.

i) Other current and non-current assets

Stated at net realizable value.

j) Current and non-current liabilities

Stated at known or estimated amounts including, when applicable, related charges and monetary or exchange rate variations incurred up to the balance sheet date.

In the Company the foreign currency debt contract (bonds) is recognized at its fair value (market) and designated as a hedged item.

k) Provisions

Provisions are recorded based on an evaluation of the probability of loss on the ongoing lawsuits, supported by reports prepared by the legal counsel engaged by CTEEP.

l) Income tax and social contribution

These are calculated in compliance with the provisions of applicable legislation, based on pretax income, adjusted by the inclusion of non-deductible expenses and the exclusion of non-taxable revenues and the inclusion and/or exclusion of temporary differences.

m) Negative goodwill

Refers to the negative goodwill recorded on the purchase of 49% of the common shares of Empresa Paulista de Transmissão de Energia Elétrica S.A. (EPTE). These shares were held by the São Paulo State Finance Department and Companhia Paulista de Administração de Ativos (CPA) and were purchased on March 26, 1999 by Companhia Energética de São Paulo (CESP). Upon the partial spin-off of CESP, these shares and the negative goodwill were transferred to CTEEP. EPTE was merged into the Company on November 10, 2001.

This negative goodwill is being amortized monthly, on the straight-line basis, over the concession period of EPTE, the maturity of which is December 2012.

All amounts in thousands of reais unless otherwise indicated

n) Employee benefits

CTEEP sponsors pension and health care plans for its employees, which are managed by Fundação CESP. The actuarial liabilities were calculated on the projected unit credit method, as set forth by CVM Resolution No. 371 of December 13, 2000.

o) Financial charges and monetary/foreign exchange variations

Based on the provisions of Accounting Instruction 6.3.10, item 4, of the Accounting Manual for the Electric Energy Public Service, the interest and other financial charges, as well as monetary/foreign exchange variations, relating to financing obtained from third parties, effectively applied in property, plant and equipment in progress, comprise the costs recorded in this subgroup.

4. Obligations Assumed on the Acquisition of Subsidiary CTEEP

Under the share purchase agreement in connection with the privatization auction described in Note 1, the Company agrees to supplement the amount paid on the purchase of CTEEP shares in the event CTEEP is released from encumbrances related to the supplement of payments to the pension plan established in Law No. 4819/58, currently challenged in court, as described in Note 35.

At December 31, 2008 the supplemental purchase price comprises two separate transactions, as follows:

a) The amount of R$ 212,280 (2007 - R$ 198,495), determined on the acquisition of the first equity interest at the privatization auction held on June 28, 2006, recorded under "Amounts payable - Law No. 4819/58 - São Paulo State Finance Department", of which R$ 6,153 (2007 - R$ 5,838) under current liabilities and R$ 206,127 (2007 - R$ 192,657) under non-current liabilities, with a corresponding entry at the time in the amount of R$ 188,895 under "Investments - goodwill on acquisition of subsidiary" (Note 14). The difference of R$ 23,385 recognized in the statement of operations relates to the monetary adjustment of the obligation, based on the Amplified Consumer Price Index (IPC-A) as from December 31, 2005.

b) The amount of R$ 133,103 (2007 - R$ 124,459), determined on the acquisition of the third equity interest at the Public Offering auction (IPO) held on January 9, 2007, recorded under "Amounts payable - Law No. 4819/59 - IPO", of which R$ 3,840 (2007 - R$ 3,680) under current liabilities and R$ 129,263 (2007 - R$ 120,779) under non-current liabilities, with a corresponding entry at the time in the amount of R$ 120,306 under "Investments - goodwill on acquisition of subsidiary" (Note 14). The difference of R$ 11,083 recognized in the statement of operations relates to the monetary adjustment of the obligation, based on the Amplified Consumer Price Index (IPC-A) as from December 31, 2005.

5. Cash and Cash Equivalents

	Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Cash and banks	1,593	21	8,551	13,788
Financial investments	-	64,232	116,066	242,112
Total	**1,593**	**64,253**	**124,617**	**255,900**

All amounts in thousands of reais unless otherwise indicated

The financial investments are measured at fair value through result and refer to Bank Deposit Certificates and Debentures, whose yield is indexed to the variation of the Interbank Deposit Certificate (CDI) and with daily liquidity.

6. Trade Accounts Receivable - Consolidated

CTEEP's customers are concessionaires/permitees of public service of electric energy and free customers, connected to CTEEP's facilities.

	2008			2007
	Current	**Non-current**	**Total**	**Total**
Basic network	279,635	45,068	324,703	196,661
Other transmission facilities - DIT	19,694	20	19,714	22,159
	299,329	**45,088**	**344,417**	**218,820**

Trade accounts receivable are guaranteed by collaterals and/or accesses to current accounts operated by the National System Operator (ONS) or directly by CTEEP, and are distributed by maturity as follows:

	2008	2007
Falling due	283,541	206,598
Past due		
Up to 30 days	3,315	46
From 31 to 60 days	3,191	12
Over 61 days	54,370	12,164
	60,876	12,222
	344,417	**218,820**

On January 13, 2009 CTEEP signed a debt confession and payment agreement with delinquent distributors. This agreement requires the balance to be paid in 36 installments.

All amounts in thousands of reais unless otherwise indicated

7. Amounts Receivable - São Paulo State Finance Department - Consolidated

	2008			2007
	Current	Non-current	Total	Total
Acknowledgment and consolidation of liabilities agreement (i)	16,575	38,778	55,353	60,829
Payroll processing - Law 4819/58 (ii)		309,811	309,811	193,101
Sale of property (iii)	3,211	8,295	11,506	12,643
Labor claims - Law 4819/58 (iv)	-	97,755	97,755	71,410
Family allowance - Law 4819/58 (v)	-	2,218	2,218	2,218
Allowance for doubtful accounts	-	(2,218)	(2,218)	(2,218)
	19,786	**454,639**	**474,425**	**337,983**

(i) Agreement for the Acknowledgement and Consolidation of Liabilities

On May 2, 2002 an Agreement for the Acknowledgement and Consolidation of Liabilities was entered into with the São Paulo State Finance Department, in which the State Government acknowledges and admits that it owes to CTEEP the amounts corresponding to the disbursements originally made by CESP - Companhia Energética de São Paulo, in the period from 1990 to 1999, for paying supplemental retirement and pension payrolls, arising from benefits established in State Law No. 4819/58. The amount acknowledged was adjusted up to January 2002 by the variation of the Fiscal Unit of the São Paulo State Government (UFESP) and, as from February 2002, by the monthly variation of the General Market Price Index (IGP-M) plus 6% per annum. The reimbursement will be made in 120 monthly installments as from August 1, 2002 and with final settlement on July 1, 2012.

(ii) Processing of the payroll - Law 4819/58

The amount of R$ 309,811 refers to the remaining balance of the processing of the payroll of the supplemental pension plan regulated by State Law No. 4819/58, R$ 1,426 of which through individual injunctions from January to August 2005 and R$ 308,385 from September 2005 to December 2008, as a result of a court decision by the 49th Labor Court of São Paulo, whose payments are made by Fundação CESP with resources received from the State Government and passed on by CTEEP (Note 35 (c)). This balance will not be monetarily adjusted and no earnings will be recorded until the State Government approves its actual payment to CTEEP.

(iii) Sale of a property

On July 31, 2002 a Private Transaction Instrument providing for the sale of a property, the recognition of liabilities and payment commitment was signed with the State Finance Department, in which the State Government acknowledges and admits that it owes to CTEEP an amount corresponding to the market value of the total area of the property occupied by the State Government which is being partially used for the construction of prison units.

Therefore, the State Government committed to reimburse CTEEP for said amount in 120 monthly installments, the first of which on August 1, 2002 and final settlement on July 1, 2012, adjusted by the monthly variation of the General Market Price Index (IGP-M) plus interest of 6% per annum.

All amounts in thousands of reais unless otherwise indicated

(iv) Labor proceedings - Law 4819/58

These refer to certain labor proceedings settled by CTEEP, relating to employees who retired supported by State Law No. 4819/58, which are the responsibility of the State Government. This balance is not monetarily adjusted and no earnings will be recorded until the State Government approves its actual payment to CTEEP.

(v) Family allowances - Law 4819/58

CESP - Companhia Energética de São Paulo made advances for the payment of monthly expenses related to family allowances arising from the benefits of State Law No. 4819/58, which were transferred to CTEEP upon the partial spin-off of CESP.

Considering the expectation of loss, management recorded an allowance for doubtful accounts, in non-current assets, in the amount of R$ 2,218.

8. Tax Benefit - Merged Goodwill

The goodwill paid by ISA Capital in the acquisition of the CTEEP shareholding control process (Note 14) has its economic basis in the perspective of results during the term of concession and arises from the acquisition of the concession right granted by the Government, under item b, Paragraph 2, of article 14 of CVM Instruction 247, of March 27, 1996, as amended by CVM Instruction 285 of July 31, 1998.

In order that the amortization of goodwill does not negatively affect the dividend flow to shareholders, a provision for maintenance of integrity of equity (PMIPL) was recognized, in accordance with the provisions of CVM Instruction No. 349 of March 6, 2001.

The amortization of goodwill, net of reversal of the provision and of the corresponding tax effect, is neutral with respect to the result for the year and, consequently, the mandatory minimum dividend calculation basis.

To better present the financial position in the consolidated financial statements, the net amount at December 31, 2008, of R$ 205,575, which essentially represents the merged tax credit, was classified in the balance sheet in current assets and in long-term receivables as merged goodwill tax benefit, based on its expected realization. In the current year, CTEEP obtained a tax benefit in the amount of R$ 26,430.

Goodwill, which on December 31, 2007 totaled R$ 689,435, is being amortized for the remaining period of the concession, in monthly installments and according to the future profitability annual projection and as authorized by ANEEL Resolution 1164 of December 18, 2007; its breakdown is as follows:

	Amortization - % p.a.		
	Concession agreement		
Year	**059/2001**	**143/2001**	**Total**
2008 to 2012	12.20	0.10	12.30
2013 to 2015	12.73	0.02	12.75
2016 to 2031	-	0.25	0.25

All amounts in thousands of reais unless otherwise indicated

9. Taxes and Contributions to Offset

	Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Income tax	24,633	11,284	25,393	51,994
Social contribution	-	-	486	14,862
COFINS	-	-	798	1,091
PIS	-	-	249	353
Other	-	-	947	801
Total	**24,633**	**11,284**	**27,873**	**69,101**

10. Deferred Income Tax and Social Contribution - Consolidated

These refer to tax credits on the temporary differences in the determination of taxable income, mainly the provisions for contingencies and the Voluntary Termination Program (PDV):

	2008			2007
	Income tax	**Social contribution**	**Total**	**Total**
Provision for contingencies	43,036	15,493	58,529	54,457
Voluntary Termination Program (PDV)	4,654	1,676	6,330	13,822
Negative goodwill	16,631	5,987	22,618	-
Other	357	129	486	750
	64,678	23,285	87,963	69,029
Current assets			11,315	8,224
Non-current assets			76,648	60,805

These credits, both current and long-term, will be realized as the contingencies and other related events are resolved, which are estimated as follows:

2009	2010	2011	2012	2013	As from 2014
13%	8%	7%	6%	-	66%

All amounts in thousands of reais unless otherwise indicated

11. Pledges and Restricted Deposits

Company

In January 2007 the Company raised the amount of US$ 554 million from issue of bonds with JP Morgan and ABN AMRO Bank as agents, divided into two tranches: the first, in the amount of US$ 200 million, with 5-year term and call option in 2010 and 2011 and the second, of US$ 354 million, with 10-year term (Note 17).

As determined in contract, the Company made two deposits in the Bank of New York, in the amounts of US$ 7,875 thousand and US$ 15,576 thousand, as guarantee of the interest that will be paid semi-annually, related to the two tranches described above, respectively. These deposits were recorded in current assets and at December 31, 2008 amounted to R$ 55,209 (2007 - R$ 41,767).

Consolidated

In the consolidated long-term receivables, in view of the uncertainties about the outcome of the lawsuits object of deposits, CTEEP's procedure is to maintain them at their nominal value, not recording any type of monetary restatement or earnings. The balance comprises the following:

	2008	**2007**
Assessment notices - ANEEL (a)	6,317	6,317
Judicial deposits (Note 19 (b))	45,319	43,278
Provisional contribution on bank account outflows (CPMF)	199	199
Other	25	-
	51,860	**49,794**

a) Refer to two deposits in connection with lawsuits to annul ANEEL assessment notices issued because of disturbances in the transmission system in February 1999 and January 2002. The first one, deposited on January 17, 2000, in the amount of R$ 3,040, was required in an annulment action filed by CTEEP against ANEEL, arising from the assessment notice 001/1999-SFE which fined CTEEP under allegation of obstructing the inspection related to the disturbances arising from the interruption in the transmission and distribution of electric energy in most of Southeast, South and Central-West regions; non-compliance with the determinations of the "inspection report"; and non-compliance with the legal duty of rendering proper service. The second one, deposited on June 17, 2003, in the amount of R$ 3,277, relates to the issue of assessment notice 005/2002-SFE on May 7, 2002, as a consequence of punitive administrative process brought by ANEEL, for the breakage, on January 21, 2002, of one sub conductor of transmission line of 440 kV between the substations of CTEEP in the Power Plant of Ilha Solteira and Araraquara. CTEEP's legal advisors understand that it is not practicable to determine whether its position in both cases will prevail.

All amounts in thousands of reais unless otherwise indicated

12. Prepaid Expenses

During the bond issuance process concluded in January 2007 (Notes 11 and 17), the Company incurred expenses and commissions. These expenses were fully capitalized and are being amortized over the term of the original agreements, as shown in the table below:

	Amount US$ million	Term	2008	2007
Bond agreement (Tranche 1)	200.0	5 years	7,713	7,713
Bond agreement (Tranche 2)	354.0	10 years	13,653	13,653
Subtotal			21,366	21,366
Accumulated amortization			(5,743)	(2,872)
Total			**15,623**	**18,494**
Current			2,871	2,831
Non-current			12,752	15,663

The consolidated prepaid expenses, under current, include CTEEP's unappropriated insurance premiums in the amount of R$ 2,884 (2007 - R$ 3,813).

13. Loans Receivable - Company and Consolidated

	2008	2007
Principal	51,146	54,676
Interest	6,845	18
Exchange variation	6,140	(8,989)
	64,131	**45,705**

This loan refers to the onlending to the Company's parent company of the total loan obtained from ABN AMRO BANK, denominated in U.S. dollars, in the original amount of US$ 23,800 thousand, payable in a lump sum on July 19, 2007 and bearing interest calculated based on the LIBOR rate plus 3% p.a. The Company maintained the same bases of adjustment for this transaction but its maturity was renegotiated for an eight-year period also in a lump sum.

All amounts in thousands of reais unless otherwise indicated

14. Investment

(a) Information on the Subsidiary CTEEP

	2008	2007
Number of shares (quantity)		
Common - ON (common)	62,558,662	62,558,662
Preferred - PN (preferred)	86,726,372	86,726,372
Total	149,285,034	149,285,034
Shareholders' equity		
Capital	1,000,000	462,000
Capital reserve	2,054,369	2,592,369
Special goodwill reserve	232,005	-
Revenue reserves	816,256	893,772
Advance for future capital increase	666	666
Total	4,103,296	3,948,807
Net income for the year	827,065	855,483

(b) Information on the investment

	2008	2007
Shares held - ON (Common)	55,924,465	55,924,465
Percentage holding	37.4615	37.4615
Investment	1,450,244	1,479,282
Goodwill		
Unamortized goodwill (Note 16)	399,059	689,435
Goodwill - Special reserve	232,005	-
Total goodwill (a)	631,064	689,435
Total investment	2,081,308	2,168,717

All amounts in thousands of reais unless otherwise indicated

(c) Investment changes

	CTEEP	ISA Participações	Total
Balance at December 31, 2006	1,326,920	-	1,326,920
Acquisition of shares - IPO on January 9, 2007	640,482	-	640,482
Goodwill on acquisition of shares	240,211	-	240,211
Equity in earnings of subsidiaries	320,595	-	320,595
Declared dividends for the year	(178,968)	-	(178,968)
Interest on own capital declared for the year	(89,435)	-	(89,435)
Amortization of goodwill	(91,088)	-	(91,088)
Balance at December 31, 2007	**2,168,717**	**-**	**2,168,717**
Payment of capital	(2,168,717)	2,168,717	-
Merger of parent company	1,505,609	(2,187,977)	(682,368)
New goodwill	682,368	-	682,368
Equity in earnings of subsidiaries	283,625	19,260	302,885
Declared dividends for the year	(249,120)	-	(249,120)
Interest on own capital declared for the year	(89,870)	-	(89,870)
Amortization of goodwill	(51,304)	-	(51,304)
Balance at December 31, 2008	**2,081,308**	**-**	**2,081,308**

(a) The balance of unamortized goodwill is included in intangible assets in the consolidated balance sheet, net of CTEEP's special goodwill reserve. Studies conducted confirm that this goodwill will be able to be realized within the term of the concession contracts.

All amounts in thousands of reais unless otherwise indicated

15. Property, Plant and Equipment - Consolidated

Property, plant and equipment is composed as follows:

	2008			2007	
	Cost	**Accumulated depreciation**	**Net**	**Net**	**Annual average depreciation rates (%)**
In service					
Land	44,365	-	44,365	44,538	
Buildings, civil works and improvements	584,146	(379,823)	204,323	215,989	3.64
Machinery and equipment	5,740,518	(2,588,506)	3,152,012	2,859,243	2.96
Vehicles	10,897	(10,613)	284	879	20.00
Furniture and fixtures	23,593	(15,348)	8,245	9,875	10.00
	6,403,519	(2,994,290)	3,409,229	3,130,524	
In progress	854,204	-	854,204	967,998	
Special liabilities	(28,767)	-	(28,767)	(16,068)	
Total - Consolidated	**7,228,956**	**(2,994,290)**	**4,234,666**	**4,082,454**	

Construction in progress refers substantially to the ongoing expansion works of the electric energy transmission systems.

Special liabilities are represented by amounts received from electric energy public service concessionaires and customers for investments in the concession.

Concession agreements provide for indemnification for property, plant and equipment at the end of the concession period. The criteria for computation of such indemnification have not yet been defined by the Conceding Power. However, it is the understanding of management and of its legal advisors that said indemnification amount should approximate the residual value of property, plant and equipment on that date.

Consequently, CTEEP adopts the annual depreciation rates established by ANEEL, restated in accordance with ANEEL Regulatory Resolution 44 of March 17, 1999 and revoked by ANEEL Regulatory Resolution 240, of December 5, 2006, for assets with similar use and characteristics in the area of electric energy transmission and distribution.

Still based on this understanding, despite the fact of not having identified indicators of impairment of its assets, the Company prepared, in accordance with the methodology established by CPC 01, a recoverability study considering in the discounted cash flow, the book value of assets which could revert to the conceding power, which has confirmed the inexistence of probable losses.

In accordance with articles 63 and 64 of Decree No. 41019, of February 26, 1957, assets and installations used in the transmission of electric power are linked to these services and cannot be removed, sold, assigned or pledged as mortgage guarantees without the prior and express authorization of the regulatory body. ANEEL Resolution No. 20, of February 3, 1999, regulates the electric power utility concession assets, giving prior authorization for not restricting assets no longer serviceable to the concession, when intended for sale, and determining that the proceeds from the sale be deposited in a restricted bank account, and invested in the concession.

All amounts in thousands of reais unless otherwise indicated

16. Intangible Assets - Consolidated

	2008	2007
Goodwill (Note 14 (b))	399,059	689,435
Easements	64,774	57,449
ERP - SAP implementation	10,342	-
Other	151	153
	474,326	**747,037**

Easements are rights of way for transmission lines used for distribution in CTEEP's concession area and in private urban and rural areas imply indemnification in favor of the property owner. As they are permanent items, there is no amortization.

ERP implementation includes all expenditures incurred in the SAP structuring project, except for the training expenses which were charged to results. The project started in April 2008 and completion is scheduled for February 2009, when its amortization will begin.

17. Loans and Financing

The breakdown of loans and financing payable balances is as follows:

	Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Foreign currency				
Bonds (a)	1,045,746	1,312,682	1,045,746	1,312,682
Local currency				
BNDES (b)	-	-	606,169	402,058
Promissory notes (c)	-	-	199,068	-
Banco Bradesco (d)	-	-	51,010	-
ABN Amro Real (e)	41,337	-	41,337	-
Eletrobrás	-	-	541	592
Banco Safra	-	-	-	50,172
Banco Alfa	-	-	-	70,000
Banco do Brasil	-	-	-	10,082
	1,087,083	**1,312,682**	**1,943,871**	**1,845,586**
Current	**105,777**	**55,249**	**451,279**	**187,440**
Non-current	**981,306**	**1,257,433**	**1,492,592**	**1,658,146**

(a) Issue of bonds on January 29, 2007 in the amount of US$ 554 million. The issue had as agents J.P. Morgan S.A. and ABN Amro Real S.A., and was divided into two tranches: one in the amount of US$ 200 million, with 5-year term maturing in 2012, interest rate of 7.875% p.a., and call option in 2010 and 2011; and the other tranche in the amount of US$ 354 million, with 10-year term maturing in 2017 and interest rate of 8.8% p.a. Of the total bonds issued, 60% were distributed in the United States, 36% in Europe, 2% in Latin America and 2% in Asia.

At the time, the Company's management signed specific swap contracts to hedge against exchange rate risks in connection with the issue of the bonds described above. This swap transaction was segregated in two parts, as follows:

(i) Hedge of Principal - Swap contracts with ABN Amro Real S. A. and JP Morgan S.A relating to the hedge of the two tranches. The first tranche, in the amount of US$ 200 million and with a five-year term maturing in 2012, was contracted at the exchange rate of R$ 2.1170, bearing General Market Price Index (IGP-M) plus 2.12% p.a. The second tranche in the amount of US$ 354 million, with a tem-year term maturing in 2017, was also contracted at the exchange rate of R$ 2.1170, bearing General Market Price Index (IGP-M) plus 1.68% p.a. Both contracts had a Recouponing partial payment clause, with maturity on February 12, 2008. Accordingly, on the maturity date, the Company paid to the referred banks the total amount of R$ 155 million. As a result of the Recouponing payment and in accordance with the rules established for the derivative transactions, these contracts were replaced by new ones containing new rates and conditions, as follows:

- **ABN Amro Real S.A. -** on February 12, 2008 the hedge of 50% of the two tranches was contracted. The first tranche, in the amount of US$ 100 million and maturing in 2012, was contracted at the exchange rate of R$ 1.7573, bearing General Market Price Index (IGP-M) plus 5.0709% per annum. The second tranche, in the amount of US$ 177 million and maturing in 2017, was also contracted at the exchange rate of R$ 1.7573, bearing General Market Price Index (IGP-M) plus 3.0203% per annum. The Recouponing partial payment clause was excluded.

- **JP Morgan S.A.** - on February 12, 2008 the hedge of 50% of the two tranches was contracted. The first tranche, in the amount of US$ 100 million and maturing in 2012, was contracted at the exchange rate of R$ 1.7573, bearing General Market Price Index (IGP-M) plus 4.8709% per annum. The second tranche, in the amount of US$ 177 million and maturing in 2017, was also contracted at the exchange rate of R$ 1.7573, bearing General Market Price Index (IGP-M) plus 2.7003% per annum. The Recouponing partial payment clause was maintained under the same conditions of the previous contract. Because of the Company's wish to exclude the Recouponing clause from the contract, on July 28, 2008 the Company made a partial payment of R$ 62 million. As a result of such payment, a new contract was signed on the same date, under new conditions. The hedge that until then was 50% of the two tranches changed to 50 % of the first tranche only, corresponding to US$ 100 million and maturing in 2012. This new contract was established at the exchange rate of R$ 1.5745, bearing General Market Price Index (IGP-M) plus 5.052% p.a. The Recouponing partial payment clause was excluded.

- **Deutsche Bank S.A.**: on July 28, 2008 the other part of the hedge, related to 50% of the second tranche in the amount of US$ 177 million, maturing in 2017, was contracted by the Company with Deutsche Bank, at the exchange rate of R$ 1.5745, bearing General Market Price Index (IGP-M) plus 3.99% p.a. This contract does not include the Recouponing partial payment clause.

(ii) Hedge of Interest - a non-deliverable currency forward with JP Morgan related to the hedge of semi-annual interest, with maturities in July 2007 and January 2008, corresponding to the two tranches. This hedge was contracted at the exchange rate of R$ 2.1190 for payment in July 2007 and R$ 2.1765 for payment in January 2008. Considering the current economic environment, the Company's management decided not to contract any hedge for the next semi-annual interest. This situation has been constantly assessed within defined strategies and taking into consideration the economic and financial aspects and exposure limits.

As permitted by CVM Resolution 566, which approved technical pronouncement CPC 14, the Company, as from July 31, 2008, recognized its derivative financial instruments (swap), as well as its foreign currency debt contracts (bonds), described above, in accordance with the methodology denominated “hedge accounting – fair value hedge”.

All amounts in thousands of reais unless otherwise indicated

Based on this methodology, the impacts on the variation of the fair value of derivatives used as hedge instruments are recognized in results in accordance with the recognition of the foreign currency debt contracts (bonds) which are the hedged items.

Fair values are calculated projecting the future flows of the operations (assets and liabilities) using the BM&F curves and bringing these flows to present value, using the future DI rate of the BM&F.

Balances for each transaction are as follows:

	2008	2007
Current liabilities		
Bond debt contract - semi-annual interest	45,670	34,616
Swap contracts - principal exchange rate risk	18,770	11,416
Swap contracts - interest exchange rate risk	-	9,217
	64,440	**55,249**
Non-current liabilities		
Bond debt contract - principal	1,032,084	981,300
Swap contracts - principal exchange risk	(50,778)	276,133
	981,306	**1,257,433**
Total liabilities	**1,045,746**	**1,312,682**

(b) On September 17, 2007 CTEEP signed a loan agreement with the National Bank for Economic and Social Development (BNDES), in the amount of R$ 764.2 million, which was reduced to R$ 602.2 million in December 2008. This amount accounts for 70% of the total investment, which includes construction aimed at system improvements, reinforcements, modernization of the current transmission system and new projects, and is part of the 2006/2008 Pluriannual Investment Plan. On October 25, 2007 R$ 400.0 million was released, on February 25, 2008 R$ 120.0 million and on May 29, 2008 R$ 82.2 million was released. This loan bears monthly charges of 2.3% p.a. above the Long-term Interest rate (TJLP). Repayment will be in 78 monthly installments from January 2009. Up to the beginning of repayment, interest is paid quarterly. As guarantee, the Company has given bank sureties contracted, effective up to December 15, 2015, from the banks Bradesco, Santander, and Banco do Brasil, at the cost of 0.70% p.a., with quarterly maturities

On November 18, 2008 the Company entered into a loan agreement with BNDES in the amount of R$ 329.1 million, the first drawdowns of which are expected for the first six-month period of 2009. This amount will be used to cover investments in reinforcements, modernization of the current system and new connections to be carried out between January 2009 and March 2010. Charges correspond to the Long-term Interest rate (TJLP) plus 1.8% p.a. Repayment will be in 54 monthly installments as from January 2011 and up to the beginning of repayment charges will be paid on a quarterly basis. Bank guarantees will be contracted.

(c) Promissory Notes were issued on December 9, 2008, in the amount of R$ 200.0 million, maturing on June 17, 2009. Nominal charges correspond to 120% of CDI. In conformity with CPC 08, the issue costs of the Promissory Notes, in the amount of R$ 1,908, were recorded as deductions from the liability amount and will be recognized in results over the transaction term.

All amounts in thousands of reais unless otherwise indicated

(d) Refers to the working capital loan agreement entered into on February 25, 2008 by CTEEP's subsidiary IEMG, the releases of which occurred on the agreement execution date and on August 28, 2008, to be repaid in a lump sum falling due on February 25, 2009. Charges on these operations are paid semi-annually and correspond to Interbank Deposit Certificate (CDI) plus 0,8581% p.a. A letter of guarantee was given for this loan.

(e) Bank credit certificate - overdraft account at the ABN Amro Real S.A., with a limit of US$ 25 million, revolving maturity every six months and interest based on 100% of CDI, plus 6.50% p.a.

The maturities of the long-term installments are as follows:

	Company		Consolidated	
	2008	**2007**	**2008**	**2007**
2009	-	-	-	61,633
2010	-	-	92,940	61,633
2011	-	-	92,940	61,633
2012	354,262	453,947	447,202	515,580
After 2012	627,044	803,486	859,510	957,667
Total	**981,306**	**1,257,433**	**1,492,592**	**1,658,146**

18. Taxes and Social Charges Payable

	Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Income tax	6,546	4,969	7,306	35,495
Social contribution	-	-	338	10,820
COFINS	2,069	1,123	8,196	6,698
Scholarship program (a)	-	-	2,786	3,241
INSS	18	18	2,514	2,437
PIS	-	242	1,329	1,569
FGTS	-	-	875	882
Other	150	-	4,915	3,916
Total	**8,783**	**6,352**	**28,259**	**65,058**

a) Refers to obligations assumed by CTEEP under an agreement with the labor unions for reimbursing its employees for costs of elementary, high school and college education.

All amounts in thousands of reais unless otherwise indicated

19. Regulatory Charges Payable - Consolidated

	2008			2007
	Current	Non-current	Total	Total
Research and Development - R&D	20,363	-	20,363	14,367
Energy Development Account - CDE	3,041	-	3,041	6,026
Fuel Consumption Account - CCC	2,804	-	2,804	5,490
Global Reserve for Reversion - RGR	7,927	2,805	10,732	4,600
Program for the Incentive of Alternative Sources of Electrical Energy - PROINFA	1,774	-	1,774	2,091
Inspection fee - ANEEL	619	-	619	548
	36,528	**2,805**	**39,333**	**33,122**

20. Provisions - Consolidated

	2008	2007
Vacation pay and payroll charges	12,067	8,606
Profit sharing - PLR	7,991	9,290
Voluntary Termination Program - PDV (a)	18,304	40,651
Sundry indemnities	313	4,544
Contingencies (b)	170,399	163,168
	209,074	**226,259**
Current	**34,922**	**46,627**
Non-current	**174,152**	**179,632**

(a) Voluntary Termination Program - PDV

CTEEP, which had 2,737 employees as of October 31, 2006, approved a Voluntary Termination Program with an adhesion period from November 21 to November 30, 2006, obtaining 1,534 adhesions.

Due to this, there were 1,521 employee terminations, 323 of which in 2006, 1,163 in 2007, and 36 in 2008, in amounts equivalent to R$ 78,979, R$ 356,000 and R$ 22,347, respectively.

All amounts in thousands of reais unless otherwise indicated

(b) Provision for contingencies - Consolidated

On a quarterly basis, the contingencies are assessed and classified as regards the probability of an unfavorable outcome for CTEEP, as follows:

			2008			2007
Type	**Provision**	**Judicial deposits**	**Net**	**Provision**	**Judicial deposits**	**Net**
Labor (i)	139,917	(19,728)	120,189	139,079	(16,302)	122,777
Civil	2,741	-	2,741	4,926	-	4,926
Tax - IPTU (ii)	16,677	-	16,677	11,094	-	11,094
Tax - COFINS (iii)	-	(17,348)	(17,348)	-	(18,907)	(18,907)
Social Security - INSS (iv)	8,197	(8,243)	(46)	8,069	(8,069)	-
ANEEL (v)	2,867	-	2,867	-	-	-
Total	**170,399**	**(45,319)**	**125,080**	**163,168**	**(43,278)**	**119,890**

Judicial deposits are recorded in current and non-current assets under "Pledges and restricted deposits".

CTEEP is a party to tax, labor and civil lawsuits, whose unfavorable outcomes are regarded as possible by management, based on the assessment of its legal counsel, in the estimated amount of R$ 49,366 (2007 - R$ 31,282), mainly labor lawsuits, for which no provisions have been recorded.

(i) Labor

CTEEP assumed responsibility for certain lawsuits at different courts, mainly arising from CESP's partial spin-off and the merger of EPTE.

(ii) Tax - Municipal Real Estate Tax (IPTU)

CTEEP recognizes a provision to cover debts with the municipal government of São Paulo, related to administrative processes for the rectification of areas, in the amount of R$ 16,677.

The debts with the municipality of São José dos Campos, due to the Supplementary Law 335/07, have been negotiated with that municipality and settled for R$ 39,141, with a rebate of R$ 21,740 recorded as a gain under the caption "general and administrative expenses".

(iii) Social Contribution on Revenues (COFINS)

CTEEP is challenging in court the constitutionality of the increase in the COFINS rate and calculation basis, in the amounts of R$ 27,392 and R$ 11,132, respectively.

CTEEP obtained a favorable outcome as regards the increase in the calculation basis and an unfavorable outcome in relation to the increase in the rate. Accordingly, in the third quarter of 2007, CTEEP reversed the portion of the provision related to the increase in the calculation basis against results and the portion referring to the increase in the COFINS rate was reversed against the related judicial deposit. CTEEP has started a process to release the judicial deposit which, as adjusted, corresponds to R$ 18,907.

(iv) National Institute of Social Security (INSS)

On August 10, 2001, CTEEP received from the National Institute of Social Security (INSS) a delinquency notice for nonpayment of social security contribution on compensation paid to its employees in the form of meal tickets, morning snack and basket of food staples for the period from April 1999 to July 2001. Accordingly, management decided to establish a provision and made a judicial deposit in the amount of R$ 8,243, recorded in non-current assets under "Pledges and restricted deposits".

(v) ANEEL

CTEEP was notified by ANEEL for not meeting the deadline for installation of the 3rd bank of transformers 345/88 kV of substation (SE) Baixada Santista, authorized by ANEEL Resolution 197 of May 4, 2004, with a fine in the amount of R$ 1,981, and for the noncompliance with the deadline for the start-up of the Transmission Line in 345 kV, Guarulhos - Anhanguera, authorized by Authorizing Resolution 064/2005 of December 31, 2005, with a fine in the amount of R$ 886, totaling R$ 2,867 as of December 31, 2008.

21. Amounts Payable - Fundação CESP

Based on an appraisal prepared by independent actuaries to calculate the actuarial liability, CTEEP recorded in the result for the year a gain in the amount of R$ 68,390. Accordingly, the liability balance presented represents the present liability of CTEEP related to the supplementary pension and health assistance plans maintained with Fundação CESP.

a) Plan "A" - Supplementary pension plans

Regulated by State Law 4819/58, applied to employees hired up to May 13, 1974, determines supplementary pension plan benefits, additional leave entitlements and family allowance. The resources necessary to cover the charges assumed in this plan are total responsibility of the applicable authorities of the State of São Paulo Government, and therefore, with no risk and additional cost to CTEEP (Note 34).

b) Plan "B" and "B1" - Supplementary pension plans

Plans "B" and "B1", regulated by Law 6435/77 and managed by Fundação CESP, are sponsored by CTEEP, providing supplementary pension plan benefits, the reserves of which are determined by the financial system of capitalization.

Plan "B" refers to the Settled Proportional Supplementary Benefit Plan (BSPS), calculated on December 31, 1997 (CTEEP) and March 31, 1998 (EPTE), in accordance with current regulation, and its actuarial financial and economic balance was determined at the time. The annual actuarial technical result of this plan (deficit or surplus) is the full responsibility of CTEEP.

On January 1, 1998 (CTEEP) and on April 1, 1998 (EPTE), respectively, implemented Plan "B1", which defines contributions and parity responsibilities between CTEEP and the participants, to maintain the actuarial financial and economic balance of the plan. This plan provides pension benefits to CTEEP employees, former employees and related beneficiaries, in order to supplement the benefits provided by the official Social Security system.

The main characteristic is the mixed model, composed of 70% as Defined Benefit (BD) and 30% as Defined Contribution (CD).

At the date of retirement the Benefit Plan of Defined Contribution (CD) becomes Defined Benefit (BD).

All amounts in thousands of reais unless otherwise indicated

c) PSAP Plan - Transmissão Paulista

On January 1, 2004 the plans sponsored by CTEEP, as well as those of the extinguished EPTE, were merged financially, and the individual characteristics of the related plans maintained, thus constituting the PSAP Plan - Transmissão Paulista.

d) CVM Deliberation 371/00 - information

The main financial and economic information of the plan PSAP-Transmissão Paulista-BD (CTEEP/EPTE), in conformity with CVM Deliberation 371 of December 13, 2000 and based on the actuarial reports is as follows:

(i) Reconciliation of assets and liabilities

	2008	2007
Fair value of assets	1,790,191	1,774,274
Total actuarial liabilities	(1,517,603)	(1,506,892)
Gains to be recognized in future years	(341,091)	(396,816)
Net liabilities	**(68,503)**	**(129,434)**

(ii) Changes in the plan assets

	2008	2007
Fair value of assets at the beginning of the year	1,774,274	1,501,836
Expected return on investments	200,138	169,407
Employer contributions	1,697	10,244
Employee contributions	2,651	2,900
Benefits paid	(101,947)	(122,242)
Return on investments different from expected	(86,622)	212,129
Fair value of the assets at the end of the year	**1,790,191**	**1,774,274**

(iii) Changes in actuarial liabilities

	2008	2007
Present value of the net actuarial liability at the beginning of the year	1,506,892	1,428,775
Cost of current services	4,880	5,384
Expected contributions from employees	2,353	2,900
Interest on actuarial obligation	154,306	146,307
Actuarial (gain)/loss recognized in the year, net	(48,881)	25,653
Benefits paid by the plan	(101,947)	(122,242)
Transfer from defined contribution to defined benefit	-	20,115
Present value of the net actuarial liability at the end of the year	**1,517,603**	**1,506,892**

All amounts in thousands of reais unless otherwise indicated

(iv) Plan participants

	2008	2007
Active	**1,403**	**1,542**
Inactive		
Retired	1,750	1,564
Pensioners	74	71
	1,824	**1,635**
Total	**3,227**	**3,177**

(v) Actuarial assumptions used

	2008	2007
Discount rate of the present value of actuarial liabilities	11.00%	10.24%
Expected return rate on the plan assets	11.50%	11.28%
Future salary increase rate	7.12%	7.12%
Index for readjustment of regular benefits granted	4.00%	4.00%
Termination hypothesis	None	None
General mortality table	AT-83	AT-83
Disability table	Light-Medium	Light-Medium
Mortality table of disabled employees	AT-49	AT-49

22. Special Liabilities - Reversal/Amortization - Consolidated

Refers to the resources arising from the reversion reserve, amortization and portion held at CTEEP, of the monthly quotas of the Global Reversion Reserve (RGR), related to investments of resources for expansion of the public service of electric energy and amortization of loans obtained for the same purpose, occurred up to December 31, 1971. The manner for the settlement of these liabilities is not defined by the Conceding Power.

23. Shareholders' Equity

The Company was established on April 28, 2006 as a limited liability partnership, according to its articles of association filed with the Commercial Registry of the State of São Paulo. On September 19, 2006 the Company was transformed into a corporation.

On August 7 and 27 and on October 24, 2008, capital increases were approved in the amounts of R$ 1,575, R$ 4,733 and R$ 5,203, with the issue of 1,575,000, 4,732,800 and 6,050,000 common shares, respectively. Accordingly, subscribed and fully paid-up capital is R$ 839,778 (2007 - R$ 828,267).

At December 31, 2008 capital comprises 840,625,000 (2007 - 828,267,200) common shares with no par value, distributed as follows:

All amounts in thousands of reais unless otherwise indicated

Shareholder	Number of shares	
	2008	2007
Interconexión Eléctrica S.A. E S P	840,624,995	828,267,196
Luís Fernando Alarcón Mantilla	1	1
Fernando Augusto Rojas Pinto	1	1
Guido Alberto Nule Amin	1	1
Carlos Alberto Rodríguez Lopez	-	1
César Augusto Ramirez Rojas	1	-
Alfonso Camilo Barco Muñoz	1	-
Total	**840,625,000**	**828,267,200**

Shareholders are entitled to annual dividends calculated at 25% of net income, after deduction of 5% for transfer to legal reserve, until it reaches 20% of capital, as required by Brazilian Corporate Law.

Appropriation of net income for the year	2008
Net income for the year	56,227
Absorption of accumulated losses	(9,305)
Net income balance	46,922
Constitution of legal reserve	(2,346)
Calculation basis for distribution of dividends	44,576
Proposal for constitution of retention of profits reserve	(44,576)
Balance of undistributed profit	-

Management's proposal of setting up a retention of profits reserve in the amount of R$ 44,576 is supported by the forecast of Company’s cash need for the next years, which prescribes the payments of semi-annual interest and amortization of the principal in one sole installment in 2012 and 2017 of the foreign currency loan agreements (bonds) (Note 17 (a)).

All amounts in thousands of reais unless otherwise indicated

24. Operating Revenues - Consolidated

a) Revenues from electricity network usage

Revenues from usage of CTEEP's electricity network, accumulated for the year ended December 31, 2008, totaled R$ 1,785,457 (2007 - R$ 1,548,248). These revenues are composed as follows:

	2008	2007
Basic network		
Existing assets	1,182,807	1,062,440
New investments	315,580	236,746
Surplus	19,198	11,270
Adjustment portion	51,777	11,799
Variable portion	(782)	-
	1,568,580	1,322,255
Other transmission facilities - DIT		
Existing assets	103,532	74,951
New investments	28,227	22,722
Adjustment portion	(560)	8,751
	131,199	106,424
Charges		
Fuel Consumption Account - CCC	35,539	62,163
Energy Development Account - CDE	38,801	46,195
PROINFA	11,338	11,211
	85,678	119,569
Total	**1,785,457**	**1,548,248**

(i) Allowed Annual Revenue (RAP) of Miguel Reale Substation

In December 2002 ANEEL authorized CTEEP to implement the Miguel Reale Substation Expansion project, whose investment value, which is used to calculate the RAP, was R$ 323,236.

In September 2004 ANEEL performed an inspection in order to validate the investments made in said project and concluded that the investment amounts should be reduced, for purposes of setting a new amount of the RAP, retroactively to July 2004, by R$ 232,164.

Due to the reduction in the investments in said project, the related annual amount of the RAP beginning July 2005 was then reduced by R$ 32,251. CTEEP considers this reduction invalid and filed Official Circular OF/F No 2828, of July 8, 2005, with ANEEL requesting its restoration.

On March 2, 2006, through Official Letter No. 321/06, the Financial and Economic Oversight Board (SFF) of ANEEL submitted an Inspection Follow-up Report (RAF) that analyzed CTEEP's request and upheld the SFF's initial position.

On March 23, 2006, through Official Letter OF/F No. 1372/06, CTEEP filed an Administrative Appeal with ANEEL, requesting a review of the SFF's position.

All amounts in thousands of reais unless otherwise indicated

(ii) Periodic review of Allowed Annual Revenue (RAP)

In accordance with Concession Agreement No. 59, signed with the Federal Government on June 20, 2001 through the intermediation of ANEEL, every four years as from the date on which this agreement was signed, ANEEL will make a periodic review of the Allowed Annual Revenue (RAP) of electric energy transmission related to the installations of authorized projects whose business operations commenced after December 31, 1999, for the purpose of promoting efficiency and low rates, in accordance with the methodology approved by Normative Instruction No. 257 of March 6, 2007.

Through Resolution No. 488, of June 26, 2007, the result of the first periodic rate review of Companhia de Transmissão de Energia Elétrica Paulista - CTEEP was approved, reducing the new Allowed Annual Revenue (RAP) by 26.15%, to be applied to the Basic Network - New Facilities (RBNI) and Other Facilities - New Investments (RCDM) portions effective on July 1, 2005.

The effects of this rate recomposition were backdated to July 1, 2005. The difference in the amounts collected from July 2005 to June 30, 2007, amounting to R$ 66,688, is being offset in 24 (twenty-four) months by means of the contractual instrument of an adjustment portion. The effects referring to the period from July 1, 2007 to June 30, 2008 and to the period from June 1, 2008 to June 30, 2009 were considered in Approving Resolutions 496/07 and 670/08, respectively.

(iii) Annual revenue adjustment

On June 27, 2008, Approving Resolution No. 670 was issued, establishing CTEEP's annual allowed revenues for making available the transmission facilities that comprise the Basic Network and Other Transmission Facilities, for a twelve-month cycle from July 1, 2008 to June 30, 2009.

According to the mentioned Resolution, the Allowed Annual Revenue (RAP) of CTEEP, which was R$ 1,478,456 on July 1, 2007, became R$ 1,869,134 on July 1, 2008, which represents an increase of R$ 390,672 or 26.42%.

(iv) Variable Portion

The Variable Portion (PV) consists in the application of a penalty on operating inefficiency. CTEEP's RAP is subject to a PV, calculated considering non-availability of installations and number of interruptions in the period. It is established in the Concession Agreements and is regulated in Normative Resolution No. 270 of July 9, 2007.

Revenue effective from July 1, 2008 to June 30, 2009 is as follows:

	Concession Agreement		
	059	**143**	**Total**
Basic network			
Existing assets	1,048,944	-	1,048,944
New investments	301,005	13,436	314,441
	1,349,949	13,436	1,363,385
Other transmission facilities - DIT			
Existing assets	305,970	-	305,970
New investments	39,257	-	39,257
	345,227	-	345,227
Adjustment portion	160,822	(300)	160,522
	1,855,998	**13,136**	**1,869,134**

All amounts in thousands of reais unless otherwise indicated

b) Other operating revenues

	2008	2007
Services	6,105	4,433
Rentals	10,877	10,613
	16,982	**15,046**

Rental revenue refers to an operation with a fixed-line telephone company, and services relate to maintenance and technical analysis contracted by third parties.

25. Deductions from Operating Revenues - Consolidated

	2008	2007
Taxes on revenues		
COFINS	77,887	64,723
PIS	15,747	17,283
Other	1,622	222
	95,256	82,228
Regulatory charges		
Fuel consumption account - CCC	32,306	56,413
Energy development account - CDE	35,272	41,922
Global reversion reserve - RGR	50,314	35,706
Research and development - R & D	14,934	21,437
Program for the incentive of alternative sources of electric energy - PROINFA	10,289	10,174
	143,115	165,652
	238,371	**247,880**

26. Costs of Operating Services and General and Administrative Expenses

	Company		Consolidated	
	2008	2007	2008	2007
Personnel	(1,282)	(982)	(95,214)	(115,560)
Materials	(4)	(10)	(9,916)	(12,013)
Services	(1,404)	(2,646)	(78,686)	(73,668)
Depreciation and amortization	(10)	(5)	(180,298)	(172,667)
Amortization of expenses - bonds	(2,871)	(2,871)	(2,871)	(2,871)
Contingencies	-	-	(13,564)	46,594
Leases and rentals	(201)	(181)	(7,557)	(5,609)
Other	111	(247)	(45,110)	(30,346)
	(5,661)	**(6,942)**	**(433,216)**	**(366,140)**

All amounts in thousands of reais unless otherwise indicated

27. Financial Income (Expense)

	Company		Consolidated	
	2008	2007	2008	2007
Income				
Income from financial investments	848	4,811	18,049	27,658
Monetary and exchange rate variations	-	169,910	-	228,593
Hedge transactions	255,394	-	255,394	-
Interest on assets	3,787	5,101	7,904	24,304
Amortization of discount	-	-	16,985	16,985
Interest on own capital	89,870	89,435	-	-
Other	1,433	17	2,037	1,945
	351,332	**269,274**	**300,369**	**299,485**
Expenses				
Interest on liabilities	(92,036)	(105,143)	(158,297)	(126,118)
Monetary and exchange rate variations	(336,080)	-	(329,470)	-
Hedge transactions	-	(311,212)	-	(311,212)
Amortization of premium	(51,304)	(91,088)	(77,734)	(91,088)
Interest on own capital	-	-	(150,029)	(149,302)
PIS on interest on own capital	(1,483)	(1,476)	(1,483)	(1,476)
COFINS on interest on own capital	(6,830)	(6,797)	(6,830)	(6,797)
Other	(14,727)	(19,914)	(21,067)	(31,751)
	(502,460)	**(535,630)**	**(744,910)**	**(717,744)**
Financial result	**(151,128)**	**(266,356)**	**(444,541)**	**(418,259)**

All amounts in thousands of reais unless otherwise indicated

28. Income Tax and Social Contribution on Net Income

The Company has determined tax losses and has not recognized deferred income tax and social contribution on such losses.

CTEEP records monthly provisions for income tax and social contribution on the accrual basis, calculated based on monthly trial balances (for tax suspension and reduction purposes).

	2008	2007
Income before income tax and social contribution of CTEEP	689,245	609,225
Tax rates	34%	34%
Expected income tax and social contribution expense	(234,343)	(207,137)
Income tax and social contribution on:		
Company loss	(53,267)	(92,921)
CTEEP permanent additions	28,863	34,281
Income tax and social contribution expense	**(258,747)**	**(265,777)**
Income tax and social contribution		
Current	(279,328)	(90,380)
Deferred	20,581	(175,397)
	(258,747)	**(265,777)**

29. Sale of the Technical Center for Equipment Maintenance - CETEMEQ - Consolidated

On April 13, 1998 a Private Agreement for Assignment and Transfer of Rights and Obligations was signed by and between EPTE - Empresa Paulista de Transmissão de Energia Elétrica S.A. merged into CTEEP on November 10, 2001, and Eletropaulo Metropolitana Eletricidade de São Paulo S.A. ("Eletropaulo") relating to the real property located at Rua Lavapés, 463, Cambuci, São Paulo, whose market price was R$ 70,496, payable in 21 equal and successive monthly installments, with maturity on the first business day of each month, beginning May 1998. In view of the contestation by Eletropaulo of the aforementioned amount and the fact that the installments had not been received, EPTE filed collection lawsuits on February 11, 1999 and October 18, 2000, with the 1st and 36th Civil District Courts of the Central Jurisdiction of São Paulo, respectively.

In December 2000 the net book value of this asset, in the amount of R$ 4,904, was written off from property, plant and equipment, and the related sale, deferred taxes on the gain resulting from the sale, allowance for doubtful accounts and tax credits were recorded.

On February 27, 2007, through a Private Transaction Agreement entered into by and between Eletropaulo and CTEEP, the parties agreed to the following:

a) The real property subject to the collection lawsuits was appraised at R$ 125,265 and, accordingly, the Company recorded financial income due to monetary adjustment of R$ 54,769.

All amounts in thousands of reais unless otherwise indicated

b) From the agreed-upon amount mentioned in the prior item, R$ 35,562 was deducted as IPTU (Municipal Real Estate Tax) levied on real properties that, upon the partial spin-off of Eletropaulo, were transferred to EPTE, which was in turn merged into CTEEP. This amount was originally due by CTEEP to the São Paulo Municipal Government and settled by Eletropaulo at the time it joined REFIS (Tax Debt Refinancing Program of the Municipality of São Paulo), resulting in Eletropaulo's receivable from CTEEP.

c) Accordingly, on March 6, 2007, Eletropaulo made a deposit in the amount of R$ 89,703 in an account at Banco ABN AMRO REAL S.A., whose release to CTEEP was linked to the publication of the ratification decision by one of the courts involved in this settlement, which occurred on March 19, 2007.

d) On March 27, 2007, through letter CT/P/918/2007, CTEEP requested from Banco ABN AMRO REAL S.A. the transfer of the total amount to its investment account, thus terminating the disposal process of CETEMEQ.

e) Eletropaulo assumes the commitment to provide for the regularization of the ownership status of the real properties transferred by it to EPTE/CTEEP, subject of the agreement in question, as well as any others that may be in its possession but belonging to CTEEP, as a result of the Memorandum for Partial Spin-off of Eletropaulo dated December 22, 1997.

30. Transactions with Related Parties

		2008			2007		
	Type of operation	Assets	Liabilities	Income (expense)	Assets	Liabilities	Income (expense)
Company							
Management key personnel	Short-term benefits	-	-	(1,282)	-	-	(982)
CTEEP	Sublease	-	15	(201)	-	25	(181)
	Provision of services	-	7	(67)	-	-	-
ISA	Loan (Note 12)	64,131	-	12,985	45,705	-	(8,971)
Consolidated							
Management key personnel	Short-term benefits	-	-	(7,992)	-	-	(5,440)
ISA	Loan (Note 12)	64,131	-	12,985	45,705	-	(8,971)

The sublease agreement comprises the area occupied by the Company at CTEEP's main building, as well as the apportionment of condominium and maintenance expenses, among others.

In 2008 a service agreement covering tax and accounting bookkeeping, tax calculation and payroll processing, among other services, was entered into.

These operations were carried out on an arm's length basis.

31. Financial Instruments

a) Identification and valuation of financial instruments

Company

The Company has derivative financial instruments (swap) such as; accounts receivable related to a foreign currency loan to its parent company; foreign currency debt contract (bonds), and a bank credit certificate, in local currency, called overdraft account.

The derivative financial instruments (swap) are used solely and exclusively to hedge against exchange rate risks in connection with the issue of the bonds and have no speculative purpose, as described in Note 17 (a). Accordingly, they are considered as hedge instruments, in accordance with the methodology denominated “hedge accounting – fair value hedge” and are recorded at their fair values.

The foreign currency debt contracts (bonds), following the financial policy of the Company and the ISA Group, are considered as hedged items, also in accordance with the methodology denominated “hedge accounting – fair value hedge”, and are recorded at their fair values.

The fair values are calculated by projecting the future flows of operations (assets and liabilities) using the Commodities and Futures Exchange (BM&F) curves and bringing these flows to present value using the BM&F's future DI rate.

All amounts in thousands of reais unless otherwise indicated

The derivative contracts in effect at December 31, 2008 and 2007 are as follows:

					Reference Values				Fair Value		
					Foreign Currency		Local Currency				
Description	**Counterparty**	**Date of agreements**	**Maturity date**	**Position**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**Amount receivable/ received - payable/paid (Note 17 (a))**
Swap	ABN Amro Real	Feb 12/07	Jan 30/12								
Asset				USD + 0%	-	USD 100,000	-	R$ 211,700		R$ 146,911	
Liability				IGP-M + 2.12%						R$ 187,175	
									-	**(R$ 40,264)**	**(R$ 40,264)**
Swap	ABN Amro Real	Feb 12/07	Jan 30/17								
Asset				USD + 0%	-	USD 177,000	-	R$ 374,709		R$ 200,795	
Liability				IGP-M + 1.68%						R$ 256,253	
									-	**(R$ 55,458)**	**(R$ 55,458)**
Swap	JP Morgan	Feb 12/07	Jan 30/12								
Asset				USD + 0%	-	USD 100,000	-	R$ 211,700		R$ 146,911	
Liability				IGP-M + 2.12%						R$ 187,175	
									-	**(R$ 40,264)**	**(R$ 40,264)**
Swap	JP Morgan	Feb 12/07	Jan 30/17								
Asset				USD + 0%	-	USD 177,000	-	R$ 374,709		R$ 200,795	
Liability				IGP-M + 1.68%						R$ 256,253	
									-	**(R$ 55,458)**	**(R$ 55,458)**
TOTAL										**(R$ 191,444)**	**(R$ 191,444)**
Swap	ABN Amro Real	Feb 12/08	Jan 30/12								
Asset				USD + 0%	USD 100,000		R$ 175,730		R$ 197,814		
Liability				IGP-M + 5.07%					R$ 177,370		
								-	**R$ 20,444**	-	**R$ 20,444**
Swap	ABN Amro Real	Feb 12/08	Jan 30/17								
Asset				USD + 0%	USD 177,000		R$ 311,042		R$ 213,160		
Liability				IGP-M + 3.02%					R$ 240,905		
								-	**(R$ 27,745)**	-	**(R$ 27,745)**
Swap	JP Morgan	Jul 28/08	Jan 30/12								
Asset				USD + 0%	USD 100,000		R$ 157,450		R$ 197,814		
Liability				IGP-M + 5.05%					R$ 150,299		
								-	**R$ 47,516**	-	**R$ 47,516**
Swap	Deutsche Bank	Jul 28/08	Jan 30/17								
Asset				USD + 0%	USD 177,000		R$ 278,687		R$ 213,160		
Liability				IGP-M + 3.99%					R$ 221,366		
								-	**(R$ 8,206)**	-	**(R$ 8,206)**
TOTAL					-	-	-	-	**R$ 32,008**	-	**R$ 32,008**

As permitted by CVM Resolution 566, which approved Technical Pronouncement CPC 14, the Company recorded the derivative financial instruments (swap) in accordance with the hedge accounting methodology. Based on this methodology, the impacts of the changes in fair value of the derivatives are recognized in the results in line with the recognition of the foreign currency debt contracts (bonds), which are the hedged items. The Company's hedge was evaluated as effective within the ratio of 80% to 125%, as prescribed by current regulations.

Both the derivative financial instruments (swap) and the foreign currency debt contracts were adjusted to fair value. The fair value increment or decrease at December 31, 2008 was recorded against the financial income or expense account, in income (loss) for the year, and in this case the amount of R$ 65,218 affected positively the result. Consequently, the 2008 loss, which before the adjustments of Law No. 11638/07 would be R$ 8,991, at the close of year resulted in net income of R$ 56,227.

At December 31, 2007 the balance of derivative financial instruments (swap) not designated as hedges was adjusted to the market value on that date. The effects of these adjustments were recognized on January 1, 2008 in shareholders' equity as a credit to retained earnings (accumulated deficit) of R$ 96,106. The balance of this account, which at December 31, 2007 was (R$ 105,410), at January 1, 2008 was (R$ 9,305).

Consolidated

CTEEP operates with several financial instruments, especially cash and cash equivalents, including financial investments, trade accounts receivable, trade accounts payable and loans and financing.

CTEEP's main source of revenues is the use of its electric power transmission system by other concessionaires and agents. Its annual revenue related to the basic network and other transmission facilities (DIT) is defined by ANEEL, pursuant to prevailing legislation.

The carrying amounts of asset and liability financial instruments, compared with the amounts that might be obtained in active market trading, or in the absence thereof, with the net present value adjusted at the prevailing market interest rate, approximate their market values.

CTEEP does not have a policy for the use of derivative financial instruments and, in the fiscal year, it did not enter into agreements that may be considered derivative financial instruments.

b) Cash and cash equivalents, financial investments, accounts receivable, other current assets and accounts payable

The amounts recorded approximate their realizable values.

c) Investments

The Company's investment consists in its interest in CTEEP's capital stock and is accounted for by the equity method.

CTEEP has holdings in companies in which it has strategic interest. These holdings, after the pre-operating stage, will be recorded under the equity method.

Considerations on the market value of the shares held are not applicable.

d) Financing

The Company recognizes foreign currency loan (bonds) at its fair value (market).

Loans and financing in Reais are linked to the CDI variation and approximate their market values.

e) Risk management

The main risk factors inherent to the Company's and CTEEP's operations may be identified as follows:

Credit risk - CTEEP has agreements with the National Electric System Operator (ONS), concessionaires and other agents for regulating the provision of services related to the basic network for 216 users, with a bank guarantee clause. Likewise, CTEEP has agreements regulating the provision of services in other transmission facilities with 30 concessionaires and other agents, with a bank guarantee clause.

Price risk - pursuant to the concession agreement, CTEEP's revenues are annually adjusted by ANEEL, based on the variation of the General Market Price Index (IGP-M), and part of the revenues is subject to periodic review every four years (Note 23 (a) (iii)).

Interest rate risk - the Company has a bank credit certificate - overdraft facility with ABN Amro Real S.A., with a limit of US$ 25 million, revolving maturity every six months and interest calculated based on 100% of the CDI rate plus 6.50% p.a. (Note 17 (e)). At the end of December 2008, the Company had used the amount of R$ 41,337. No financial instrument to change interest rates from variable to fixed has been contracted for this transaction. Additionally, the subsidiary CTEEP's financing agreements are subject to TJLP and CDI variation (Note 16).

Exchange rate risk - CTEEP does not have financing, accounts receivable or assets in foreign currency. Its exposure to exchange rate oscillation is insignificant, and corresponds to possible imports of equipment.

At the Company this risk arises from the possibility of loss caused by the increase in exchange rates that would increase the liability balances of foreign currency loans and financing related to the issue of bonds in the foreign market in January 2007 in the amount of US$ 554 million (Note 17 (a)). To ensure that significant currency rate fluctuations to which its foreign exchange liability is subject do not affect cash flow, the Company has swap operation contracts - exchange rate hedges - representing 100% of the principal of this debt.

To identify the probable scenario for the exchange rate risk sensitivity analysis, the same assumptions established for the long-term economic and financial plan of the Company are used. These assumptions are based, among other aspects, on the macroeconomic scenario of Brazil and on the opinion of market specialists.

Accordingly, to evaluate the effects of variation in the Company's cash flows, the sensitivity analysis shown below considers as probable scenario the exchange rate prevailing on March 31, 2009 of R$ 2.276. Positive and negative effects of 25% and 50% are applied to this rate.

All amounts in thousands of reais unless otherwise indicated

Exchange Variation Risk - Effects on Cash Flows

Table 1 - with rate appreciation

				R$ thousand
Operation	**Risk**	**Probable Scenario**	**Scenario (II)**	**Scenario (III)**
Financial Assets and Liabilities				
Foreign debt contract - Bonds	USD	(1,260,904)	(1,576,130)	(1,891,356)
Swap Asset - Foreign debt contract - Bonds	USD	1,260,904	1,576,130	1,891,356
Variation		-	-	-

Reference for Financial Assets and Liabilities	**Rate appreciation by**	**25%**	**50%**
USD/R$ exchange rate	2.276	2.845	3.414

Table 2 - with rate depreciation

				R$ thousand
Operation	**Risk**	**Probable Scenario**	**Scenario (II)**	**Scenario (III)**
Financial Assets and Liabilities				
Foreign debt contract - Bonds	USD	(1,260,904)	(945,678)	(630,452)
Swap Asset - Foreign debt contract - Bonds	USD	1,260,904	945,678	630,452
Variation		-	-	-

Reference for Financial Assets and Liabilities	**Rate depreciation by**	**-25%**	**-50%**
USD/R$ exchange rate	2.276	1.707	1.138

IGP-M Variation Risk - The liability position of derivative financial instruments (swap) is indexed to the IGP-M variation. This index is used because the Company's main source of income, CTEEP's revenues, are also subject to the IGP-M variation. As provided in CTEEP's Concession Agreement, its revenues are adjusted annually based on the IGP-M variation. Accordingly, the Company's risks related to the IGP-M variation are basically neutralized. In this case there is only a timing difference between the receipt of the revenues and the annual payments of the swap agreements.

As with the exchange rate scenarios a probable scenario of the sensitivity analysis of the IGP-M variation risk was based on the same assumptions established for the long-term economic and financial planning of the Company. Thus, shown below is the sensitivity analysis of the effects on the Company's cash flows, considering as probable scenario for the IGP-M variation, in the first quarter of 2009, the accumulated percentage of 0.458%. Positive and negative effects of 25% and 50% are applied to that rate.

All amounts in thousands of reais unless otherwise indicated

IGP-M Variation Risk - Cash Flow Effects

Table 1 - with rate appreciation

				R$ thousand
Operation	**Risk**	**Probable Scenario**	**Scenario (II)**	**Scenario (III)**
Derivative financial instruments				
Swap liability	IGP-M	1,010,029	1,011,179	1,012,328
Variation		-	1,149	2,299
Reference for Liabilities - Derivative financial derivatives		**Rate appreciation by**	**25%**	**50%**
IGP-M variation - first quarter 2009		0.458%	0.5726%	0.6871%

Table 2 - with rate depreciation

				R$ thousand
Operation	**Risk**	**Probable Scenario**	**Scenario (II)**	**Scenario (III)**
Derivative financial instruments				
Swap liability	IGP-M	1,010,029	1,008,880	1,007,731
Variation		-	(1,149)	(2,299)
Reference for Liabilities - Derivative financial instruments		**Rate depreciation by**	**-25%**	**-50%**
IGP-M variation - first quarter 2009		0.458%	0.3436%	0.2290%

32. Operating Leases - Consolidated

Minimum future payments of operating vehicle and IT equipment leases of subsidiary CTEEP, in total and for each of the periods, are as follows:

	2008	**2007**
Up to one year	5,500	3,000
Over one year and up to five years	7,066	5,500
	12,566	**8,500**

All amounts in thousands of reais unless otherwise indicated

33. Insurance Coverage - Consolidated

The specification by type of risk of CTEEP's insurance is as follows:

Type	Coverage	Amount Insured - R$	Premium - R$
Assets	12/02/08 to 09/01/09	2,052,581	3,322
Civil liability	12/02/08 to 09/01/09	15,000	147
National transports	09/30/08 to 09/30/09	54,970	7.3
Collective personal accidents	05/01/08 to 05/01/09	24,670	1.3
Vehicles	03/02/08 to 03/02/09	Market value	26
			3,504

a) Assets

Coverage against fire and electrical damage for equipment installed in the transmission substations, buildings and their related contents, warehouses and facilities.

b) Civil liability

Coverage of indemnities for involuntary damage, personal and/or material damage to third parties, as a consequence of CTEEP's operations.

c) National transports

Coverage of damages caused to CTEEP's assets and equipment, transported within Brazil.

d) Collective personal accidents

Coverage against personal accidents to executives, interns and trainees.

e) Vehicles

Coverage against collision, fire, theft and third parties.

34. Collection Lawsuit by Eletrobrás against Eletropaulo and EPTE

In 1989 Centrais Elétricas Brasileiras S.A. - ELETROBRÁS filed a collection lawsuit against Eletropaulo - Eletricidade de São Paulo S.A. (currently Eletropaulo Metropolitana Eletricidade de São Paulo S.A. - "Eletropaulo") referring to the balance of a certain financing agreement. Eletropaulo did not agree with the criteria for monetarily adjusting said financing agreement and made escrow deposits for the amounts it understood to be due to ELETROBRÁS. In 1999 a judgment was issued on the aforementioned lawsuit, ordering Eletropaulo to pay the balance determined by ELETROBRÁS.

Under the partial spin-off protocol of Eletropaulo, made on December 31, 1997 and that resulted in the establishment of EPTE - Empresa Paulista de Transmissão de Energia Elétrica S.A. and other companies, Eletropaulo is solely liable for obligations of any kind referring to acts until the spin-off date, except for contingent liabilities whose provisions had been allocated to the merging companies.

In the relevant case, at the time of the spin-off, there was no allocation to EPTE of any provision for such purpose, it being clear to CTEEP's Administration and to its legal counsel that Eletropaulo was exclusively liable for said contingency. At the time of the spin-off there was only the transfer to EPTE assets of an escrow deposit in the historical amount of R$ 4.00, made in 1988 by Eletropaulo, referring to the amount that it understood to be owed to ELETROBRÁS regarding the balance of the aforementioned financing agreement, and allocation to EPTE's liabilities of the same amount referring to this debt.

Consequently, as a result of the partial spin-off of Eletropaulo, EPTE would be responsible for the transferred asset and Eletropaulo would be liable for the contingent liabilities referring to the amount demanded in court by ELETROBRÁS. In October 2001, ELETROBRÁS executed the sentence referring to the financing agreement, charging R$ 429 million to Eletropaulo and R$ 49 million to EPTE, understanding that EPTE would pay its part with the adjusted amounts of the escrow deposit. CTEEP merged EPTE on November 10, 2001, succeeding it in its rights and obligations

On September 26, 2003 a decision of the Court of Justice of the State of Rio de Janeiro was published, excluding Eletropaulo from the execution of the aforementioned sentence. Due to these facts, ELETROBRÁS filed, on December 16, 2003, a Special Appeal in the Superior Court of Justice and an Extraordinary Appeal in the Federal Supreme Court to maintain the collection regarding Eletropaulo. Appeals similar to those of ELETROBRÁS were filed by CTEEP.

On June 29, 2006, the Superior Court of Justice accepted the special appeal filed by CTEEP, with respect to reversing the decision of the Court of Justice of the State of Rio de Janeiro that excluded Eletropaulo from the execution action filed by ELETROBRÁS. Due to said acceptance by the Superior Court of Justice, on December 4, 2006 Eletropaulo filed a special appeal, which was rejected, according to the decision published on April 16, 2007, as well as the Special Appeal and the Extraordinary Appeal, which sustained the decision of the Superior Court of Justice, and which final and unappealable sentence was rendered on October 30, 2008. In view of these decisions, the execution of the decision filed by ELETROBRÁS follows its normal course as proposed.

With respect to that debt and in view of the formal documents of the partial spin-off of Eletropaulo, CTEEP, according to the understanding of its management and legal counsel, holds only the escrow deposit which was received as an asset from 1988 to pay for a portion of the debt, and intends to proceed in the defense of such right. On the other hand, the Company has not recognized a reserve for the remaining contingency, which the Company understands to be the responsibility of Eletropaulo, to which the debt is being charged by ELETROBRÁS.

The total contingency is currently estimated at approximately R$ 1,463 million.

35. Supplementary Pension Plan Regulated by State Law 4819/58

a) Significant events

(i) July 19, 2005

"In compliance with CVM Instruction No. 358/2002, CTEEP - Companhia de Transmissão de Energia Elétrica Paulista clarifies aspects related to the supplementary pension plan regulated by State Law No. 4819/58. This plan applies to employees hired through May 13, 1974, as mentioned in Note 22.1. to the Company's Quarterly Information at December 31, 2004.

The necessary funds to cover the charges of the plan are the responsibility of the applicable agencies of the Government of the State of São Paulo, which was implemented in accordance with an agreement signed between the São Paulo State Finance Department and the Company on December 10, 1999, effective through December 31, 2003. Such procedure was regularly performed until December 2003 by Fundação CESP, with funds from the State Finance Department, transferred by CTEEP. In January 2004, the Finance Department began to directly process those payments, without the participation of CTEEP and Fundação CESP

The decision of the 49th Labor Court of São Paulo was communicated to CTEEP on July 11, 2005 (lawsuit No. 1339/2005-1), authorizing Fundação CESP to resume processing the payment of benefits established by State Law No. 4819/58, according to the respective regulation, in the same manner that had been made until December 2003, with funds transferred by CTEEP. On July 13, 2005, the 49th Labor Court of São Paulo gave 60 days for the fulfillment of this decision. There is also on the website of the Regional Labor Court of São Paulo a summary of a similar decision (lawsuit SDC No. 20058200400002000) of June 30, 2005, determining that Fundação CESP, using the funds transferred by CTEEP, process again the beneficiaries' retirement and pension payments established by State Law No. 4819/58.

To comply with said judicial decisions, CTEEP must require, on a monthly basis, the necessary funds from the São Paulo State Finance Department, to be transferred to Fundação CESP, which will process the payments to the beneficiaries. Said decisions apply to about 6,500 beneficiaries, with a monthly expense in the amount of R$ 23 million, which, in the understanding of CTEEP, is the responsibility of the State of São Paulo, as it was through December 2003. Consequently, CTEEP will contest said judicial decisions since it understands that the responsibility for the payment of the above-mentioned benefits is, under applicable legislation, of the State of São Paulo".

(ii) January 27, 2006

"A CTEEP - Companhia de Transmissão de Energia Elétrica Paulista, in accordance with CVM Instruction 358/02, announces a change in procedure by the State Finance Department, due to a recent understanding of the State Attorney General regarding the transfer of funds to CTEEP for compliance with the decision of the 49th Labor Court of São Paulo, which authorized Fundação CESP to resume processing the pension benefit payments established by State Law 4819/58, using funds received from the State of São Paulo and transferred by CTEEP. This matter has been previously addressed in Note 21 of the quarterly information of CTEEP as of September 30, 2005.

The State Finance Department transferred to CTEEP, on January 27, 2006, an amount lower than necessary to comply with the decision of the 49th Labor Court. The effective expenditure of CTEEP this month for purposes of said court decision was R$ 19,725, transferred to Fundação CESP, having received R$ 14,976 from the State Finance Department for this purpose. The State Finance Department informed that this month it disallowed certain expenses due to the recent understanding by the State Attorney General regarding the State's responsibility in this case.

The decision of the 49th Labor Court currently applies to 5,528 beneficiaries. The State Finance Department continues directly paying 794 benefits established by State Law 4819/58.

CTEEP is still endeavoring to change the decision of the 49th Labor Court so as to return the responsibility for the pension plan benefit payments established by State Law No. 4819/58 to the State Finance Department. CTEEP confirms its legal department's understanding that expenses derived from State Law No. 4819/58 and respective regulation are the full responsibility of the State Finance Department, and is analyzing the applicable actions to protect the Company's interests".

(iii) February 24, 2006

"CTEEP - Companhia de Transmissão de Energia Elétrica Paulista, in accordance with CVM Instruction No. 358/2002, announces, supplementing the information included in the Significant Event Notice of January 27, 2006, that the State Finance Department transferred to CTEEP in February 2006 the amount of R$ 12,802 to comply with the decision of the 49th Labor Court of São Paulo, which ruled that Fundação CESP must process the pension plan benefit payments established by State Law No. 4819/58 using the funds received from the State of São Paulo and transferred by CTEEP. In February, CTEEP's total expenditure to comply with said court decision was R$ 19,652.

CTEEP continues its efforts to change the decision of the 49th Labor Court so as to return the responsibility for the pension plan benefit payments established by State Law No. 4819/58 to the State Finance Department, and to adopt other actions to protect the Company's interests".

b) Decision of the 49th Labor Court of São Paulo

On May 2, 2006, the 49th Labor Court of São Paulo rendered a decision on the above-mentioned lawsuit, considering valid, in part, the claim at issue and maintaining the effects of the early relief previously granted (Significant Event Notice of July 19, 2005), in addition to ordering the payment of amounts past due. On May 8, 2006, CTEEP filed appeals requesting clarification of the decision and amendment of certain aspects thereof.

The decision of the Superior Court of Justice issued on June 19, 2006, declaring that the State Court System has authority to judge the labor claims filed with the Labor Court directly seeking the amounts established by State Law No. 4819/58, annulled the decision of the 49th Labor Court of São Paulo and ordered that the case be submitted to an administrative court of the State Finance Department. As a result of the decision of the Superior Court of Justice, the amounts established by State Law No. 4819/58 will once again be paid directly by the São Paulo State Finance Department and no longer by Fundação CESP through transfer from CTEEP as occurred in accordance with the decision of the 49th Labor Court of São Paulo, now annulled.

On June 28, 2006, the Superior Court of Justice granted an injunction to suspend the effects of the decision rendered by the same court on the conflict of jurisdiction on June 19, 2006. According to the notification received by CTEEP on June 30, 2006, the decision of the 49th Labor Court of São Paulo, which ordered the payment of pension plan benefits as per State Law No. 4819/58 by Fundação CESP, using cash resources from the State of São Paulo transferred by CTEEP, shall prevail.

c) Current situation

As a result of the aforementioned facts and by force of said decision of the 49th Labor Court of São Paulo, as well as the decision of the Superior Court of Justice, CTEEP passed on to Fundação CESP, in the period from September 2005 to December 2008, the amount of R$ 963,592 for payment of benefits under State Law No. 4819/58, having received from the State Finance Department the amount of R$ 655,207 for that purpose. The difference between the amount passed on to Fundação CESP and the amount reimbursed by the State Finance Department, of R$ 308,385, is being claimed by CTEEP at the administrative level (Note 7).

On October 20, 2005, CTEEP received from the State Attorney General a copy of that agency's statement, dated October 6, 2005, regarding the consultation by the State Finance Department on the scope of said court decisions. In this statement, the State Attorney General concludes that the decision of the 49th Labor Court of São Paulo applies subjectively to the State Finance Department, which is the defendant in the claim. Accordingly, the State Attorney General concluded that "in the current scenario, the State Finance Department is liable for the full reimbursement of the amounts disbursed by CTEEP for compliance with the court decision regarding labor claim No. 1145/2005-6, in progress at the 49th Labor Court of São Paulo". On the other hand, in the same statement, the State Attorney General concludes that the decision issued by the Regional Labor Court, whose effects are suspended by the injunction obtained as a result of the Claim for Correction, does not fully apply to the State Finance Department, which was removed from the lawsuit at the plaintiff Union's request. In this case, the State Finance Department should, according to the State Attorney General, reimburse CTEEP, observing the strict limits of State Law No. 4819/58, excluding possible benefits, established by the related regulation, that surpass or that are in conflict with the specific legislation.

In view of the aforementioned, it is clear that the understanding of the State Attorney General, on the issue, formalized through Official Letter No. 01, dated February 10, 2006, and respective Technical Note No. 01/06, changed the prior understanding, which was in effect through December 2005 for purposes of transfer of funds to CTEEP to comply with the decision of the 49th Labor Court of São Paulo. According to the current understanding of the State Attorney General, the State Finance Department must disallow certain transfers to CTEEP for purposes of transfer to Fundação CESP to comply with said court decision.

In October 2008, the Superior Court of Justice decided again for the jurisdiction of the Ordinary Courts in a Civil Class Action involving the same parties and matter the sentence of which was subject to explanatory appeals.

Except if this sentence is changed by the appeals, which management does not consider probable, the decision of the 49th Labor Court of São Paulo will be void and the issue will be defined by the State Justice.

According to the Significant Event Notices mentioned above, CTEEP continues its efforts to change the decision of the 49th Labor Court of São Paulo so as to return the responsibility for the pension plan benefit payment established by State Law No. 4819/58 to the State Finance Department. CTEEP also confirms its legal department's understanding that the expenses arising from State Law No. 4819/58 and respective regulation are the full responsibility of the State Finance Department and is analyzing additional actions to protect its interests. The Company records these disallowances as "Accounts receivable - São Paulo State Finance Department" (Note 7).

36. Subsequent Events

At the Extraordinary General Meeting held on January 5, 2009 CTEEP's Board of Directors approved the distribution of dividends to shareholders in the amount of R$ 122,500, corresponding to R$ 0.820578 per share, as from January 20, 2009. Of this amount, R$ 45,890 corresponds to the amount credited to the Company.

Significant Event Notice

On January 13, 2009, the Company issued a Significant Event Notice informing that, by means of an "Instrument of Acknowledgment of Debt and Payment Agreement" entered into individually between CTEEP and the electric energy distribution concessionaires Companhia Paulista de Força e Luz ("CPFL"), Elektro Eletricidade e Serviços S.A and Companhia Paulista de Energia Elétrica ("CPEE"), it has been agreed that the distributors would pay to CTEEP the amount of R$ 169.8 million arising from the TUSTs owing and not paid in the period from 07/01/2004 to 12/31/2008, determined by the National Electric Power Agency (ANEEL) in accordance with Authorizing Resolution 497 of June 26, 2007.

The agreement also establishes that the amount will be paid in 36 monthly installments of R$ 4.7 million, restated monthly based on the cumulative index of the Special System for Settlement and Custody (SELIC). The first installment is due on January 30, 2009.

EXECUTIVE BOARD

FERNANDO AUGUSTO ROJAS PINTO
President

CHRISTIAN RESTREPO HERNANDEZ
Director of Finance and Relations with Investors

BOARD OF DIRECTORS

LUÍS FERNANDO ALARCÓN MANTILLA
Chairman

FERNANDO AUGUSTO ROJAS PINTO
Vice-Chairman

GUIDO ALBERTO NULE AMIN

ALFONSO CAMILO BARCO MUÑOZ

ANA MERCEDES VILLEGAS MEJÍA

ACCOUNTANT

CLAUDIO LUIZ PINTO DE BARROS
CRC 1SP195071/O-4

(A free translation of the original in Portuguese)

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders
ISA Capital do Brasil S.A.

1 We have audited the accompanying balance sheet of ISA Capital do Brasil S.A. ("Company") and the consolidated balance sheet of ISA Capital do Brasil S.A. and its subsidiaries at December 31, 2008 and the related statements of operations, of changes in shareholders' equity, of cash flows and of value added of the Company and the related consolidated statements of operations, of cash flows and of value added for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.

2 We conducted our audit in accordance with approved Brazilian auditing standards, which require that we perform the audit to obtain reasonable assurance about whether the financial statements are fairly presented in all material respects. Accordingly, our work included, among other procedures: (a) planning our audit taking into consideration the significance of balances, the volume of transactions and the accounting and internal control systems of the Company; (b) examining, on a test basis, evidence and records supporting the amounts and disclosures in the financial statements; and (c) assessing the accounting practices used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

3 In our opinion, the financial statements audited by us present fairly, in all material respects, the financial position of ISA Capital do Brasil S.A. and of ISA Capital do Brasil S.A. and its subsidiaries at December 31, 2008 and the results of operations, the changes in shareholders' equity, cash flows and value added to the Company's operations, and the consolidated results of operations, cash flows and value added to the operations of the Company and its subsidiaries, for the year then ended, in accordance with accounting practices adopted in Brazil.

4 We previously audited the financial statements for the year ended December 31, 2007, comprising the balance sheet of ISA Capital do Brasil S.A. and the consolidated balance sheet of ISA Capital do Brasil S.A. and its subsidiary at December 31, 2007 and the statements of operations, of changes in shareholders' equity and of changes in financial position of the Company, and the related consolidated statements of operations and of changes in the financial position, for the year then ended, on which we issued, on January 30, 2008, an unqualified opinion with an emphasis paragraph on the matter described in paragraph 5 below. As mentioned in Note 2, the accounting practices adopted in Brazil were modified effective January 1, 2008. The financial statements for the year ended December 31, 2007, presented together with the financial statements for 2008, were prepared in accordance with the accounting practices adopted in Brazil in effect until December 31, 2007 and, as allowed by Technical Pronouncement No. 13 of the Brazilian Accounting Pronouncements Committee (CPC) - Initial Adoption of Law No. 11638/07 and Provisional Measure No. 449/08, have not been restated to facilitate comparison between the years.

5 As described in Note 35, pursuant to the decision of the 49th Labor Court of São Paulo, as from September 2005 Fundação CESP started to process the payroll of the participants in the supplementary pension plan regulated by Law No. 4819/58, through funds transferred by subsidiary CTEEP, as carried out up to December 2003. In January 2006, the Attorneys' General Office of the State of São Paulo understood that the responsibility of the State Government is restricted to the limits set forth by the State Constitution in respect to the payment of pension benefits. Since then, the State Government started to disallow a portion of the resources transferred to subsidiary CTEEP. The difference between the amount paid by subsidiary CTEEP and the disallowance made by the State Government is recorded in non-current assets, as described in Note 7. In October 2008, the Superior Court of Justice decided again for the jurisdiction of the Ordinary Courts in Public Civil Actions involving the same parties and matter, decision which had been subject to appeals. CTEEP's management, supported by its legal advisors, understands that the payment of the benefits related to the supplementary pension plan is the full responsibility of the State Government. Accordingly, subsidiary CTEEP does not record any obligations or provision for losses relating to this plan in its financial statements.

As described in Note 2, the balance sheet at December 31, 2008 and the related statements of operations, of changes in shareholders' equity, of cash flows and value added (Company and Consolidated) for the year then ended were adjusted in relation to those presented previously, on which we issue our unqualified opinion dated March 27, 2009 with the same emphasis paragraph as above. The adjustments presented in that note and the restatement of these financial statements were carried out to comply with the shareholders' decision at the Ordinary General Meeting in relation to the method of accounting for the derivative financial instruments (swap) and the foreign currency debt contracts. Our current opinion on the financial statements, as presented herein, does not differ from that expressed in our previous report.

São Paulo, June 10, 2009

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Sérgio Eduardo Zamora
Contador CRC 1SP168728/O-4