



## 1Q11 Earnings Results

**CESP records a R\$61.0 million Net Income,  
and will pay R\$25.0 million as Interest on Equity**

São Paulo, May 13, 2011: CESP - Companhia Energética de São Paulo (BM&FBOVESPA: CESP3, CESP5 and CESP6), the largest hydroelectric power generation company in the state of São Paulo and one of the largest in Brazil, announces today its results for the first quarter of 2011 (1Q11). The financial and operating information was prepared according to the International Financial Reporting Standards (IFRS) and the accounting practices adopted in Brazil. Except where stated otherwise, comparisons are with the same period in 2010.

### 1Q11 Highlights

- **Net Operating Revenue** totaled **R\$827.5 million** in the first quarter of 2011, a 4.2% increase on the same period last year;
- **Operating Expenses** in the quarter stood at **R\$416.8 million**, down by 6.7% on the first quarter of 2010;
- **Gross Income (Service Income)** totaled **R\$309.4 million** and **Adjusted EBITDA** stood at **R\$520.7 million**;
- **Net Income** in the quarter was **R\$61.0 million**, up by 117.1% on 1Q10 (R\$28.1 million).
- CESP is allocating **R\$25.0 million** as **Interest on Equity** in 1Q11.

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#### 1Q11 Results Conference Call with Simultaneous Translation

Date: May 24, 2011

#### Portuguese

11:00 a.m. (Brasília time)

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#### Financial and Operating Highlights (R\$ 000)

	1Q11	1Q10	Chg.
Net Operating Revenue	726,289	695,725	4.4%
Operating Expenses	(416,846)	(447,009)	-6.7%
Service Income	309,443	248,716	24.4%
Adjusted EBITDA	520,711	471,204	10.5%
Adjusted EBITDA Margin	71.7%	67.7%	+4.0 p.p.
Net Income of the quarter	60,991	28,099	117.1%



## 1Q11 Earnings Results

### GENERATING PARK

Companhia Energética de São Paulo (CESP) is the largest power generation company in São Paulo state, and the second largest power generation company in Brazil in terms of installed capacity, accounting for around 9% of Brazil's power generation. The Company has six hydroelectric plants, 57 generation units, installed capacity of 7,456 MW and net guaranteed power of 3,916 MW (average), representing 7% and 8% of Brazil's installed capacity and net guaranteed power output, respectively.

CESP's hydroelectric plants are located in two drainage basins: the Paraná River basin in the west of São Paulo state and the Paraíba do Sul River basin in the eastern region of the state. Basic information on the Company's plants is provided below:

Power Plants	Date of Conclusion	Generating Units	Length of Embankment	Reservoir Area	Installed Capacity	Guaranteed Power output
			(km)	(km <sup>2</sup> )	(MW)	(Average MW)
Ilha Solteira	1973	20	5.6	1,195	3,444	1,949 <sup>(1)</sup>
Três Irmãos	1993	5	3.6	785	808	
Jupia	1969	14	5.5	330	1,551	886
Porto Primavera	1999	14	10.2	2,250	1,540	1,017
Paraibuna	1978	2	0.5	177	85	50
Jaguari	1972	2	1.0	56	28	14
<b>Total</b>		<b>57</b>	<b>26.4</b>	<b>4,793</b>	<b>7,456</b>	<b>3,916</b>

(1) Combined Net Guaranteed Energy for the Ilha Solteira and Três Irmãos hydro power plants.

### POWER GENERATION

Total power generated at CESP's plants in the first quarter of 2011 was **10,260,395 MWh**, composed as follows:

Production MWh (*)		
Power Plants	1Q11	1Q10
Ilha Solteira	4,472,504	4,655,590
Três Irmãos	1,039,623	1,172,469
Jupia	2,047,590	2,288,820
Porto Primavera	2,594,354	2,464,573
Paraibuna	83,497	176,145
Jaguari	22,827	38,555
<b>Total</b>	<b>10,260,395</b>	<b>10,796,152</b>

(\*) Nominal Capacity = 3,916 MW average x Number of hours/quarter = 8,458,560 (34,304,160 MWh/ year)



## 1Q11 Earnings Results

### COMMERCIALIZATION

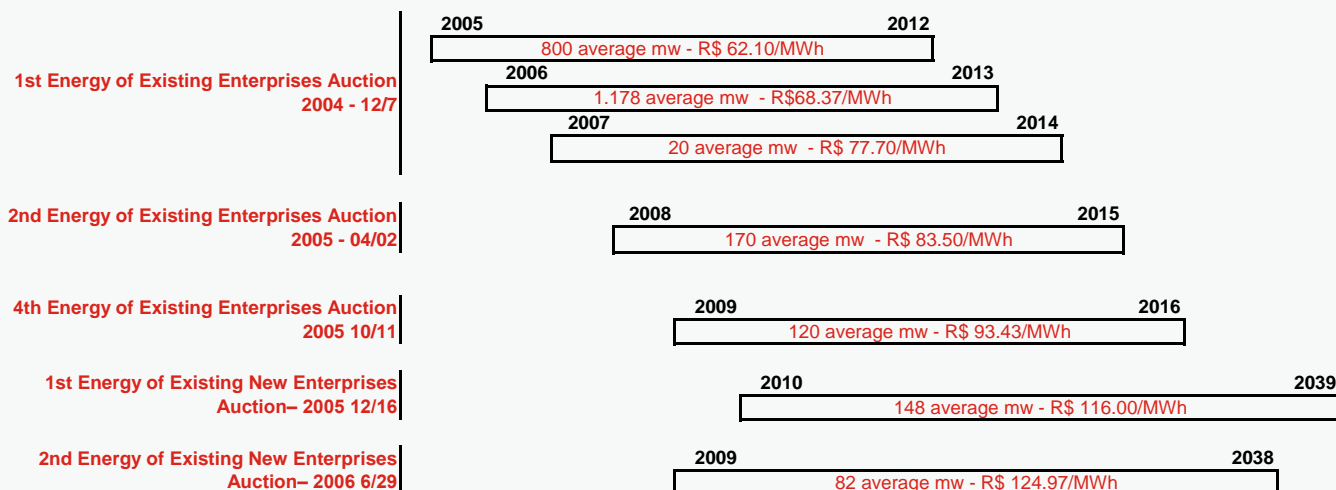
CESP commercializes its guaranteed power output in the following environments:

**Regulated Contracting Environment (ACR):** through Energy Purchase Contracts in the Regulated Environment (CCEAR) with 37 distributors, including 4 distributors with loads of less than 500 GWh per year.

**Free Contracting Environment (ACL):** through short, medium and long-term Energy Purchase and Sale Contracts negotiated with 19 sellers and 26 free consumers.

**Electricity Commercialization Board (CCEE):** differences between generated energy, guaranteed power output and contracted energy are booked and settled here.

Between 2004 and 2007, CESP recorded the following results in energy auctions:



Contracts relating to Product 7 (1<sup>st</sup> Energy Auction of New Projects - December 2005) came into force in 2010.

### CUSTOMERS

CESP's customers are the main energy distributors in Brazil, who buy its output through long-term contracts, in auctions in the regulated market, and free consumers, including sellers and large final consumers, who acquire energy through medium and long-term bilateral contracts.



## 1Q11 Earnings Results

### ECONOMIC AND FINANCIAL PERFORMANCE

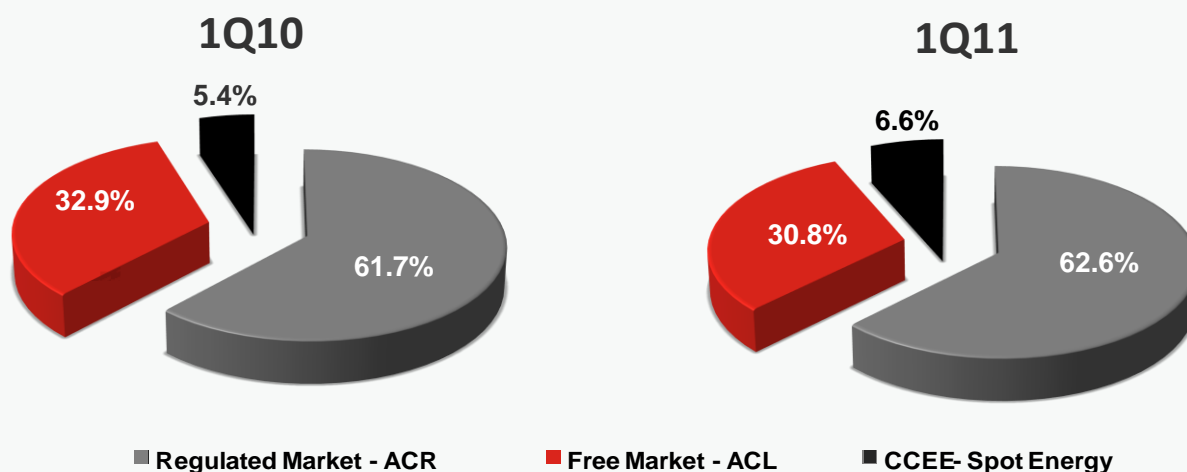
Financial and Economic Indexes	1Q11	1Q10	Chg.
Average Price - R\$/MWh*	96.56	90.95	6.2%
Operating Margin	43.72%	37.38%	+6.3 p.p
Foreign Exchange Variation (USD/BRL)	0.58%	0.27%	+0.3 p.p
Return on Equity	-4.31%	2.28%	n.m.
	<b>1Q11</b>	<b>2010</b>	<b>Chg.</b>
General Indebtedness	0.44	0.45	-2.0%
Current Ratio	0.57	0.54	4.7%

\* excludes Spot Energy - CCEE

### REVENUE

Company's **Operating Revenues** in the first quarter of 2011 stood at **R\$827.5 million**, up by 4.2% on the same period last year, which was mainly driven by the increase electricity sales prices in the regulated environment, recording R\$498.9 million and by the sale of energy to free consumers and sellers, which amounted to R\$272.6 million.

#### Breadown of Revenue



Revenue from electricity sales in the regulated environment represented 62.6% and from the free contracting environment, 30.8%. The Electricity Commercialization Board (CCEE) represented 6.6% of sales.

Energy Sales Breakdown	MWh			R\$ ('000)		
	1T11	1T10	Var %	1T11	1T10	Var %
Free Market - ACL	2,508,001	2,803,318	-10.5%	254,946	261,182	-2.4%
Regulated Market - ACR	5,481,689	5,447,732	0.6%	516,536	489,276	5.6%
Spot Market - SPOT	1,704,439	2,087,184	-18.3%	51,798	36,352	42.5%
Spot Market - MRE	303,437	339,918	-10.7%	3,144	3,409	-7.8%
Others/Reaccounting	-	-	-	-	2,743	n.m.
<b>Total</b>	<b>9,997,566</b>	<b>10,678,152</b>	<b>-6.4%</b>	<b>826,424</b>	<b>792,962</b>	<b>4.2%</b>



## 1Q11 Earnings Results

### DEDUCTIONS FROM REVENUE

Deductions from Revenue totaled R\$101.2 million in the first quarter of 2011, up by 3.1% from the R\$98.2 million in 2010, representing 12.2% of Gross Revenue.

Deductions from Operating Revenues (R\$' 000)	1Q11	1Q10	Var.%
Global Reserve for Reversion Quota (RGR)	(21,136)	(20,276)	4.2%
Research and Development	(7,260)	(6,889)	5.4%
Services tax - ISS	(30)	(27)	11.1%
COFINS Tax on Operating Revenues	(59,693)	(58,223)	2.5%
PIS Tax on Operating Taxes	(13,049)	(12,723)	2.6%
<b>Total</b>	<b>(101,168)</b>	<b>(98,138)</b>	<b>3.1%</b>
% Gross Revenues	12.2%	12.4%	-0.2 p.p.

### OPERATING EXPENSES

Operating Expenses for the quarter stood at R\$416.8 million, down by 6.7% on the first quarter of 2010, resulting mainly from lack of expense with electricity purchased in 2011.

Operating Expenses (R\$' 000)	1Q11	1Q10	Var.%
Personnel	(47,280)	(46,240)	2.2%
Social Security Entity - Contribution to plan	(1,872)	(1,893)	-1.1%
Entity of Social Security - CVM Resolution 371/2000	(8,064)	(11,325)	-28.8%
Materials	(2,645)	(3,014)	-12.2%
Outsourced Services	(24,304)	(20,685)	17.5%
Compensation for Use of Water Resources	(47,331)	(47,142)	0.4%
Spot Market Energy	-	(22,339)	n.m.
System Service Charges - transmission	(80,828)	(82,353)	-1.9%
System Services Fee	(4,231)	(4,025)	5.1%
COFINS/PIS credits on services charges	6,942	9,229	-24.8%
Depreciation	(195,239)	(195,531)	-0.1%
Operating Provision/RTE/Others	(7,965)	(15,632)	-49.0%
Other Expenses	(4,029)	(6,059)	-33.5%
<b>Total</b>	<b>(416,846)</b>	<b>(447,009)</b>	<b>-6.7%</b>
% of Net Revenues	57.4%	64.3%	-6.9 p.p.



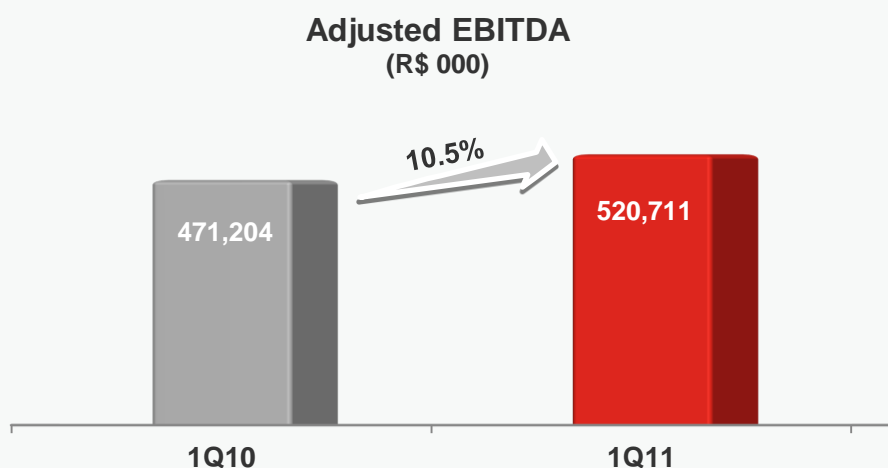


## 1Q11 Earnings Results

### EBIT AND EBITDA

EBIT was R\$309.4 million in the first quarter of 2011, an increase of 24.4% on the same period last year (R\$248.7 million).

EBITDA in the quarter reached R\$512.8 million, and Adjusted EBITDA was R\$520.7 million, down by 10.5% from the first quarter of 2010.



(R\$ '000)	1Q11	1Q10	Var. %
Net Income (Loss)	60,991	28,099	117.1%
Net Income Tax and Social Contribution	51,389	3,544	1350.0%
Financial Result	110,594	183,461	-39.7%
Other Net Revenues	86,469	33,612	157.3%
<b>EBIT</b>	<b>309,443</b>	<b>248,716</b>	<b>24.4%</b>
Depreciation	195,239	195,531	-0.1%
Entity of Social Security - CVM Resolution 371/2000	8,064	11,325	-28.8%
<b>EBITDA</b>	<b>512,746</b>	<b>455,572</b>	<b>12.5%</b>
Operating Provisions	7,965	15,632	-49.0%
<b>Adjusted EBITDA</b>	<b>520,711</b>	<b>471,204</b>	<b>10.5%</b>



## 1Q11 Earnings Results

### OPERATING INCOME

In view of operating revenues and expenses observed in the quarter, **Services Income** stood at **R\$309.4 million** and **Operating Income before Financial Income** amounted to **R\$222.9 million**.

### FINANCIAL RESULT

The **Net Financial Result** stood at **R\$ 110.6 million** (negative), down 39.7% on the first quarter of 2010. Financial revenues stood at R\$9.5 million, mainly due to the reduction in amounts receivable - free energy. Debt charges and other financial expenses decreased by 5.1%, totaling R\$ 99.0 million (negative). Net monetary and exchange variations resulted in a R\$ 21.1 (negative) million, versus R\$95.0 million (negative) in the first quarter of 2010, due to the appreciation of the Brazilian Real against the U.S. Dollar in the first quarter of 2011.

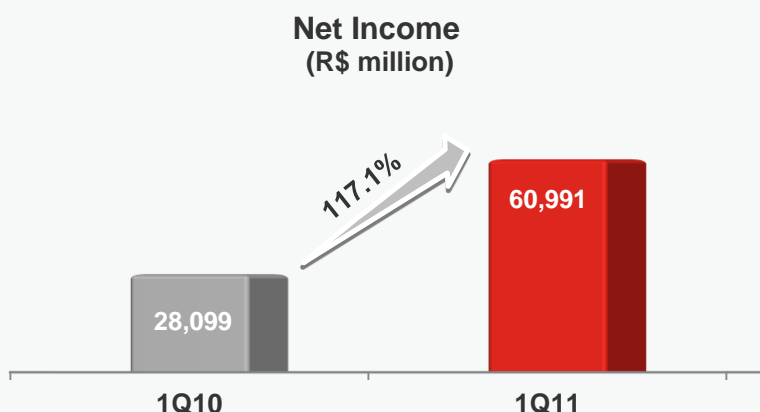
<b>Breakdown of Financial Result (R\$ '000)</b>	<b>1Q11</b>	<b>1Q10</b>
<b>Revenues</b>		
Revenues from Investments	4,295	3,373
FIDC I, II, III and IV	2,769	2,122
EMURB Credit and Receivables	394	1,353
Accounts Receivable - Free energy	1,730	8,057
Others	296	941
	<b>9,484</b>	<b>15,846</b>
<b>Expenses</b>		
Debt Charges		
Foreign Currency	(34,106)	(45,554)
Local Currency	(33,768)	(30,632)
	<b>(67,874)</b>	<b>(76,186)</b>
<b>Other</b>		
ELETRONBRAS Agreement	(5,799)	(4,494)
Restatement of assignment of energy bill credits	(8,779)	(8,216)
Restatement of electricity network usage charges - stallment	(18)	(2,225)
Atualização TAC	(3,988)	-
Financial Operation Expenses - FIDC	(244)	(475)
Updating R&D - projects	(1,047)	(727)
Discount on customer contracts	(6,664)	(4,356)
Others	(4,561)	(7,593)
	<b>(31,100)</b>	<b>(28,086)</b>
<b>Total expenses</b>	<b>(98,974)</b>	<b>(104,272)</b>
<b>Gross Income</b>	<b>(89,490)</b>	<b>(88,426)</b>
<b>Monetary and Exchange Variations, Net</b>		
Foreign Currency	(53,083)	(50,608)
Local Currency	31,979	(44,427)
	<b>(21,104)</b>	<b>(95,035)</b>
<b>Financial Result</b>	<b>(110,594)</b>	<b>(183,461)</b>



## 1Q11 Earnings Results

### NET INCOME

Income before taxes stood at R\$112.4 million. After the booking of income and social contribution taxes, calculated on taxable income it amounted to R\$68.5 million, with a strong increase on the same quarter of the previous year, mainly due to the taxation of the (net) positive exchange variation balance for the settlement of Series 6 Bonds. After the reversal of deferred taxes on net exchange variations and on the additional depreciation of property and equipment at attributed cost, the Company closed the first quarter of 2011 with a **R\$61.0 million Net Income**.

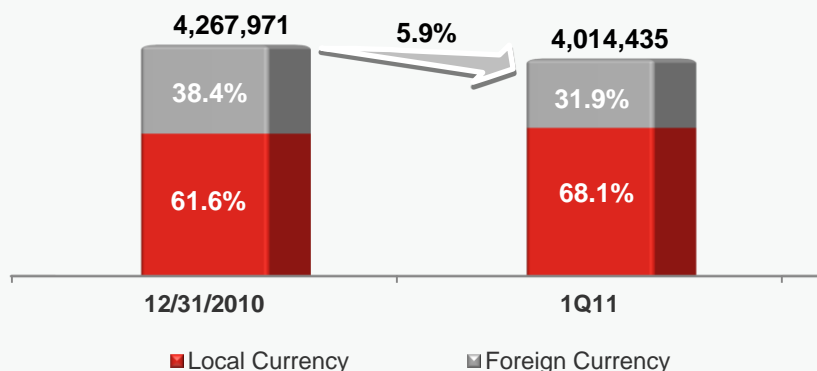


### FINANCIAL DEBT

CESP's Financial Debt in the first quarter of 2011 was R\$4,014.4 million, 5.9% down from December 31, 2010.

Cash and Cash Equivalents totaled R\$270.6 million in the quarter.

Net Debt totaled R\$3,743.8 million, 4.6% down from December 31, 2010.







## 1Q11 Earnings Results

### BREAKDOWN OF NET FINANCIAL DEBT

(R\$ '000)	1Q11				12/31/2010	Chg. %
	Charges	Current	Long Term	TOTAL	TOTAL	
<b>Foreign Currency</b>	<b>7,473</b>	<b>151,881</b>	<b>1,120,349</b>	<b>1,279,703</b>	<b>1,640,083</b>	<b>-22.0%</b>
Financial Institutions	6,480	95,540	137,899	239,919	241,847	-0.8%
BNDES	897	55,967	622,175	679,039	706,115	-3.8%
Medium Term Notes	-	-	358,314	358,314	689,685	-48.0%
Other	96	374	1,961	2,431	2,436	-0.2%
<b>Local Currency</b>	<b>22,801</b>	<b>200,220</b>	<b>1,050,941</b>	<b>1,273,962</b>	<b>1,129,961</b>	<b>12.7%</b>
Financial Institution	3,430	194,991	89,981	288,402	145,111	98.7%
Medium Term Notes	19,371	-	921,285	940,656	938,640	0.2%
ELETRORÁS	-	5,230	39,675	44,905	46,210	-2.8%
<b>Other Debts</b>	<b>-</b>	<b>327,341</b>	<b>1,133,429</b>	<b>1,460,770</b>	<b>1,497,927</b>	<b>-2.5%</b>
Accounts Payables	-	39,331	128,711	168,042	173,251	-3.0%
FIDC	-	288,010	1,004,718	1,292,728	1,324,676	-2.4%
<b>TOTAL (1)</b>	<b>30,274</b>	<b>679,442</b>	<b>3,304,719</b>	<b>4,014,435</b>	<b>4,267,971</b>	<b>-5.9%</b>
<b>Resources (2)</b>	<b>-</b>	<b>270,620</b>	<b>-</b>	<b>270,620</b>	<b>342,026</b>	<b>-20.9%</b>
Cash and Cash Equivalents	-	270,620	-	270,620	170,760	58.5%
Index Deposit	-	-	-	-	171,266	n.m.
<b>NET DEBT (1)-(2)</b>	<b>30,274</b>	<b>408,822</b>	<b>3,304,719</b>	<b>3,743,815</b>	<b>3,925,945</b>	<b>-4.6%</b>



## 1Q11 Earnings Results

### CAPITAL MARKET

#### Stock Performance

In the first quarter of 2011, the benchmark Ibovespa index depreciated by 1.04% and the Electricity Stock Index (IEE) rose by 9.73%, respectively. CESP's stock performed as shown below:

- ≡ Common stock (CESP3): 15.89%
- ≡ Preferred class A stock (CESP5): 12.03%
- ≡ Preferred class B stock (CESP6): 15.19%

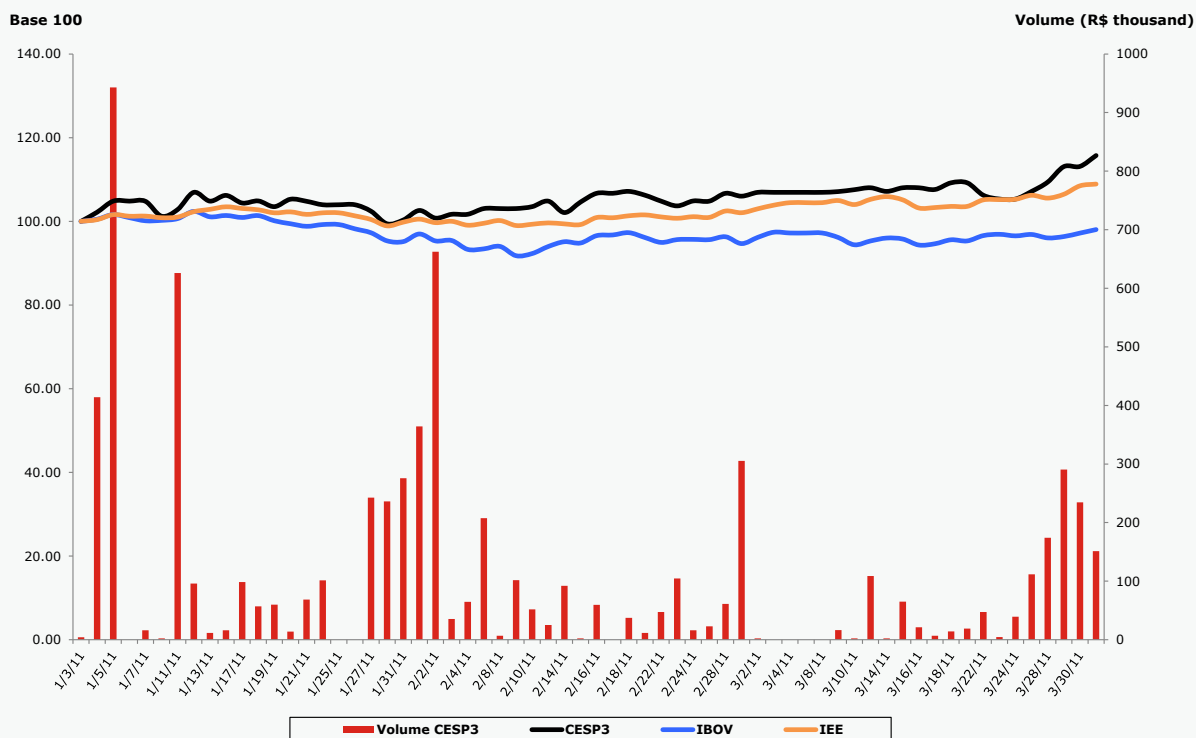
Share/Index	Closing 12/31/2010	Closing 03/31/2011	Chg.
<b>CESP3</b>	R\$ 21.90	R\$ 25.38	<b>15.89%</b>
<b>CESP5</b>	R\$ 24.10	R\$ 27.00	<b>12.03%</b>
<b>CESP6</b>	R\$ 27.00	R\$ 31.10	<b>15.19%</b>
<b>IBOV</b>	69,304	68,586	<b>-1.04%</b>
<b>IEE</b>	27,242	29,892	<b>9.73%</b>



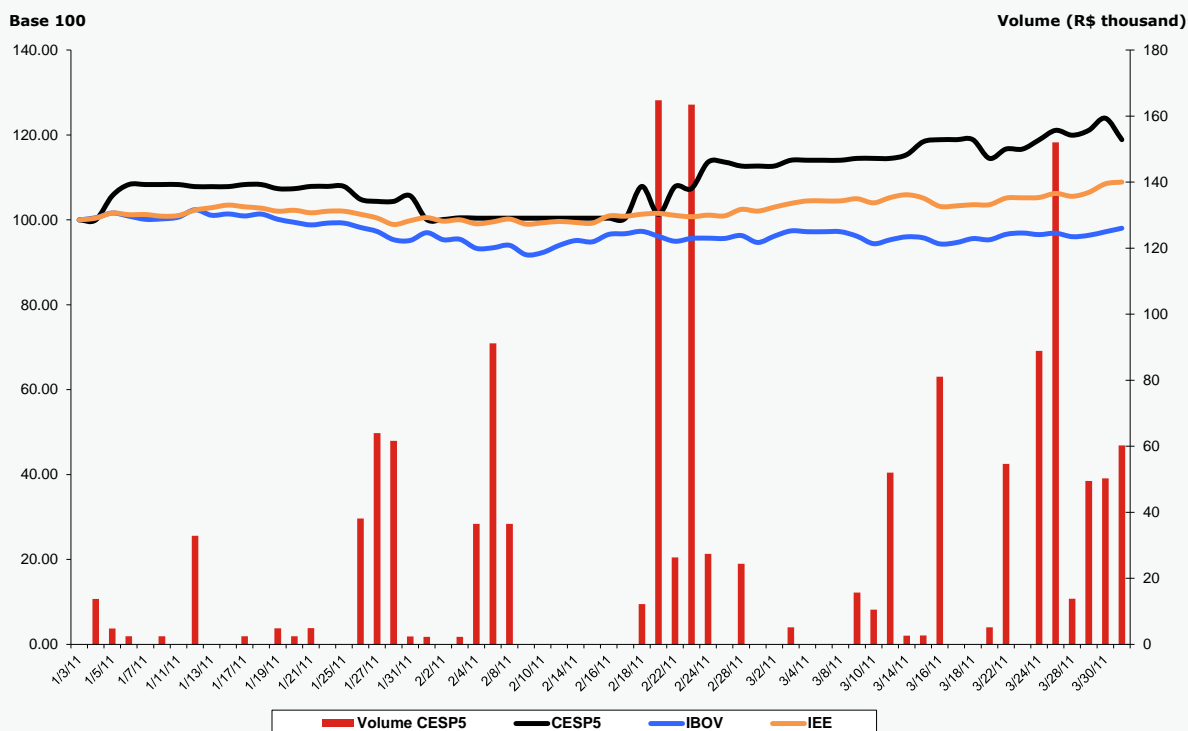
## 1Q11 Earnings Results

### STOCK PERFORMANCE IN 1Q11

#### Bovespa: CESP3



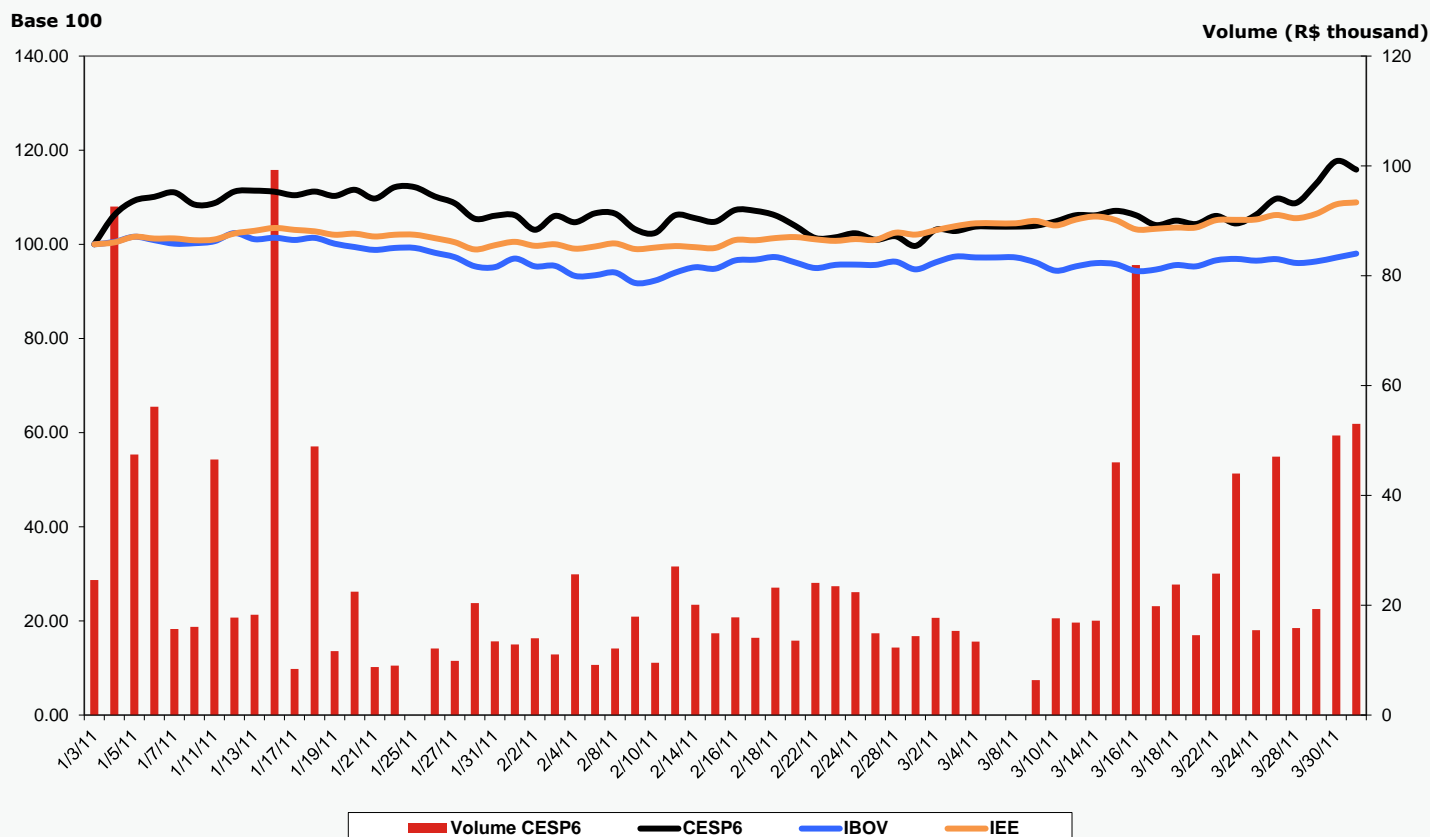
#### Bovespa: CESP5





## 1Q11 Earnings Results

### ■ Bovespa: CESP6



### ■ ABOUT CESP

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### ■ LEGAL DISCLAIMER

The statements contained in this document relating to the business outlook, estimates of operating and financial results and growth prospects of CESP are merely projections, and as such based exclusively on Management's expectations regarding the future of the business. These forward-looking statements depend substantially on changes in market conditions, the performance of the Brazilian economy, the industry and international markets, and therefore are subject to change without prior notice.



# 1Q11 Earnings Results

## INCOME STATEMENT

<b>CESP - Companhia Energética de São Paulo</b>			
<b>Income Statement (R\$ '000)</b>			
	<b>1Q11</b>	<b>1Q10</b>	<b>Var. %</b>
<b>OPERATING REVENUES</b>	<b>827,457</b>	<b>793,863</b>	<b>4.2%</b>
Electricity sales to final customers	184,231	191,345	-3.7%
Electricity sales to distributors - Contracts	88,319	87,503	0.9%
Auction Energy	498,932	471,610	5.8%
Spot Market Energy	54,942	42,504	29.3%
Other Revenues	1,033	901	14.7%
<b>DEDUCTIONS FROM OPERATING REVENUES</b>	<b>(101,168)</b>	<b>(98,138)</b>	<b>3.1%</b>
Global Reserve for Reversion Quota (RGR)	(21,136)	(20,276)	4.2%
Development and research	(7,260)	(6,889)	5.4%
Services tax - ISS	(30)	(27)	11.1%
COFINS Tax on Operating Revenues	(59,693)	(58,223)	2.5%
PIS Tax on Operating Taxes	(13,049)	(12,723)	2.6%
<b>NET OPERATING REVENUES</b>	<b>726,289</b>	<b>695,725</b>	<b>4.4%</b>
<b>OPERATING EXPENSES</b>	<b>(416,846)</b>	<b>(447,009)</b>	<b>-6.7%</b>
Personnel	(47,280)	(46,240)	2.2%
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COFINS/PIS credits on services charges	6,942	9,229	-24.8%
Depreciation	(195,239)	(195,531)	-0.1%
Operating Provision/RTE/Others	(7,965)	(15,632)	-49.0%
Other Expenses	(4,029)	(6,059)	-33.5%
<b>INCOME FROM OPERATIONS</b>	<b>309,443</b>	<b>248,716</b>	<b>24.4%</b>
Other Net Revenues (expenses)	(86,469)	(33,612)	157.3%
<b>OPERATING INCOME BEFORE FINANCIAL RESULT</b>	<b>222,974</b>	<b>215,104</b>	<b>3.7%</b>
<b>FINANCIAL REVENUES (EXPENSES)</b>			
Revenues	9,484	15,846	-40.1%
Expenses			
Debt charges - Local Currency	(33,768)	(30,632)	10.2%
Debt charges - Foreign Currency	(34,106)	(45,554)	-25.1%
Others	(31,100)	(28,086)	10.7%
Monetary Losses, net	(53,083)	(50,608)	4.9%
Foreign Exchange Losses, net	31,979	(44,427)	n.m.
<b>FINANCIAL RESULT</b>	<b>(110,594)</b>	<b>(183,461)</b>	<b>-39.7%</b>
<b>INCOME (LOSS) BEFORE TAXES</b>	<b>112,380</b>	<b>31,643</b>	<b>255.1%</b>
Current Income Tax	(49,757)	(25,052)	98.6%
Current Social Contribution	(18,699)	(9,805)	90.7%
Deferred Income Tax (Assets)	(21,327)	(10,739)	98.6%
Deferred Social Contribution (Assets)	(8,014)	(4,202)	90.7%
Deferred Income Tax (Liabilities)	34,124	34,010	0.3%
Deferred Social Contribution (Liabilities)	12,284	12,244	0.3%
<b>Income Tax and Social Contribution Total</b>	<b>(51,389)</b>	<b>(3,544)</b>	<b>n.m.</b>
<b>NET INCOME</b>	<b>60,991</b>	<b>28,099</b>	<b>117.1%</b>
<b>Net Income per share</b>	<b>0.19</b>	<b>0.09</b>	<b>117.1%</b>





## 1Q11 Earnings Results

### BALANCE SHEET - Assets

#### CESP - Companhia Energética de São Paulo

#### Balance Sheet - Assets

	3/31/2011	12/31/2010	Var %
<b>ASSETS</b>	<b>18,649,331</b>	<b>18,884,004</b>	<b>-1.2%</b>
<b>CURRENT ASSETS</b>	<b>795,653</b>	<b>857,842</b>	<b>-7.2%</b>
Cash and Cash Equivalents	270,620	170,760	58.5%
Accounts Payable	383,886	374,810	2.4%
Allowances for Doubtful Losses	(21,108)	(21,108)	0.0%
Recoverable Taxes	13,807	12,269	12.5%
Guarantees and Judicial Deposits	-	171,266	n.m.
Stock Room	55,785	51,670	8.0%
Other Receivables	92,463	95,441	-3.1%
Prepaid Expenses	200	2,734	-92.7%
<b>LONG TERM ASSETS</b>	<b>1,515,823</b>	<b>1,541,141</b>	<b>-1.6%</b>
Pledges and Restricted Deposits	421,398	419,173	0.5%
Deferred Income Tax and Social Contribution	1,072,228	1,101,569	-2.7%
Other Receivables	22,197	20,399	8.8%
<b>Permanent Assets</b>	<b>16,337,855</b>	<b>16,485,021</b>	<b>-0.9%</b>
Investments	8,172	8,172	0.0%
Property	16,329,683	16,476,849	-0.9%



## 1Q11 Earnings Results

### BALANCE SHEET - Liabilities

#### CESP - Companhia Energética de São Paulo

#### Balance Sheet - Liabilities

	3/31/2011	12/31/2010	Var %
<b>LIABILITIES</b>	<b>18,649,331</b>	<b>18,884,004</b>	<b>-1.2%</b>
<b>CURRENT LIABILITIES</b>	<b>1,401,922</b>	<b>1,583,289</b>	<b>-11.5%</b>
Suppliers	38,307	68,302	-43.9%
Taxes Payable	109,160	92,827	17.6%
Loans and Financing	382,376	572,901	-33.3%
Accounts Payable - Energy	39,331	37,283	5.5%
FIDC	288,010	285,123	1.0%
Regulatory Tariffs	91,872	100,925	-9.0%
Interest on equity and Dividends	187,895	164,731	14.1%
Estimated obligations and payroll	36,935	41,627	-11.3%
Environmental obligations	24,143	24,172	-0.1%
Others	203,893	195,398	4.3%
<b>LONG TERM RECEIVABLES</b>	<b>6,736,467</b>	<b>6,825,764</b>	<b>-1.3%</b>
Loans and Financing	2,171,290	2,197,143	-1.2%
Accounts Payable - Energy	128,711	135,968	-5.3%
FIDC	1,004,718	1,039,553	-3.4%
Deferred Income Tax and Social Contribution	1,381,758	1,428,166	-3.2%
Taxes Payable - stallment	107,583	115,083	-6.5%
System Service Charges - transmission	5,184	5,184	n.m.
Provision for Contingencies	1,670,834	1,588,598	5.2%
Environmental obligations	223,942	228,492	-2.0%
Others	42,447	87,577	-51.5%
<b>SHAREHOLDERS' EQUITY</b>	<b>10,510,942</b>	<b>10,474,951</b>	<b>0.3%</b>
Capital Stock	5,975,433	5,975,433	0.0%
Capital Reserve	1,929,098	1,929,098	0.0%
Income Reserve	622,747	622,747	0.0%
Adjustment to net assets	1,897,813	1,947,673	-2.6%
Retained Income	85,851	-	n.m.



## 1Q11 Earnings Results

### ANNEX I - Electricity Sector Glossary

**ACL - Free Contracting Environment** - the segment of the market in which energy is purchased and sold through freely negotiated bilateral contracts, according to specific selling rules and procedures.

**ACR - Regulated Contracting Environment** - the segment of the market in which energy is purchased and sold among generation agents and distribution agents, preceded by auctions except in cases laid down by law, according to specific selling rules and procedures.

**Adjusted EBITDA** - Defined by CESP as net income (loss) plus financial result, other net revenues (expenses), earlier known as non-operating expenses, pension fund entity (CVM Resolution 371/2000, income tax and social contribution (net), minus operating and non-operating provisions.

**ANEEL** - Brazilian Electricity Regulatory Agency - a government agency that regulates and monitors the production, transmission, distribution and commercialization of energy, endeavoring for the quality of the service provided, equal treatment to all users and assuring that tariffs charged to consumers are reasonable, always maintaining the economic and financial feasibility of the agents and the sector.

**Assured Demand** - Demand that must compulsorily be placed at the disposal of the consumer by the concessionaire, at the point of delivery, according to the value and duration of the contract.

**Assured Energy or Physical Guarantee** - Defined by the Ministry of Mines and Energy (MME) as the maximum volume of energy and capacity associated with a Project that may be used as proof of compliance with the load or sale through contracts.

**Bilateral Contract** - a legal document that formalizes the purchase and sale of electric energy among CCEE agents in order to establish prices, deadlines and supply volumes in specific time intervals.

**Captive Consumers** - consumers connected to the distribution network of a given energy supplier and must buy energy from that supplier.

**CCE - Energy Purchase Contract** - Contracted between the permit holder and the current supplying agent, establishing the general terms and conditions regulating the sale of energy provided by the supplier to the market being served, with regulated tariff.

**Commercializing Company** - legal entity specially constituted for purchasing and selling electric energy for concessionaires, authorized buyers or free consumers.

**Concessions** - The concessions granted or extended under the terms of CESP's Concession Contract.

**Concession Contract** - Legal document signed between the Granting Power and the concessionaire, formalizing the concession, which must have the essential clauses relating to the objective, area and the term period, and the main conditions for the provision of the public service.

**Contracted Demand** - Demand stipulated in the contract, continuously at the disposal of the consumer or concessionaire and will be paid in full, irrespective of whether it is used or not during the billing period.

**Distribution Network** - Set of installations for distribution of electric energy with voltage lower than 230 kV or installations with the same or higher voltage, when specifically defined by the ANEEL.

**Distributors** - Agent holding the federal concession to provide the public service of distribution of electric energy under the terms of applicable legislation, serving the captive consumers in its area of concession.

**EBITDA** - EBITDA is defined by CESP as net income (or loss) plus financial results, depreciation, other net (expenses) revenue (non-operating results was previously used), private pension entity - CVM Resolution 371/2000, net income tax and net social contribution.

**Electric Energy Commercialization Board (CCEE)** - Private non-profit legal entity that operates under the authorization of the Granting Authority, regulated and monitored by the ANEEL, according to this Convention, for the purpose of facilitating purchases and sales of electrical energy among the agents of the CCEE, restricted to the National Interlinked System (SIN). It was created pursuant to Art. 4 of Law 10848 of March 15, 2004, and Decree No. 5177 of August 12, 2004.



## 1Q11 Earnings Results

**Electric Sector General Agreement** - Agreement signed between generators and distributors for defining the rules for compensation for the financial losses due to energy rationing in 2001/2002. The agreement, signed in December 2001, envisaged a loan of up to R\$7.5 billion provided by the Brazilian Development Bank (BNDES) to companies and the extraordinary tariff adjustment of 2.9% for rural and residential consumers, except low-income consumers, and 7.9% for consumers of other classes, to recoup losses.

**Energy Auctions** - Bidding process for the purchase of electric energy, governed by the notice for bids and the related documents, where the Distributors may buy energy to serve their market.

**Energy Purchase Contracts in the Regulated Environment (CCEAR)** - Also known as Bilateral Contract, it is a contracted between each concessionaire or authorized generation company and the concessionaires or permit holders of the public distribution service, including those with own market lower than 500 Gwh/year, which choose to define the rules and conditions for selling energy from the existing or future projects, within the regulated environment.

**Energy Reallocation Mechanism (MRE)** - A mechanism for sharing the water resource risks associated to the electric energy optimization of the National Interlinked System (SIN) relating to the centralized dispatch of the electric energy generation units.

**Expenditure relating to transport of electric energy** - Information about the physical and monetary amounts relating to the expenditure for using the transmission and distribution systems, detailed for each accessing company.

**FIDC** - Credit Rights Investment fund, as created in accordance with the rules of the Brazilian Securities and Exchange Commission (CVM).

**Free Consumers** - Consumers with specific conditions for the purchase and sale of electric energy, made directly with the energy provider of their choice, and who have the freedom to negotiate prices, considering the load, tension, and type of supplier.

**Free Energy** - Electric energy generated and not allocated to initial contracts or equivalent contracts, including the financial surplus allocated to the respective companies with regard to transport of this energy to different submarkets.

**Free Market** - Market that allows the sale to large free consumers and energy resellers at prices and conditions previously negotiated by the parties. See ACL.

**Generation agent** - Agent holding the concession, permission or authorization granted by the Granting Authority to generate and transact electric energy in the CCEE.

**Generators** - Concessionaires, licensees or agents authorized to generate electrical energy, whether for public welfare for providing public energy generation services.

**Group A** - Grouping consisting of consumer units with supply of voltage greater than or equal to 2.3kV or, served with voltage lower than 2.3kV by an underground distribution system and billed in this Group in accordance with Article 82, characterized by a binomial tariff structure and with subdivisions.

**Installed Capacity** - Sum of the installed, conceded or authorized capacities of the operational power generation units in the system, defined according to specific ANEEL rules.

**Installed Power Capacity** - Sum of the nominal capacities of electric equipment of the same type installed in a consumer unit and in conditions to go operational.

**New Energy** - Electrical energy from new plants, new projects in the bidding process and from the projects granted or authorized till March 16, 2004, which entered in commercial operations from January 1, 2000 and whose energy was not contracted till March 16, 2004.

**Old Energy** - Electrical energy produced by generation projects whose investments were already amortized partly or fully.

**ONS** - National Electric System Operator. An agent instituted by Law 9,648 of 1998, based on the text contained in Law 10,848 of 2004, which is responsible for coordinating and controlling the generation and transmission of electric energy in the National Interlinked System (SIN).





## 1Q11 Earnings Results

**Potentially Free Consumer** - Consumer that has characteristics set forth by law to become free consumer but who is a captive consumer.

**Regulated Market** - Market for sale to energy distributors in auctions regulated by the government. See ACR.

**RTE - Extraordinary Tariff Recomposition** - Temporary tariff increase authorized by Article 4 of the Provisional Presidential Decree 14 of December 21, 2001, converted into Law 10,438 of 2002.

**SIN - National Interlinked System** - Installations responsible for the supply of electric energy to all regions of the country electrically interlinked.

**Special Consumer** - defined by ANEEL Resolution 247/2006 as any consumer responsible for a Group A consumer unit or set of consumer units, belonging to the same submarket in the National Interlinked System (SIN), joined together by common interests, by fact or by law, whose load is equal to or greater than 500kW.

**Spot Market** - Segment of the Electric Energy Commercialization Board (CCEE) where energy transactions not contracted bilaterally, surpluses on bilateral contracts for purchase of energy signed by consumption agents and the shortfalls in relation to the bilateral contracts for sale of energy under the responsibility of Generation agents, are transacted.

**Supply Contract** - Contractual document signed between the concessionaires and Group A consumer for adjusting the technical characteristics and commercial conditions for supply of electric energy.

**System Service Charges (ESS)** - Amounts meant for covering the system service costs, including ancillary services, provided to the users of the SIN, which include the costs for generation of dispatched energy, irrespective of the order of merit, by restrictions of transmission within each submarket, reserve of operative power, in MW, made available by generators for regulating the frequency of the system and its capacity for autonomous start, capacity reserve, in MVar, provided by generators, greater than the reference values established for each generator in the Network Procedures manual, necessary for operating the transmission system, operation of generators as synchronous compensators, regulating of voltage and load shedding and release schemes.