LIGHT S.A.

- ✓ Financial Statements for the Years Ended December 31, 2007 and 2006
- ✓ Independent Auditors'Report

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

LIGHT S.A.

BALANCE SHEETS AS OF DECEMBER 31, 2007 AND 2006
(In thousands of Brazilian reais - R$)

		Company		Consolidated	
ASSETS	Notes	12/31/2007	12/31/2006	12/31/2007	12/31/2006
CURRENT ASSETS					
Cash and cash equivalents	5	2.536	206	490.211	695.108
Accounts receivable - Consumers and distributors	6	-	-	1.345.109	1.736.263
Recoverable taxes	7	209	150	697.848	611.974
Inventories		-	-	13.256	11.409
Dividends receivable		203.463	-	-	-
Services provided		-	-	60.217	30.294
Prepaid expenses	8	171	56	275.618	247.730
Other receivables	9	166	256	36.081	54.950
Total		206.545	668	2.918.340	3.387.728
NONCURRENT ASSETS					
LONG-TERM ASSETS					
Accounts receivable - Consumers and distributors	6	-	-	326.066	217.061
Recoverable taxes	7	-	-	1.230.302	379.369
Escrow deposits		103	-	166.132	133.790
Prepaid expenses	8	-	-	159.030	322.589
Other receivables	9	-	-	97.188	112.210
Total		103	-	1.978.718	1.165.019
PERMANENT ASSETS					
Investments	10	2.666.394	1.508.756	13.157	34.825
Property, plant and equipment, net	11	-	-	3.702.121	3.645.302
Intangible assets, net	12	-	-	271.090	284.109
Deferred charges		-	-	53.270	41.753
Total		2.666.394	1.508.756	4.039.638	4.005.989
TOTAL NONCURRENT ASSETS		2.666.497	1.508.756	6.018.356	5.171.008
TOTAL ASSETS		2.873.042	1.509.424	8.936.696	8.558.736

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

LIGHT S.A.

BALANCE SHEETS AS OF DECEMBER 31, 2007 AND 2006
(In thousands of Brazilian reais - R$)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	Company 12/31/2007	Company 12/31/2006	Consolidated 12/31/2007	Consolidated 12/31/2006
CURRENT LIABILITIES					
Suppliers	13	380	231	488.441	464.972
Payroll		8	6	2.058	1.134
Taxes	7	7	16	305.568	257.087
Financial charges	14	-	-	47.747	126.706
Loans, financing and debentures	14	-	-	92.675	368.530
Dividends paid		203.463	-	203.463	-
Accrued liabilities		26	139	51.768	36.273
Regulatory charges	15	-	-	115.510	137.740
Reserve for contingencies	16	-	-	2.237	3.302
Pension plan and other employee benefits	18	-	-	73.585	74.084
Other payables	17	810	522	354.064	272.957
Total		204.694	914	1.737.116	1.742.785
NONCURRENT LIABILITIES					
LONG-TERM LIABILITIES					
Suppliers	13	-	-	-	29.769
Financial charges	14	-	-	1.564	68.132
Loans, financing and debentures	14	-	-	1.809.949	2.671.406
Taxes	7	-	-	276.872	279.182
Reserve for contingencies	16	-	-	1.361.740	1.241.322
Pension plan and other employee benefits	18	-	-	818.330	786.863
Other payables	17	-	-	259.599	228.035
Total		-	-	4.528.054	5.304.709
DEFERRED INCOME		-	-	3.178	2.732
TOTAL NONCURRENT LIABILITIES		-	-	4.531.232	5.307.441
SHAREHOLDERS' EQUITY					
Capital	20	2.220.355	1.704.618	2.220.355	1.704.618
Profit reserves		447.993	-	447.993	-
Retained earnings/accumulated deficit		-	(196.108)	-	(196.108)
Total		2.668.348	1.508.510	2.668.348	1.508.510
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2.873.042	1.509.424	8.936.696	8.558.736

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

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

LIGHT S.A.

STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(In thousands of Brazilian reais - R$, except earnings per thousand shares)

	Notes	Company 12/31/2007	Company 12/31/2006	Consolidated 12/31/2007	Consolidated 12/31/2006
OPERATING REVENUE					
Electricity sales to final consumers	23	-	-	7.093.519	7.067.976
Electricity sales to distributors	23	-	-	405.536	361.655
Other	24	8	-	639.310	567.565
Total operating income		8	-	8.138.365	7.997.196
REVENUE DEDUCTIONS					
ICMS (state VAT)		-	-	(1.927.228)	(1.892.362)
Consumer charges	25	-	-	(644.584)	(548.891)
PIS/ COFINS (taxes on revenues)		-	-	(571.883)	(603.245)
Other		(1)	-	(2.292)	(1.975)
Total		(1)	-	(3.145.987)	(3.046.473)
NET OPERATING REVENUE		7	-	4.992.378	4.950.723
COST OF SERVICE					
COST OF ELECTRIC POWER					
Electricity purchased for resale	29	-	-	(2.927.353)	(2.862.552)
		-	-	(2.927.353)	(2.862.552)
OPERATING COSTS					
Personnel	27	-	-	(180.740)	(160.162)
Materials	27	-	-	(12.791)	(15.758)
Outside services	27	-	-	(118.984)	(95.693)
Reserve for contingencies	27	-	-	-	(247.142)
Depreciation and amortization	27	-	-	(289.645)	(277.942)
Other	27	-	-	(16.059)	(35.447)
Total		-	-	(618.219)	(832.144)
GROSS PROFIT		7	-	1.446.806	1.256.027
OPERATING EXPENSES					
Selling expenses	27	-	-	(282.451)	(446.949)
General and administrative expenses	27	(5.389)	(10.143)	(387.346)	(392.276)
Total		(5.389)	(10.143)	(669.797)	(839.225)
INCOME (LOSS) FROM SERVICES		(5.382)	(10.143)	777.009	416.802
EQUITY IN SUBSIDIARIES		1.084.533	(186.536)	-	(1.516)
FINANCIAL INCOME (EXPENSES)					
Financial income	30	368	691	247.633	415.797
Financial expenses	30	(2.284)	(120)	(563.601)	(741.144)
		(1.916)	571	(315.968)	(325.347)
INCOME (LOSS) FROM OPERATIONS		1.077.235	(196.108)	461.041	89.939
NONOPERATING INCOME (EXPENSES)					
Nonoperating income		6	-	17.890	4.942
Nonoperating expenses		-	-	(6.576)	3.656
		6	-	11.314	8.598
INCOME (LOSS) BEFORE TAXES AND MINORITY INTEREST		1.077.241	(196.108)	472.355	98.537
Income and social contribution taxes		-	-	604.886	(249.028)
NET INCOME (LOSS)		1.077.241	(196.108)	1.077.241	(150.491)
EARNINGS (LOSS) PER THOUSAND SHARES - R$		5,29	(1,46)	5,29	(1,12)
Number of shares (thousand)		203.462.739	133.907.046	203.462.739	133.907.046

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

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

LIGHT S.A.

STATEMENTS OF CHANGES IN FINANCIAL POSITION FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(In thousands of Brazilian reais - R$)

	Company		Consolidated	
	12/31/2007	12/31/2006	12/31/2007	12/31/2006
SOURCES OF FUNDS				
From operations:				
Net income (loss)	1.077.241	(196.108)	1.077.241	(150.491)
Items not affecting working capital:				
Depreciation and amortization	-	-	327.960	321.081
Adjustment of investment accounted for under the equity method	(1.084.533)	186.536	-	1.516
Prior year income	-	-	-	45.616
Deferred income and social contribution taxes - long-term	-	-	(855.132)	4.298
Write-off of property, plant and equipment	-	-	(10.495)	5.661
Write-off of deferred	-	-	-	22.415
Provision for contingencies	-	-	99.267	353.122
Provision of recovering of tariff margin and adjustment of presents value assets	-	-	28.045	78.587
Monetary variation long-term regulatory assets	-	-	(128.768)	(205.855)
Monetary variation long-term regulatory liabilities	-	-	51.341	116.153
Monetary variation on Braslight actuarial deficit	-	-	55.940	30.208
Monetary variation on long term provisions	-	-	78.692	120.974
Foreign exchange and monetray variation on long-term	-	-	(91.206)	(92.550)
Other	-	-	(40.528)	(6.909)
	(7.292)	(9.572)	592.357	643.826
From own capital:				
Capital increase	-	1.704.617	-	1.704.617
	-	1.704.617	-	1.704.617
From third parties and controlling shareholder:				
Loans and financing	-	-	1.693.627	9.126
Financial charges capitalized to the principal	-	-	9.687	42.071
Increase in recoverable cost variations - Portion A (CVA)	-	-	29.167	3.922
Dividends company	528.000	-	-	-
Disposal of assets	-	-	28.000	-
Transfer from long-term to current assets:	-	-	220.446	423.598
	528.000	-	1.980.927	478.717
TOTAL SOURCES	520.708	1.695.045	2.573.284	2.827.160
USES OF FUNDS				
In operations:				
Increase in noncurrent assets:	-	-	290.477	186.627
Increase in permanent assets:				
Investment accounted for under the equity method	-	1.695.292	-	-
Acquisition of property, plant and equipment and improvements	-	-	488.087	392.950
Deferred charges and other investments	-	-	17.597	74.469
Transfer from long-term to current liabilities:				
Loans and financing	-	-	1.942.639	366.811
Other	611	-	94.740	108.776
Declared dividends	518.000	-	-	-
Proposed dividends	-	-	203.463	-
Other	-	-	-	52.585
TOTAL USES	518.611	1.695.292	3.037.003	1.182.218
INCREASE (DECREASE) IN WORKING CAPITAL	2.097	(247)	(463.719)	1.644.942

(continues)

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

LIGHT S.A.

STATEMENTS OF CHANGES IN FINANCIAL POSITION FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(In thousands of Brazilian reais - R$)

	Company		Consolidated	
	12/31/2007	12/31/2006	12/31/2007	12/31/2006
REPRESENTED BY WORKING CAPITAL:				
CURRENT ASSETS				
At beginning of year	668	1	3.387.728	1
At end of year	206.545	668	2.918.340	3.387.728
Total	205.877	667	(469.388)	3.387.727
CURRENT LIABILITIES				
At beginning of year	914	-	1.742.785	-
At end of year	204.694	914	1.737.116	1.742.785
Total	203.780	914	(5.669)	1.742.785
INCREASE (DECREASE) IN WORKING CAPITAL	2.097	(247)	(463.719)	1.644.942

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

11.01 – NOTES TO THE FINANCIAL STATEMENTS

CONTENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Amounts in thousands of Brazilian reais - R$)

1. OPERATIONS

Light S.A. (the "Company") was established as a subsidiary of LIGHT – Serviços de Eletricidade S.A. ("Light SESA"), on July 27, 1999, and remained as a subsidiary until September 12, 2005, when its shares were sold to LIDIL Comercial Ltda.

Light S.A. is engaged in holding equity interests in other companies and operating directly or indirectly, as applicable, electric power services, including electric power generation, transmission, sale and distribution systems, as well as other related services.

In compliance with Law No. 10,848/2004, on September 5, 2005, ANEEL (National Electric Power Agency) approved, through Authorization Resolution No. 307/2005, the corporate restructuring project under which Light S.A. became the Light Group's holding company. This project was approved by the Extraordinary Shareholders' Meeting held on January 13, 2006.

On January 14, 2006, Light S.A. held an Extraordinary Shareholders' Meeting to reduce the capital of Light SESA in exchange for the receipt of: (i) all the shares of Light Energia S.A.; (ii) the equity interests held by Light SESA in the companies Lightger Ltda., Lighthidro Ltda., Light Esco – Prestação de Serviços Ltda., Itaocara Energia Ltda., HIE Brasil Rio Sul Ltda. and Instituto Light Para o Desenvolvimento Urbano e Social; and (iii) cash.

After this capital reduction, Light S.A. became the holding company of all the Light Group's operating companies, including the former holding company Light SESA, as shown below:

Light Serviços de Eletricidade S.A. (Light SESA) - publicly-traded corporation engaged in the distribution of electric power;

Light Energia S.A. - engaged in studying, planning, constructing and operating electric power generation, transmission and sale systems and related services;

Light Esco Prestação de Serviços Ltda. - engaged in providing services related to co-generation, projects, management and solutions, such as efficiency and definition of energy matrixes;

Itaocara Energia Ltda. - in the preoperating stage, primarily engaged in the operation and production of electric power;

Lightger Ltda. and Lighthidro Ltda. - in the preoperating stage, both to participate in bids for concession, authorization and permission for new plants;

Instituto Light - participation in social and cultural projects, interest in the cities' future and their economic and social development, affirming its vocation to be a socially responsible company.

Light Group's concessions, permissions and authorizations:

Concessions/authorizations	Date of concession/authorization	Expiration
Generation, transmission and distribution (direct)	July 1996	June 2026
Paracambi hydroelectric plant (indirect)	February 2001	February 2031
Itaocara hydroelectric plant (indirect)	March 2001	March 2036

2. PRESENTATION OF FINANCIAL STATEMENTS

The individual and consolidated financial statements of the Company and its subsidiaries are presented in thousands of Brazilian reais and other currencies, unless otherwise stated, including the notes to the financial statements, and have been prepared in accordance with Brazilian accounting practices, including the accounting practices established by Brazilian corporate law, standards of the Brazilian Securities Commission (CVM), and standards established by the National Electric Power Agency (ANEEL) for electric power concessionaires.

These financial statements have been prepared in accordance with the principles, practices and criteria consistent with those adopted in the preparation of the financial statements for the year ended December 31, 2006, disclosed in the official press on March 10, 2007.

Additional information is presented in notes to the financial statements, in accordance with instructions contained in SFF/ANEEL Official Letter No. 2409/2007, dated November 14, 2007, and with CVM/SNC/SEP Official Letter No. 01/2007, dated February 14, 2007.

11.01 – NOTES TO THE FINANCIAL STATEMENTS

The financial statements for the year ended December 31, 2006 have been reclassified, when applicable, for comparability purposes, as shown below:

	Published	Reclassified	Notes
Current assets			
Trade accounts receivable			
(-)Allowance for doubtful accounts – extraordinary tariff adjustment	-	(34.148)	Note 6
Other receivables			
Recoverable taxes	276.021	611.974	Note 7
Noncurrent assets			
Trade accounts receivable			
(-) Allowance for doubtful accounts – extraordinary tariff adjustment	(34.148)	-	Note 6
Other receivables			
Recoverable taxes	715.322	379.369	Note 7
Other			
Prepaid expenses	-	6.630	Note 8
Permanent assets			
Property	3.696.771	3.645.302	Note 11
Deferred	97.910	41.753	
Intangible	183.113	284.109	Note 12
Current liabilities			
Provisions			
Regulatory charges	335.306	137.740	Note 15
Other			
Other payables	75.391	272.957	Note 17
Noncurrent liabilities			
Provisions			
Regulatory charges	109.258	-	Note 15
Other			
Other payables	118.777	228.035	Note 17
Statement of operations			
Deductions from gross revenue			
Global reserve for reversion quota	(76.506)	(548.891)	Note 25
Cost of sales and/or services			
Fuel Usage Quota (CCC)	(425.625)	-	Note 27
Operating income (expenses)			
General and administrative expenses	(439.036)	(392.276)	Note 27

Note 6 – Accounts receivable – consumers and distributors: reclassification from noncurrent to current assets.

Note 7 – Recoverable taxes: reclassification of the current portion of deferred income and social contribution taxes from noncurrent to current assets.

Note 8 – Prepaid expenses: The amount of R$6,630 related to debenture issue expenses has been reclassified from Deferred Charges to Prepaid expenses.

Notes 11 and 12 – Property, plant and equipment and Intangible assets: the amount of R$100,996 has been reclassified to Intangible Assets in Progress – Generation, of which R$49,527 has been previously classified in Deferred Charges and R$51,469 in Property, Plant and Equipment in Progress – Generation. The total amount refers to expenses related to the concession of the subsidiary Itaocara Energia Ltda. to expire in March 2036.

Notes 15 and 17 – Regulatory Charges and Other Payables: reclassification of the amount of R$306,824 related to the accounts R&D (Research and Development), PEE (Energy Efficiency Program), EPE (Energy Research Company) and FNDCT (National Scientific and Technological Development Fund) (R$197,566 – current and R$109,258 – long-term) to better conform to the nature of the accounts.

Notes 25 and 27 – Consumer Charges and Operating Costs and Expenses: pursuant to ANEEL Resolution No. 3073, of December 28, 2006, effective beginning January 1, 2007, consumer charges related to the PEE, R&D, CDE (Electric Power Development Account) and CCC (Fuel Usage Quota), previously recorded under the captions Operating Expenses and Cost of Sales and/or Services, started to be recorded under the caption Deductions, thus reclassifying the corresponding amounts as of December 31, 2006.

Note 39 – Cash flows: Reclassifications in the statement of cash flows as of December 31, 2006 for better comparability with the 2007 statement.

In compliance with BOVESPA (São Paulo Stock Exchange) New Market ("Novo Mercado"), the individual and consolidated Statements of Cash Flows for the years ended December 31, 2006 and 2007 are being presented as supplemental information.

3. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

a) General accounting practices:

Current and noncurrent assets

- Cash and cash equivalents - comprise temporary cash investments stated at cost plus income earned through the balance sheet date, which does not exceed market value.

- Accounts receivable – consumers and distributors – include billed and unbilled (estimate) electricity sales, fine and interest on late payment and renegotiated receivables from consumers and electricity sales to other distributors according to the volumes made available through the CCEE (Electric Power Trade Chamber), and receivables related to different types of regulatory assets.

- Inventories (including property, plant and equipment) – materials inventory, classified in current assets (maintenance and administrative supplies) and those to be used in investments, classified in noncurrent assets – property, plant and equipment (deposit for construction works), are stated at the average acquisition cost, not in excess of replacement or realizable values, less related provisions for losses, when applicable.

- Other assets – stated at probable realizable values, including, when applicable, monetary variations and income earned through the balance sheet date.

- Investments – significant investments in subsidiaries are accounted for under the equity method. Other investments are stated at cost, plus monetary adjustment through December 31, 1995, less provisions for losses, when applicable.

- Property, plant and equipment – stated at acquisition or construction cost, plus monetary adjustment through December 31, 1995, less accumulated depreciation.

- Intangible assets - stated at cost, plus monetary adjustment through December 31, 1995, less accumulated amortization.

- Deferred charges – stated at cost, less amortization calculated under the straight-line method over a period of not more than 10 years.

Current and noncurrent liabilities

- Current and noncurrent liabilities - stated at known or estimated amounts, plus interest and monetary and exchange variations incurred through the balance sheet date when applicable.

- Current and deferred income and social contribution taxes – calculated at the tax rates prevailing at the balance sheet date and recorded on an accrual basis. Deferred taxes resulting from temporary differences and tax loss carryforwards are recorded assuming that they will be realized in the future based on Management's projections of future taxable income.

- Pension plan and other employee benefits - Costs, contributions and actuarial liability were calculated by independent actuaries at the balance sheet date, using the projected unit credit method, in accordance with CVM Resolution No. 371/2000, and charged to retained earnings in 2001. Monetary adjustment of such balances is charged to operations.

- Reserve for contingencies – recorded for lawsuits assessed by Management and legal counsel as probable loss.

Results of operations

Accounted for on the accrual basis:

- Revenue recognition – Service revenues are recognized as earned. Electricity sales to consumers are billed monthly upon the meter reading. Unbilled revenues, relating to the period between the date of the last meter reading and the close of the month, are estimated and recorded as revenue in the month the electric power was consumed.

- Use of estimates – The preparation of financial statements requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

  The main estimates in the financial statements include the following:

  - provision for losses on the extraordinary tariff adjustment established by ANEEL;
  - allowance for doubtful accounts;
  - reserve for contingencies and pension plans;
  - recovery of deferred income and social contribution taxes;
  - provision for low-income consumers;

- Financial income (expenses) – Consist of interest and monetary and exchange variations on receivables and payables that are monetarily adjusted through the balance sheet date, results of hedge operations that are recorded over the terms of the related contracts, and temporary results recognized in the financial statements through maturity. Foreign currency assets and liabilities are translated into Brazilian reais at the exchange rate reported by the Central Bank of Brazil at the balance sheet date. The net effect of such adjustments is credited or charged to operations.

- Earnings (loss) per share - Calculated based on the number of shares outstanding at the balance sheet date.

b) Regulatory Accounting Practices – Specific for the Electric Power Industry

- Chart of Accounts – The Company adopts the chart of accounts included in the Accounting Manual for Electric Power Utilities established by ANEEL Resolution No. 444, of October 26, 2001, as subsequently amended by ANEEL Resolution No. 473, of March 06, 2006, and No. 219, of April 11, 2006, and Resolutions No. 657, of March 30, 2006, and No. 3033, of December 21, 2006.

- Regulatory assets and liabilities - Refer to receivables or payables arising from the concession agreement, the purpose of which is, but not limited to, ensure the economic and financial balance of the concession.

  Pursuant to the distribution concession agreement of Distribuidora Light SESA, tariffs shall cover the costs of activities, provided that the appropriate efficiency level of the concessionaires or permittees and the accuracy of the accounting information are ensured.

- Allowance for doubtful accounts – Recorded based on an individual analysis of receivables from residential consumers overdue for more than 90 days, commercial consumers overdue for more than 180 days, and industrial, rural and public sector consumers overdue for more than 360 days. For a better assessment and judgment of doubtful accounts, it is also based on an individual analysis of the balance of the largest customers, including debts paid in installments and the history of collections.

- Prepaid expenses - Consist mainly of costs disbursed but not yet incurred and the CVA (recoverable cost variations – Portion A) account and related charges, which will be charged to operations when the related revenue is billed to consumers according to Administrative Rule No. 296 of October 25, 2001 and No. 116 of April 4, 2003, Law No. 10448 of April 26, 2002 and ANEEL supplementary resolutions.

- Property, plant and equipment in service - Assets and installations used in the concession service, which are recorded and controlled through a Registration Unit (UC) and Addition and Disposal Unit (UAR), Fixed Asset Order (ODI), book account, and data of transfer (capitalization) to Property, plant and equipment in service.

  - Asset technical reserve - Asset or group of assets which, for technical reasons related to the reliability of the power system, are not in service but are available for immediately going into operation. The reserve is accounted for according to all provisions applicable to property, plant and equipment in service, except for depreciation, which is interrupted while the assets remain in that status.

  - Depreciation - calculated under the straight-line method based on the balances recorded in the respective Registration Units (UC). Annual rates are determined in the table attached to ANEEL Resolutions No. 44, of March 17, 1999 and No. 473, of March 6, 2006.

- Property, plant and equipment in progress - Assets and installations in progress or construction.

  - General management apportionment (RAG) - Part of the administrative and general expenses, on own personnel, services, leases and rentals, and other, are monthly allocated to property, plant and equipment in progress and other orders in progress based on adequate criteria.

  - Financial charges - Pursuant to the provisions of Accounting Instruction No. 6.3.10 of the Accounting Manual for Electric Power Utilities, established by ANEEL Resolution No. 444, of October 26, 2001 and CVM Resolution No. 193, of July 11, 1996, interest, monetary variations, and financial charges on funds borrowed from third parties to finance property, plant and equipment in progress are allocated to orders in progress as costs. In 2006 and 2007, the Light Group did not capitalize a significant amount of financial charges.

- Special obligations - concession - Represent the balance of amounts received from Municipalities, States, the Federal Government and Consumers in general, related to donations and the share in investments made in association with the concessionaire.

  Under Accounting Instruction No. 6.3.23 of the Accounting Manual for Electric Power Utilities, concession obligations, recorded in noncurrent liabilities, are stated as a deduction from Noncurrent assets – property, plant and equipment, in view of their special characteristics as funding with the specific purpose of financing construction works.

- Regulatory charges

Global reserve for reversion quota (RGR) – is a charge paid monthly by Brazilian power utilities to provide funds for the reversal, expansion and improvement of the public power services. Its annual amount is equivalent to 2.5% of the investments made by the concessionaire in assets linked to power utility services, limited to 3.0% of its annual revenue.

Fuel Usage Quota (CCC) – is the portion of tariff revenue paid by distributors, in the interconnected systems for two purposes: pay expenses on fuel used by the thermal power stations used to cover for shortages in power produced by hydropower plants; and subsidize part of the expenses on fuel of isolated systems to allow that power tariffs in those locations have the same level as those charged in the interconnected systems.

Electric Power Development Account (CDE) – Its purpose is to promote the power development in the States and promote the competiveness of the power produced from alternative sources in the areas served by the interconnected systems, allowing a universal power utility service. Amounts payable are also set by ANEEL.

Recording of electric power purchase and sale transactions conducted through the CCEE (Electric Power Trade Chamber) - Cost of electricity purchase and revenues from electricity sales to distributors are recognized on an accrual basis according to the data provided by the CCEE, which is responsible for determining the amounts and quantities purchased and sold through the CCEE, or based on Management's estimate, when these data are not available.

c) Consolidation

The consolidated financial statements include the accounts of Light S.A. and its subsidiaries and affiliates (note 10), and have been prepared in accordance with the consolidation standards established by Law No. 6404/76 and CVM Instruction No. 247/96. Accordingly, intercompany investments, balances and transactions have been eliminated. Since there is no unrealized profit from intercompany transactions, the Company's shareholders' equity is equal to the consolidated shareholders' equity.

The table below shows the reconciliation between the Company's and consolidated loss for the year ended December 31, 2006:

Company's loss for the year ended December 31, 2006	(196,108)
Prior year adjustment	45,617
Consolidated loss for the year ended December 31, 2006	(150,491)

4. REGULATORY ASSETS AND LIABILITIES

	CONSOLIDATED			
	Current		Noncurrent	
	2007	2006	2007	2006
Assets				
Consumers and distributors	**95,114**	**248,124**	**-**	**128,087**
Extraordinary Tariff Adjustment, net - (a)1	37,866	152,260	-	98,318
Free energy, net - (a)1	16,354	67,914	-	29,769
Tariff adjustment (TUSD) – included in the tariff	28,862	20,350	-	-
Tariff adjustment (TUSD)	12,032	7,600	-	-
Prepaid expenses	**273,640**	**234,298**	**137,988**	**315,959**
CVA - (b)	45,909	127,562	1,898	12,615
PIS and COFINS - (c)1	6,079	68,618	-	-
Other regulatory assets - (c)2	18,373	38,118	-	-
Portion "A" - (a)2	203,279	-	136,090	303,344
TOTAL ASSETS	**368,754**	**482,422**	**137,988**	**444,046**
Liabilities				
Suppliers	**(16,053)**	**(67,914)**	**-**	**(29,769)**
Free energy, net - (a)3	(16,053)	(67,914)	-	(29,769)
Other debts	**(131,567)**	**(28,322)**	**(21,502)**	**(9,713)**
CVA - (b)	(76,686)	(26,221)	(21,502)	(9,713)
Other regulatory assets (c)2	(54,881)	(2,101)	-	-
TOTAL LIABILITIES	**(147,620)**	**(96,236)**	**(21,502)**	**(39,482)**
TOTAL	**221,134**	**386,186**	**116,486**	**404,564**

a) Rationing

An Emergency Power Rationing Program was created by Executive Act No. 2198 of August 24, 2001 to reduce power consumption and avoid unplanned interruption in power supply. The average reduction in consumption was estimated at 20%, in relation to the actual consumption for the months of May, June and July 2000. The power rationing program was effective from June 2001 through February 2002, when the government considered the reservoir levels back to normal. In the North region the program was discontinued in January 2002.

In December 2001, the Brazilian government and the electric utilities signed an Overall Agreement for the sector to restore the economic and financial balance of the existing agreements and recover revenues relating to the period the power rationing program was in effect.

During the Power Rationing Program, this agreement covered: (i) the margin losses incurred by the electric power distribution companies; (ii) additional costs of Portion A for the period from January 1 to October 25, 2001; (iii) costs of electric power purchased through the CCEE from generation companies not committed to initial contracts, called free energy, until December 2001; and (vi) substitution of the contractual right set forth in Annex V of the initial contracts (purchase and sale of power) related to the rationing period.

The Overall Agreement for the Electric Power Sector also covered the post-rationing period, March to December 2002, to trade the excess energy of the initial contracts for R$73.39 per MWh.

The revenue of the distribution and generation companies (free energy) for the rationing period is being recovered by an extraordinary tariff adjustment (RTE) (tariff increase of 2.9% for residential, rural and public lighting consumers and 7.9% for all other consumers, except low-income and free consumers): 74 months for Loss of Revenue and Free Energy; and until the full amortization of the "Portion A" balance.

Light SESA assessed the recovery based on the periods and recognized a provision for loss on RTE in the amount of R$281,634 (R$183,760 in 2006).

The financial statements as of December 31, 2007 included the following balances arising from the agreement:

1. Extraordinary Tariff Adjustment approved by ANEEL, composed of loss of revenue (approved by Resolutions No. 480/02, 481/02 and 01/04) and free energy (approved by Resolutions No. 01/04 and 45/04):

ASSETS	Approved amount	Accumulated adjustment	Amortized balance 2007	Unamortized balance	Provision for losses (term > 74 months)	Net unamortized balance
	(1)	(2)	(3)	(4) = (1+2-3)	(5)	(6) = (4-5)
Loss of revenue - power distribution co	722,455	657,503	1,060,458	319,500	(281,634)	37,866
Free energy - power generation compar	289,426	241,640	368,506	162,560	(146,206)	16,354
Total	**1,011,881**	**899,143**	**1,428,964**	**482,060**	**(427,840)**	**54,220**

2. Variation of Portion A Items (period from January 1, 2001 to October 25, 2001) to be recovered from March 2008 over the period necessary to reach the amount approved by ANEEL, according to the Official Letter No. 267/04:

ASSETS	Approved by Resolutions No. 482/02 and 001/04	Accumulated adjustment	Total accumulated 2007	Amortized balance 2007	Unamortized balance
	(1)	(2)	(3) = (1+2)	(4)	(5) = (3-4)
Portion A (January 1 to October 25, 20(	125,695	213,674	**339,369**	-	**339,369**

3. Amounts approved by ANEEL, consisting of transfer of free energy, relating to purchase of power through the Wholesale Energy Market (MAE) during the power rationing program period. The current transfer, as established in official letter No. 2003/07, is equivalent to 30.52% of the gross revenue from extraordinary tariffs, less taxes levied on RTE billing for the current month.

LIABILITIES	Approved by Resolutions No. 001/04 and 045/04	Accumulated adjustment	Total accumulated 2007	Amortized balance 2007	To be transferred	Provision for losses	Net balance to be transferred
	(1)	(2)	(3) = (1+2)	(4)	(5) = (3-4)	(6)	(7) = (5-6)
Transfer of free energy - power generat	289,426	263,571	**552,997**	315,477	**237,520**	(221,467)	**16,053**

Pursuant to Circulars No. 2212/05 and No. 074/06-SFF/SER/ANEEL, the extraordinary tariff adjustment balance was adjusted based on SELIC (Central Bank overnight rate) + 1% per annum, in the same manner as for financial costs of financing from the BNDES (National Bank for Economic and Social Development).

In December 2007, pursuant to Official Letter No. 2003/07, Light revised the amortization criteria for Free Energy assets of the generation companies, which is now performed at gross amounts collected, without any effect on income.

b) Recoverable cost variations – Portion A (CVA)

The CVA account consists of variations for the period and SELIC (Central Bank overnight rate) between annual adjustments of tariff for transfer of electric power from Itaipu; tariff for transportation of electric power from Itaipu; Fuel Usage Quota (CCC); Energy Development Account (CDE); System service charges (ESS); tariff for use of transmission facilities of the basic electric network, and compensation for use of water resources (CFURH).

Breakdown of CVA

	CONSOLIDATED			
	ASSETS			
	Current		Noncurrent	
	2007	2006	2007	2006
Compensation for use of water resources	-	66	-	-
Fuel usage quota (CCC)	-	40,510	-	3,187
Energy Development Account (CDE)	17,490	25,582	1,898	3,317
Costs of purchase of electricity	28,109	14,160	-	1,999
System service charges (ESS)	310	22,738	-	4,112
Energy purchased from Itaipu	-	876	-	-
PROINFA	-	22,540	-	-
Energy transportation from Itaipu	-	582	-	-
Energy transportation through basic network	-	508	-	-
TOTAL - CVA	**45,909**	**127,562**	**1,898**	**12,615**

	CONSOLIDATED			
	LIABILITIES			
	Current		Noncurrent	
	2007	2006	2007	2006
Fuel usage quota (CCC)	(70,836)	(1,137)	(5,871)	-
Costs of purchase of electricity	-	-	(5,231)	-
System service charges (ESS)	-	-	(4,005)	-
PROINFA	(16)	-	(158)	(1,445)
Energy transportation from Itaipu	(1,140)	-	(145)	(1,045)
Energy transportation through basic network	(4,694)	(25,084)	(6,092)	(7,223)
TOTAL - CVA	**(76,686)**	**(26,221)**	**(21,502)**	**(9,713)**

c) Tariff Adjustment for 2007

PIS and COFINS (taxes on revenue)

Refer to the tax rate increase and change in PIS and COFINS calculation to the noncumulative criterion, according to Law No. 10,637/02 and Law No. 10,833/03, respectively, as amended by Law No. 10,865/04, which were passed on to the 2007 annual tariff adjustment of the subsidiary Light SESA, through Ratifying Resolution No. 563, of November 6, 2007, to be amortized through October 2008.

2-Other regulatory assets/liabilities

Financial components passed on to the 2007 annual tariff adjustment of the subsidiary Light SESA, through Ratifying Resolution No. 563, of November 6, 2007. ANEEL considered the financial component amount in November 2007 to be negative by R$20,788, which will be amortized through October 2008. After amortization to date, the remaining balance is R$18,373 (R$38,118 as of December 31, 2006).

5. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	2007	2006	2007	2006
Cash and cash equivalents	129	124	88,865	78,169
Temporary cash investments	2,407	82	401,346	616,939
Total	**2,536**	**206**	**490,211**	**695,108**

			Company		Consolidated	
			2007	2006	2007	2006
Cash investments:	Rate	Maturity				
Overnight (subsidiaries LIR and LOI)	-	Daily	-	-	299	1,475
CDB (bank certificates of deposit)	CDI	Daily	2,407	82	393,769	594,039
Other	CDI	Daily	-	-	7,278	21,425
Total			**2,407**	**82**	**401,346**	**616,939**

CDI (Interbank deposit rate)

6. ACCOUNTS RECEIVABLE – CONSUMERS AND DISTRIBUTORS

	Consolidated	
	12/31/2007	12/31/2006
CURRENT		
Billed sales	1,442,639	1,409,770
Unbilled sales	273,111	249,409
Installment payment of debts	149,560	382,390
	1,865,310	**2,041,569**
Electric power purchase and sale transactions through the CCEE (note 26)	16,691	13,177
Electric network usage charges - TUSD (note 4)	47,160	46,600
Recoverable tariff amounts	40,894	27,951
Free energy – reimbursement to electric power generation companies (note 4)	16,354	67,914
Extraordinary tariff adjustment (RTE) (note 4)	37,866	152,260
	158,965	**307,902**
	2,024,275	**2,349,471**
(-) Allowance for doubtful accounts	(667,895)	(579,060)
(-)Allowance for doubtful accounts – extraordinary tariff adjustment	(11,271)	(34,148)
	1,345,109	**1,736,263**
NONCURRENT		
Installment payment of debts	326,066	88,974
Taxes on free energy – PIS/COFINS (taxes on revenues)	28,310	28,310
(-) Provision for free energy - PIS/COFINS	(28,310)	(28,310)
Free energy – reimbursement to electric power generation companies	146,205	214,965
(-) Provision for free energy (notes 4)	(146,205)	(185,196)
Extraordinary tariff adjustment (RTE) (note 4)	281,634	253,768
(-) Provision for loss on extraordinary tariff adjustment	(281,634)	(155,450)
	326,066	**217,061**

Renegotiated receivables under installment plans with maturities of more than one year bear interest negotiated with consumers on a case-by-case basis.

The aging of current and past-due receivables related to electric power sales and renegotiated receivables to be paid in installments is as follows:

	2007			
	Current	Past-due up to 90 days	Past-due for more than 90 days	Total
Residential	191,186	130,186	522,208	843,580
Industrial	25,071	18,647	176,576	220,294
Commercial	129,225	38,820	143,758	311,803
Rural	579	315	338	1,232
Public sector	53,047	33,742	92,861	179,650
Public lighting	12,517	4,340	31,361	48,218
Public service	302,770	10,718	-	313,488
Billed sales and installment payments - current and noncurrent	**714,395**	**236,768**	**967,102**	**1,918,265**

	2006			
	Current	Past-due up to 90 days	Past-due for more than 90 days	Total
Residential	139,257	148,180	401,423	688,860
Industrial	27,950	25,395	173,378	226,723
Commercial	126,062	66,311	167,100	359,473
Rural	605	380	419	1,404
Public sector	56,143	51,507	97,419	205,069
Public lighting	14,102	25,198	51,034	90,334
Public service	74,001	2,010	233,260	309,271
Billed sales and installment payments - current and noncurrent	**438,120**	**318,981**	**1,124,033**	**1,881,134**

On April 12, 2007, the Company and Supervia (Public Service) entered into an agreement to reschedule the payment of the debit balance into 168 monthly, successive installments with progressive amounts ranging from R$500 thousand to R$1.2 million, with a twelve-month grace period for the payment of the first installment and the resumption of the payment of monthly power bills in April 2007. Supervia has been compliant with all terms of the agreement.

In 2007 Cedae (Public Service) resumed the regular payments. The accumulated debts, in the amount of R$118 million, was divided by the current management in 59 installments of R$2 million, to be automatically credited to the Company’s account.

7. TAXES

	Company				Consolidated			
	Assets		Liabilities		Assets		Liabilities	
	2007	2006	2007	2006	2007	2006	2007	2006
CURRENT								
Income and social contribution tax credits (a)	209	150	-	-	58,340	36,411	-	-
State income surtax (b)	-	-	-	-	-	4,162	-	-
IRRF (withholding income tax)	-	-	-	-	11,522	12,279	24	1,174
Deferred income and social contribution taxes (c)	-	-	-	-	297,645	335,953	-	-
ICMS (state VAT) (f)	-	-	-	-	102,987	24,194	3,086	7,855
PIS/COFINS (taxes on revenue)	-	-	1	-	31,679	19,726	48,814	44,449
PIS/COFINS – PAES (Refis II) (d)	-	-	-	-	-	-	3,408	5,133
INSS – PAES (Refis II) (d)	-	-	-	-	-	-	7,915	6,022
Prepaid income and social contribution taxes	-	-	-	-	194,067	169,146	-	-
Income and social contribution taxes on unrealized profits a	-	-	-	-	-	-	33,010	-
Provision for income and social contribution taxes	-	-	-	-	-	-	200,268	182,960
Other	-	-	6	16	1,608	10,103	9,043	9,494
TOTAL	**209**	**150**	**7**	**16**	**697,848**	**611,974**	**305,568**	**257,087**
NONCURRENT								
Deferred income and social contribution taxes (c)	-	-	-	-	1,122,809	232,223	-	-
Deferred income and social contribution taxes – capital gai	-	-	-	-	-	-	2,187	2,187
ICMS (f)	-	-	-	-	107,493	147,146	-	-
Income and social contribution taxes on unrealized profits a	-	-	-	-	-	-	223,732	194,956
PIS/COFINS – PAES (Refis II) (d)	-	-	-	-	-	-	15,337	38,983
INSS – PAES (Refis II) (d)	-	-	-	-	-	-	35,616	43,056
TOTAL	**-**	**-**	**-**	**-**	**1,230,302**	**379,369**	**276,872**	**279,182**

Reconciliation of tax charges between effective and statutory rates:

	Consolidated	
	2007	**2006**
Income (loss) before income and social contribution taxes	472,355	98,537
Combined income and social contribution tax rate	34%	34%
Income and social contribution taxes at statutory rates	**(160,601)**	**(33,503)**
Effect of income and social contribution taxes on permanent additions and deductions	(4,449)	(272,289)
Effect of income and social contribution taxes on equity in subsidiaries abroad	(39,986)	14,742
Difference between income and social contribution tax bases	(2,412)	17,860
Net income of off-shore companies	(61,457)	(74,232)
Offset of tax loss – 30% - not recognized in income	353	101,954
Losses on uncollectible receivables	23,800	-
Provision for income tax loss - State income surtax	(4,162)	-
Provision for social contribution tax deficiency notice	-	(6,595)
Recognition of deferred asset	851,250	-
Tax incentives	2,550	3,035
Income and social contribution taxes	**604,886**	**(249,028)**
Current income and social contribution taxes - Light	(250,246)	(249,028)
Deferred income and social contribution taxes - Light	855,132	-
	604,886	**(249,028)**

a) Refers to tax credits available for offset arising from refunds from temporary cash investments and government agencies. The variation in this balance refers to the monthly adjustment at SELIC (Central Bank overnight rate) in the amount of R$3,735 and the recognition of new credits in the amount of R$18,194. The credits recognized in 2007 are being offset in January 2008.

b) Refers to state income surtax for which Light SESA obtained a final and unappealable judicial decision and is awaiting payment release. Because of the uncertainty concerning the receipt of this payment, Management decided to recognize an allowance for the entire amount receivable.

c) From 2002 to 2006, the subsidiary Light SESA did not recognize any new deferred tax assets on temporary differences (accounting provisions) and tax loss carryforwards (years 2002-2003), pursuant to CVM Instruction No. 371/02, because at that time it did not report taxable income for at least three years within a minimum five-year history. In 2007, with the cumulative compliance with all requirements of this CVM rule, Light SESA started to recognize new deferred tax assets on temporary differences and also reversed part of the provision for tax credits. See detail in the reconciliation table above.

   To support these deferred tax assets, the Company updated, already considering realizations through December 2007, the technical feasibility studies approved by the Board of Directors and submitted to the Supervisory Board, which point to a recovery within 12 years. The recognition of the tax credit comprises the amount recoverable in up to 10 years, as set forth by CVM Instruction No. 371/02 and the non-expiration assumption set out by the Corporate Income Tax Regulations. This study was based on the expected future taxable income. The table below shows the realization of the deferred tax assets by year.

Instrução CVM n.º 371 de 25 de junho de 2002

2008	297,645
2009	182,345
2010	140,729
2011	221,006
2012	166,764
2013 to 2017	405,000
2018 to 2020	125,427
	1,538,916
(-) Provision for loss	(118,462)
Total – Light Consolidated	**1,420,454**

Deferred taxes were recognized assuming that they will be realized in the future, considering:

i. Tax loss carryforwards – Will be offset up to the annual limit of 30%, against the tax basis determined in the next fiscal years.

ii. Temporary differences – Realization will take place at the time the provisions are paid and/or when doubtful accounts are effectively lost.

Deferred tax assets result from tax loss carryforwards and expenses/revenues (temporarily nondeductible provisions) charged/credited to operations, which will be deducted from/added to taxable income and social contribution tax basis in future periods. Deferred tax assets as of December 31 are as follows:

	Consolidated	
	2007	**2006**
CURRENT AND NONCURRENT ASSETS AND LIABILITIES		
Tax loss carryforwards	808,588	898,971
Allowance for doubtful accounts	301,359	234,207
Provision for employee profit sharing	9,897	5,123
Reserve for labor contingencies	55,148	46,037
Reserve for tax contingencies	237,968	225,491
Reserve for civil contingencies	89,732	82,917
Other	35,385	29,625
	1,538,077	**1,522,371**
(-) Provision for tax credits	(118,462)	(957,886)
Total – Light SESA	**1,419,615**	**564,485**
Tax loss carryforwards - Light Energia and Light Esco	839	3691
Total – Consolidated	**1,420,454**	**568,176**

d) Tax Debt Refinancing Program – PAES (REFIS II) – Law No. 10,684 of May 31, 2003 introduced the Tax Debt Refinancing Program (PAES), designed to settle debts owed by legal entities to the Federal Government, related to taxes administered by the Federal Revenue Service, National Treasury Attorney General, and National Institute of Social Security (INSS). The deadline for opting for the installment plan was July 31, 2003 and was later extended to August 29, 2003.

On July 31, 2003, the subsidiary Light SESA filed its application for PAES (No. 200300003672), as confirmed by the Federal Revenue Service, and paid the first installment on the same date. The debt included in PAES was R$51,344 (net of 50% fine reduction), which was under administrative dispute as to the legality of the deduction of RGR (global reserve for reversion quota) and CCC (fuel usage quota) from the PIS and COFINS tax bases. The payment is being made in 120 installments, but the consolidated debt amount has not yet been ratified by the Federal Revenue Service. As of December 31, 2007, the subsidiary has paid 57 installments. The installments were calculated based on the total debt divided by the number of installments, subject to the TJLP (long-term interest rate). The balance as of December 31, 2007 is R$18,745 (R$44,116 as of December 31,2006).

The Company's subsidiary filed its application for PAES (No. 60.213.452-8) with the INSS on July 31, 2003. The debt included in PAES was R$59,975 (net of 50% fine reduction), which was under judicial dispute seeking recovery of the amounts paid for SAT (occupational accident insurance). The payment is being made in 120 installments and the consolidated debt amount has already been ratified by the INSS. As of December 31, 2007, the subsidiary has paid 57 installments. The installments were calculated based on the total debt divided by the number of installments, subject to the TJLP (long-term interest rate). The balance as of December 31, 2007 is R$43,531 (R$49,078 as of December 31, 2006).

e) On February 20, 2003, Light SESA filed a petition for an injunction releasing it from the payment of income and social contribution taxes on:

   i. Profits earned by the companies LIR and LOI before they are effectively available, in which case sole paragraph, article 74 of Executive Act No. 2158-35, of August 24, 2001, for the periods from 1996 to 2001, shall not apply;

   ii. Profits earned by the companies LIR and LOI before they are effectively available, in which case article 74, heading, of Executive Act No. 2158-35/01, for calendar year 2002 and following years, shall not apply;

   Subject to the effects of the decision on injunction No. 2003.51.01.005514-8, which suspended the collection of income and social contribution taxes, the Company is currently awaiting judgment by the Regional Federal Court - 2nd Region of the appeal filed by the Ministry of Finance.

   Based on said court decision, Light SESA suspended the payment of income and social contribution taxes on taxable income for 2004, 2005, 2006 and 2007 resulting from the addition, to the tax basis, of profits earned by companies located abroad. The provision is R$256,742 (R$33,010 – current and R$223,732 – noncurrent).

f) Recoverable ICMS includes R$109,283 as of December 31, 2007 (R$134,645 as of December 31, 2006) of credits arising from renegotiation of CEDAE's debt in July and December 2006, recorded in current and noncurrent.

8. PREPAID EXPENSES

	Company		Consolidated	
	2007	2006	2007	2006
CURRENT				
CVA (note 4)	-	-	45,909	127,562
PIS and COFINS – IRT (note 4)	-	-	6,079	68,618
Swap premium	-	-	544	11,059
Overall Agreement for Electric Power Sector – Portion A (note 4)	-	-	203,279	-
Financial components – IRT (note 4)	-	-	18,373	38,118
Other	171	56	1,434	2,373
Total	**171**	**56**	**275,618**	**247,730**
NONCURRENT				
CVA (note 4)	-	-	1,898	12,615
Overall Agreement for Electric Power Sector – Portion A (note 4)	-	-	136,090	303,344
Expenses on placement of debentures	-	-	13,292	6,630
Other	-	-	7,750	-
Total	**-**	**-**	**159,030**	**322,589**

9. OTHER RECEIVABLES

	Company		Consolidated	
	2007	2006	2007	2006
CURRENT				
Low-income consumers	-	-	1,128	7,743
Advances to suppliers and employees	15	6	7,677	13,375
Employees temporarily transferred to other companies	-	-	1,324	1,324
Public lighting fee	-	-	20,177	26,654
Property rental	-	-	2,139	1,511
Other	151	250	3,636	4,343
Total	**166**	**256**	**36,081**	**54,950**
NONCURRENT				
PIS and COFINS available for offset (a)	-	-	84,271	84,271
Provision for CVA (b)	-	-	625	15,762
Assets and rights for sale	-	-	11,597	11,534
Other	-	-	695	643
Total	**-**	**-**	**97,188**	**112,210**

a) Refers to tax credits from the review of calculations of PIS/COFINS on energy transportation tariff charges.

b) Refers to the amounts calculated in the current month that will be transferred to regulatory assets when cash is actually disbursed.

10. INVESTMENTS

	Company		Consolidated	
	2007	2006	2007	2006
Accounted for under the equity method:				
Light SESA	2,522,612	1,347,958	-	-
Light Energia S.A.	127,080	147,132	-	-
Light Esco Prestação de Serviços Ltda	11,347	8,803	-	-
Lightger Ltda (b)	3,289	3,289	-	-
Lighthidro Ltda (b)	50	50	-	-
Itaocara Energia (b)	849	849	-	-
Instituto Light	-	4	-	-
Subtotal	**2,665,227**	**1,508,085**	**-**	**-**
Stated at cost (monetarily adjusted through December 31, 1995, when applicable)	-	-	3,796	3,796
Leased assets (a)	-	-	8,099	29,796
Other	1,167	671	1,262	1,233
Subtotal	**1,167**	**671**	**13,157**	**34,825**
Total	**2,666,394**	**1,508,756**	**13,157**	**34,825**

a) On April 27, 2007, the property located in Praia do Flamengo, belonging to Light SESA, was sold. The sale value was R$28,000, which generated a gain of R$7,770 in the 2nd quarter of 2007, classified into the caption nonoperating income (expenses).

b) Preoperating companies

INFORMATION ON SUBSIDIARIES AND AFFILIATES

	Light SESA	Light Energia	Light Esco	Light Ger	Light Hidro	Instituto Light	Itaocara Energia
2007							
Ownership interest (%)	100	100	100	100	100	100	100
Paid-up capital	2,076,898	77,422	7,584	2,000	50	300	2,697
Shareholders' equity	2,522,612	127,080	11,347	3,289	50	-	849
Dividends paid	(450,000)	(78,000)	-	-	-	-	-
Proposed dividends	(190,401)	(13,062)	-	-	-	-	-
Net income (loss)	1,010,996	71,010	2,544	-	-	(17)	-
Advances and loans	(7,105)	-	-	-	-	-	7,088
2006							
Ownership interest (%)	100	100	100	100	100	100	100
Paid-up capital	4,315,556	77,422	9,427	2,000	50	300	2,697
Shareholders' equity	1,347,958	147,132	8,803	3,289	50	4	849
Net income (loss)	(210,323)	75,254	1,272	-	-	-	-
Advances and loans	-	-	-	-	-	7	7,102

CHANGES IN INVESTMENTS IN SUBSIDIARIES AND AFFILIATES

	Light SESA	Light Energia	Light Esco	Light Ger	Light Hidro	Itaocara Energia	Instituto Light	Total
Balance as of December 31, 2006	**1,347,958**	**147,132**	**8,803**	**3,289**	**50**	**849**	**4**	**1,508,085**
Shareholders' deficit in subsidiary	-	-	-	-	-	-	13	13
Subscription warrants	72	-	-	-	-	-	-	72
Capital increase	803,987		-	-	-	-	-	803,987
Dividends paid	(450,000)	(78,000)	-	-	-	-	-	(528,000)
Proposed dividends	(190,401)	(13,062)	-	-	-	-	-	(203,463)
Equity in subsidiaries	1,010,996	71,010	2,544	-	-	-	(17)	1,084,533
Balance as of Decemebr 31, 2007	**2,522,612**	**127,080**	**11,347**	**3,289**	**50**	**849**	**-**	**2,665,227**

11. PROPERTY, PLANT AND EQUIPMENT

	Consolidated			
	2007			2006
	Historical cost	Accumulated depreciation	Net	Net
Distribution	5,426,458	(2,550,016)	2,876,442	2,913,877
Generation	942,043	(405,678)	536,365	553,275
Transmission	17,299	(7,600)	9,699	10,063
Administration	299,534	(159,189)	140,345	146,830
Sale	230,031	(166,727)	63,304	60,411
In service	**6,915,365**	**(3,289,210)**	**3,626,155**	**3,684,456**
Distribution	249,689	-	249,689	135,845
Generation	31,120	-	31,120	14,937
Administration	30,027	-	30,027	29,471
Sale	5,170	-	5,170	4,093
In progress	**316,006**	**-**	**316,006**	**184,346**
Total property, plant and equipment	**7,231,371**	**(3,289,210)**	**3,942,161**	**3,868,802**
Special obligations - concession (a)	(240,040)	-	(240,040)	(223,500)
Total property, plant and equipment, net	**6,991,331**	**(3,289,210)**	**3,702,121**	**3,645,302**

a) The balance of special obligations is derived from the Reserve for Reversal recognized until 1971 and was invested until that date in electric utility expansion projects, and from contributions from several consumers to finance the works necessary to meet the electric power demand.

	Consolidated	
	2007	2006
Reserve for reversal	69,934	69,934
Contribution from consumer	123,484	114,438
Investment grants	37,478	37,478
Research and development	9,144	1,650
Total	**240,040**	**223,500**

The maturity of these obligations is established by the Regulatory Agency, ANEEL, and will occur at the end of the concession period, through a reduction of the residual value of property, plant and equipment so as to determine the indemnity to be paid by the Concession Authority to the concessionaire Light SESA.

In accordance with articles 63 and 64 of Decree No. 41,019 of February 26, 1957, assets and installations used in the generation, transmission, distribution and sale of electric power are linked to these services and cannot be retired, sold or pledged as mortgage guarantees without the prior and express authorization of the regulatory agency. ANEEL Resolution No. 20/99 regulates the electric power utility concession assets, giving prior authorization for not restricting assets not tied 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.

b) There are no assets and rights belonging to the Federal Government in use at the Company.

c) Property, plant and equipment in progress includes materials inventories for use in projects whose balance as of December 31, 2007 was R$35,200 (R$33,902 as of December 31, 2006) and a provision for inventory loss of R$2,710 (R$5,333 as of December 31, 2006).

d) Annual depreciation rates

The main annual depreciation rates, according to ANEEL Resolution No. 044, of March 17, 1999, are as follows:

Generation	%	Transmission	%	Distribution	%	Administration	%
Buildings	2.0	System structure	5.0	Capacitors bank	6.7	Buildings	4.0
Generator	3.3	Lead	5.0	System lead	5.0	Vehicles	20.0
				System structure	5.0		
				Voltage regulator	4.8		
				Transformer and distribution	5.0		
Average depreciation rate Generation	2.9	Average depreciation rate Transmission	1.8	Average depreciation rate Distribution	4.6	Average depreciation rate Administration	7.8

e) Light for All Program (not audited by independent auditors)

The Light for All Program was created on November 11, 2003 to allocate industry funds (CDE and RGR) and States' funds to finance universal service in rural areas. The goal of this program is to distribute electric power to Brazilian rural population that still does not have access to this public service by 2008.

In 2007 the Light for All program served 1,001 customers in 27 municipalities, by extending the MV network for further 250 km, and the LV network for another 14 km, installing 2,302 poles and 691 MV/LV transformers, with a total investment of R$8,896, and an advance of R$1,200 as a loan. The agreement establishes that 15% is the responsibility of Distribuidora, 52% of Eletrobrás (RGR - loan) and 33% of the State Government (loan).

To meet its goal of taking electricity to rural areas, the Light for All program is integrated with other social and rural development programs implemented by the Federal and State Governments, to ensure that rural electrification results in an increase in agricultural production, increase in electric power demand, growth of the population's income, and social inclusion.

12. INTANGIBLE ASSETS

	Consolidated			
	2007			2006
	Historical cost	Accumulated amortization	Net	Net
Intangible assets				
Distribution	180,407	(148,967)	31,440	44,056
Generation	5,799	(5,226)	573	1,125
Administration	60,083	(45,715)	14,368	8,790
Sale	150,524	(62,238)	88,286	6,789
In service	**396,813**	**(262,146)**	**134,667**	**60,760**
Distribution	8,932	-	8,932	3,784
Generation	102,813	-	102,813	100,996
Administration	24,678	-	24,678	112,303
Sale	-	-	-	6,266
In progress	**136,423**	**-**	**136,423**	**223,349**
Total intangible assets, net	**533,236**	**(262,146)**	**271,090**	**284,109**

The Light Group includes, in the caption "intangible assets", software, which is depreciated at the rate of 20% per year, and rights of way, which are not depreciated because they relate to the right to use a land strip, usually linked to a Transmission and Distribution Line.

13. SUPPLIERS

	Company 2007	Company 2006	Consolidated 2007	Consolidated 2006
CURRENT				
Foreign currency – Itaipu	-	-	134,829	130,889
Norte Fluminense thermoelectric plant	-	-	64,625	67,841
Electric network usage charges	-	-	48,086	44,643
Electric power purchase and sale transactions through the C(	-	-	152	1,572
System service charges	-	-	2,216	2,216
Free energy, net (note 4)	-	-	16,053	67,914
Power auctions	-	-	98,090	97,420
Other	-	-	6,426	4,291
	-	**-**	**370,477**	**416,786**
Material and services	380	231	117,964	48,186
Total	**380**	**231**	**488,441**	**464,972**
NONCURRENT				
Free energy, net (note 4)	-	-	221,467	214,965
(-) Provision for free energy (note 4)	-	-	(221,467)	(185,196)
	-	**-**	**-**	**29,769**

14. LOANS, FINANCING, DEBENTURES AND FINANCIAL CHARGES

Consolidated															
		2007				2006						2007			
	Signature	Principal		Charges		Principal		Charges		Currency/index	Interest rates	Remaining	Payment	Start	End
Financing agent	date	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent			installment	method	date	date
National Treasury - Par Bond	4/29/1996	-	68,938	890	-	-	83,210	1,075	-	*US$*	6.0000%	1	Single	2024	2024
National Treasury - Surety- Par Bond	4/29/1996	-	(28,854)		-	-	(32,559)	-	-	*US$*	U$ Treasury	1	Single	2024	2024
National Treasury - Discount Bond	4/29/1996	-	48,103	657	-	-	58,061	778	-	*US$*	Libor + 13/16	1	Single	2024	2024
National Treasury - Surety- Discount Bo	4/29/1996	-	(20,269)		-	-	(22,869)	-		*US$*	U$ Treasury	1	Single	2024	2024
National Treasury - Flirb	4/29/1996	1,757	878	36	-	2,120	3,181	71	-	*US$*	Libor + 13/16	5	Semiannual	2003	2009
National Treasury - C. Bond	4/29/1996	5,609	29,845	606	-	6,770	43,097	852	-	*US$*	8.0000%	15	Semiannual	2004	2014
National Treasury - Debit. Conv.	4/29/1996	6,563	22,972	407	-	7,922	35,649	589	-	*US$*	Libor + 7/8	11	Semiannual	2004	2012
National Treasury - New Money	4/29/1996	1,731	865	36	-	2,089	3,134	71	-	*US$*	Libor + 7/8	5	Semiannual	2001	2009
National Treasury - Bib	4/26/1996	213	1,065	24	-	257	1,543	33	-	*US$*	6.0000%	13	Semiannual	1999	2013
BNDES - Imports	3/27/1998	1,338	1,784	13	-	1,608	3,751	25	-	*Umbndes*	Cesta BNDES + 4%	37	Monthly	2000	2010
Kfw I - Tranche A	8/12/1999	295	-	7	-	711	356	26	-	*US$*	Libor + 0,6%	2	Semiannual	2000	2008
Societe Generale II	7/20/2000	3,334	3,335	23	-	4,025	8,050	47	-	*US$*	Libor + 0,65%	6	Semiannual	2003	2009
KFW III , IV and V - Tranche A/B/C	11/3/2000	1,552	3,018	2	-	3,256	5,515	3	-	*US$*	Libor + 0,65%	8	Semiannual	2003	2010
Deutche Bank	3/29/2000	-	-	-	-	-	342,078	6,394	-	*US$*	Libor + 4,35%	1	Single	2000	2010
J.P. Morgan Tranche A/B/C		-	-	-	-	-	730,610	66,394	6,719	*US$*	Libor + 0,65%	8	Semiannual	2003	2010
Foreign currency		**22,392**	**131,680**	**2,701**	**-**	**28,758**	**1,262,807**	**76,358**	**6,719**						
Eletrobrás	Sundry	4,972	7,135	295	-	4,895	10,090	303	-	Ufir	5% p.a.	from 2 to 120	Monthly e Trimestral		2013 to 2017
BNDES - 1st issue of debentures	2/16/1998	15,311	22,967	1,889	-	15,256	38,139	2,621	-	Tjlp	TJLP + 4% p.a.	6	Semiannual	2000	2010
BNDES - 4th issue of debentures	6/30/2005	-	5,600	41	-	-	808,096	5,508	-	Tjlp	TJLP + 4% p.a.	72	Monthly	2009	2015
5th issue of debentures	1/22/2007	50,000	950,000	22,680	-	-	-	-	-	Cdi	CDI + 1,50%	25	Trimestral	2008	2014
BNDES - FINEM	11/5/2007	-	242,567	926	-	-	-	-	-	Tjlp	TJLP + 4,3% p.a.	66	Monthly	2009	2014
CCB Bradesco	10/18/2007	-	450,000	10,649	-	-	-	-	-	Cdi	CDI + 0,85%	10	Annual	2012	2017
BNDES - rationing	8/28/2002	-	-	-	-	309,155	-	1,949	-	Selic	Selic +1%	8	Monthly	2002	2007
Bco Itaú - BNDES onlending	3/16/1999	-	-	-	-	4,396	-	19	-	Tjlp	TJLP + 4% p.a.	1	Monthly	2000	2007
Unibanco - BNDES onlending	3/16/1999	-	-	-	-	5,233	-	22	-	Tjlp	TJLP + 4% p.a.	1	Monthly	2000	2007
Bco Bri - BNDES onlending	3/16/1999	-	-	-	-	837	-	4	-	Tjlp	TJLP + 4% p.a.	1	Monthly	2000	2007
Bradesco Tranche A	1/12/2005	-	-	-	-	-	128,779	3,390	-	CDI	CDI + 2%	10	Semiannual	2005	2012
Bradesco Tranche B	7/12/2005	-	-	-	-	-	85,853	-	23,867	CDI	CDI + 2%	8	Semiannual	2005	2012
Unibanco - Tranche A	7/12/2005	-	-	-	-	-	147,156	3,874	-	CDI	CDI + 2%	10	Semiannual	2005	2012
Unibanco - Tranche B	7/12/2005	-	-	-	-	-	98,105	-	27,273	CDI	CDI + 2%	8	Semiannual	2005	2012
Bco Itaú - Tranche A	7/12/2005	-	-	-	-	-	55,429	1,470	-	CDI	CDI + 2%	10	Semiannual	2005	2012
Bco Itaú - Tranche B	7/12/2005	-	-	-	-	-	36,952	-	10,273	CDI	CDI + 2%	8	Semiannual	2005	2012
Local currency		**70,283**	**1,678,269**	**36,480**	**-**	**339,772**	**1,408,599**	**19,160**	**61,413**						
SWAP		**-**	**-**	**8,566**	**1,564**	**-**	**-**	**31,188**	**-**						
Total		**92,675**	**1,809,949**	**47,747**	**1,564**	**368,530**	**2,671,406**	**126,706**	**68,132**						

The principal of loans, financing and debentures matures as follows:

	Consolidated					
	2007			2006		
	Local currency	Foreign currency	Total	Local currency	Foreign currency	Total
2008	70,283	22,392	92,675	339,772	28,758	368,530
Total (current)	**70,283**	**22,392**	**92,675**	**339,772**	**28,758**	**368,530**
2008	-	-	-	50,235	35,290	85,525
2009	102,951	20,354	123,305	159,717	121,479	281,196
2010	153,797	14,170	167,967	244,519	493,527	738,046
2011	145,493	12,134	157,627	208,089	111,716	319,805
2012	320,493	8,853	329,346	408,711	215,436	624,147
2013	370,480	5,571	376,051	134,830	196,282	331,112
after 2013	585,055	70,598	655,653	202,498	89,077	291,575
Total (noncurrent)	**1,678,269**	**131,680**	**1,809,949**	**1,408,599**	**1,262,807**	**2,671,406**
Total	1,748,552	154,072	1,902,624	1,748,371	1,291,565	3,039,936

Loans, financing and debentures (not including financial charges) are as follows:

	Consolidated			
	2007		2006	
	R$	%	R$	%
USD	150,950	7.9%	1,286,206	42.3%
BNDES currency basket	3,122	0.2%	5,359	0.2%
Foreign currency (current and noncurrent)	**154,072**	**8.1%**	**1,291,565**	**42.5%**
SELIC (Central Bank overnight rate)	-	0.0%	309,155	10.2%
CDI (interbank deposit rate)	1,450,000	76.2%	552,274	18.2%
TJLP (long-term interest rate)	286,445	15.1%	871,957	28.7%
Other	12,107	0.6%	14,985	0.5%
Local currency (current and noncurrent)	**1,748,552**	**91.9%**	**1,748,371**	**57.5%**
Total (current and noncurrent)	**1,902,624**	**100.0%**	**3,039,936**	**100.0%**

The variation, in percentage terms, of major foreign currencies and economic indicators, which are used to adjust loans, financing and debentures, was as follows:

	2007 - %	2006 - %
USD	(17.20)	(8.66)
EUR	(7.50)	1.85
UMBNDES (BNDES monetary unit)	(16.57)	(8.52)
IGP-M (general market price index)	7.75	3.85
CDI (interbank deposit rate)	11.82	15.03
SELIC (Central Bank overnight rate)	11.88	15.07

Debt Rescheduling

5th Issue of Debentures (R$1 billion)

In January 2007, Light SESA completed the R$1 billion fund raising with the 5th issue of simple debentures in the market, with final maturity in 2014. The transaction was underwritten by Itaú BBA, with the participation of Bradesco, Unibanco, Citibank and BNP Paribás. This issue was intended to reduce foreign exchange exposure, lower costs, and loosen the package of covenants and guarantees of previous transactions, improving Light SESA's indebtedness. Of the total funds raised, R$633 million was used to settle the entire debt represented by the "Credit Agreement in Brazilian reais" entered into with Banco Itaú S.A., as the agent of the loan in Brazilian reais, Bradesco, Itaú BBA, and Unibanco on July 12, 2005; R$367 million was used to settle part of the debt represented by the "Amended and Restated Indenture" entered into with the Issuer, Light S.A., JP Morgan Chase Bank NA and JP Morgan Trust Bank Ltd on March 15, 2006.

The remaining amount of the rescheduled debt represented by the "Amended and Restated Indenture", of approximately R$466 million, was repaid by the Issuer, on the same date, using own funds.

Starting July 13, 2007, the interest rate of 5th issue debentures was reduced to 0.25% and, therefore, these debentures are adjusted based on the CDI (interbank deposit rate) plus spread of 1.50% in lieu of 1.75% disclosed in June 2007.

Debenture conversion – BNDESPAR

4th issue debentures – these debentures are convertible and collateralized by revenue from electricity sales to final consumers. In July 2005, BNDESPAR subscribed to 727,268 debentures in the amount of R$734,929.

On May 16, 2007, BNDESPAR exercised its right granted by 654,541 warrants issued by Light S/A, which were tied to the debentures issued by Light SESA. In exchange, BNDESPAR received 61,700,307,365 Light S/A shares, representing 31.4% of Light S/A capital. Subsequently, on October 19, 2007, BNDESPAR exercised the right granted by 72,727 warrants. In exchange, BNDESPAR received 6,855,610,655 Light S/A shares, representing 2.3% of Light S/A capital.

These conversions generate a R$804,060 reduction in the principal of debentures recorded in noncurrent liabilities.

CCB Bradesco financing

On October 23, 2007, Light SESA concluded the refinancing and prepayment process of the debt arising from Credit Linked Notes, contracted with Deustche Bank by its wholly-owned subsidiary LIR Energy Ltd. in April 2000, through the following financing:

Amount:	R$450,000
Disbursement date:	10/18/2007
Fund allocation:	(i) Prepayment of the Credit Linked Notes contracted with Deutsche Bank, amounting approximately to R$340 million (equivalent to US$160 million); (ii) Additional amount allocated to Light's investment plan for 2007-2008, amounting approximately to R$110 million (equivalent to US$ 60 million).
Total period:	10 years
Instrument:	Bank Credit Note (CCB)
Repayment:	Annual, from the fifth year
Interest payment:	Annual, without grace period
Cost:	CDI + 0.85% p.a. (*)
Early settlement:	The loan can be prepaid based on the market interest curve, only if in full, after prior notice by Light.

(*) IOF (tax on financial transactions) and structuring commission were charged on the total amount.

As a result, the Debt Assumption Agreement entered into between Light SESA and Light Energia (see note 19) shall be amended to reflect the rollover/financing transaction above.

BNDES – Investment (FINEM)

On October 15, 2007, the Light Group obtained the approval from ANEEL for the financing agreement with the BNDES, in the amount of R$550 million (R$522 million for Light SESA and R$28 million for Light Energia).

This credit is part of a FINEM credit facility, to be invested in the expansion and modernization of the Electric System. The agreement with the BNDES was signed on November 5, 2007 and the first fund release occurred on November 26, 2007, in the amount of R$242.4 million (R$230.9 million for Light SESA e R$11.5 million for Light Energia).

Covenants

The 5th issue of debentures, the CCB Bradesco financing, and the BNDES FINEM credit facility, classified in current and noncurrent liabilities, are subject to indebtedness and interest coverage ratios. In the financial statements for the years ended December 31, 2007 and 2006, the Company has been compliant with all the contractually required ratios.

15. REGULATORY CHARGES

	Consolidated	
	2007	2006
CURRENT		
Fuel Usage Quota (CCC)	14,620	38,578
Energy development account (CDE)	17,044	15,483
Global reserve for reversion quota (RGR)	6,253	6,103
Capacity and emergency energy acquisition charge	77,593	77,576
	115,510	**137,740**

16. RESERVE FOR CONTINGENCIES

Light S.A. and its subsidiaries are parties to judicial and administrative proceedings involving tax, labor and civil matters. Management periodically assesses the risks of these proceedings and, based on the legal counsel's opinion, records a reserve for probable contingent liabilities. Additionally, the Company and its subsidiaries do not record contingent assets, because they are considered uncertain.

16.1. Contingencies

The reserves for contingencies are as follows:

	Consolidated			
	CURRENT		NONCURRENT	
	2007	2006	2007	2006
Labor	597	597	161,604	134,806
Civil	-	-	243,266	223,209
Tax	-	-	895,979	847,597
Other	1,640	2,705	60,891	35,710
Total	**2,237**	**3,302**	**1,361,740**	**1,241,322**

	Liabilities					Assets
	2006	Additions Adjustment	Write-offs Payments	Write-offs Reversals	2007	Escrow deposits
Labor	134,806	43,929	(17,131)	-	161,604	22,796
Civil	223,209	81,747	(47,648)	(14,042)	243,266	23,201
Tax	847,597	62,024	-	(13,642)	895,979	9,716
Other	35,710	39,099	(11,235)	(2,683)	60,891	-
Total	**1,241,322**	**226,799**	**(76,014)**	**(30,367)**	**1,361,740**	**55,713**

16.1.1. Labor contingencies

There are 4,228 ongoing labor lawsuits in which Light SESA is the defendant. These labor lawsuits involve principally hazardous duty premium, salary equalization, pain and suffering, indemnity set out in Law No. 9029/98, joint and several liability for employees of outside companies, difference in the fine of 40% of FGTS (severance pay fund) arising from inflation-based adjustments, and overtime.

16.1.2. Civil contingencies

The Company is the defendant in approximately 33,132 civil lawsuits, of which 8,864 were filed in the state and federal common courts, amounting to R$361,054, and 24,268 lawsuits filed in special civil courts, amounting to R$241,420.

Civil contingencies	**Reserve (probable loss)**	
	2007	**2006**
a) Civil lawsuits	116,663	122,716
b) Special civil courts	33,383	16,698
c) Brazilian economic plan "Cruzac	93,220	83,795
Total	**243,266**	**223,209**

a) Civil lawsuits refer to lawsuits in which Light SESA is the defendant, involving principally property damage and pain and suffering, and questioning of amounts paid by consumers. The legal counsel believes that losses are probable.

   The Company is also a party to civil lawsuits in which Management believes, based on the opinion of its legal counsel, that there are possible loss risks and, accordingly, no reserve has been recognized. The amount involved is R$274,999.

b) The lawsuits filed in special civil courts refer mostly to disputes with consumers, such as undue collection, undue power supply cut, power cut for payment default, grid problems, sundry irregularities, complaints about bills, complaints about the meter, and problems related to ownership transfer. There is a limit of 40 minimum wages for lawsuits filed in special civil courts. The reserve is accrued based on the last twelve month mobile average.

c) There are civil lawsuits in which certain industrial customers have challenged in court the increases in electric power tariff rates approved in 1986 by DNAEE (National Department of Water and Electrical Energy) during the Economic Plan (“Plano Cruzado”).

16.1.3. Tax contingencies

The reserves for tax contingencies are as follows:

Tax contingencies	Reserve (probable loss)	
	2007	2006
a) PIS/COFINS	623,773	587,114
b) PIS/COFINS – RGR and CCC	17,294	4,737
c) INSS – allowance as per collective lab	9,929	14,715
d) INSS – tax delinquency notice	35,669	35,373
e) INSS – quarterly	85,961	79,326
f) Law No. 8200	19,012	17,959
g) ICMS	71,007	76,392
h) Social contribution tax	26,084	25,154
i) CIDE	4,345	4,111
j) Other	2,905	2,716
Total	**895,979**	**847,597**

a) Since March 10, 1999, Light SESA is challenging in court the changes introduced by Law No. 9718/1999 for the calculation of PIS and COFINS, notably the increase in the PIS and COFINS tax basis and the increase in COFINS rate from 2% to 3%. Recently the Company lodged special and extraordinary appeals to overturn the 2nd Region Federal Court decision. These appeals have been accepted by the 2nd Region Federal Court and await judgment by the Higher Courts.

On January 31, 2007, the Federal Revenue Service issued a PIS and COFINS collection letter currently under discussion. On February 23, 2007, Light SESA filed for an injunction claiming the expiration of the amounts collected in said letter of January 31, 2007, since federal tax authorities did not collect the tax within the five-year period established by article 150, paragraph 4, of the National Tax Code. On March 2, 2007, an injunction suspended the collection letter and the claimed taxes. A bill of review was filed against the decision that granted this injunction and was judged groundless by the 2nd Region Federal Court on April 3, 2007, upholding the injunction that is still in effect. Tax authorities filed requests for amendment of judgment that were rejected.

In the second and third quarter of 2007, Light SESA, based on its legal counsel's opinion on the outcome of said lawsuits and after submitting the issue to its independent auditors in connection with the review of the quarterly financial statements, and because it understands that the right of tax authorities to collect said taxes has expired, reversed the net amount of R$265,498 (R$239,302 recorded in financial income, R$162,968 recorded in gross revenue deductions and impacts of income and social contribution taxes of less R$136,772). These adjustments were reflected in the quarterly financial statements of June and September of Light SESA and reviewed by the independent auditors, without any qualification.

In the preparation of the annual financial statements, Light SESA maintained the previous procedure, also based on the opinions of its legal counsel and accounting advisors. Our independent auditors changed their understanding and considered to be necessary to recognize reserves that were written off starting June 2007, in view of the considerations set out in IBRACON Communication No. 03/2007 of December 17, 2007.

Due to the new positioning of the independent auditors and to avoid a qualified audit opinion, Light SESA's Management decided to re-recognize the reserves.

However, to better inform the readers of the financial statements, Light SESA's Management emphasizes, as regards the reserve for PIS and COFINS, that:

(i) one of the ways to derecognize a legal tax obligation is expiration, also provided for by law, which transfers the risk assessment to the management and legal counsel, whose opinion should be based on the actual events;

(ii) as the statute of limitations for the collection of PIS and COFINS has gone into effect, the risk of loss for Light SESA in the lawsuits challenging the collection of these taxes based on their expiration is classified by its legal counsel as possible;

(iii) as regard the expansion of the PIS and COFINS tax basis, in addition to the expiration of the right of tax authorities to collect the taxes, the Law that provided for the expansion of the tax basis has been judged unconstitutional by the higher courts (STJ and STF) in thousands of lawsuits. Consequently, Light SESA believes that the outcome in this lawsuit will be favorable and that the risk of loss or disbursement is remote.

After the re-recognition of the aforementioned reserves, the following amounts were accrued as of December 31, 2007:

- R$420,676 related to the expansion of the tax basis, and
- R$203,097 related to the increase of COFINS tax rate from 2% to 3%.

b) On July 31, 2003, the subsidiary Light SESA filed its application for PAES (No. 200300003672), as confirmed by the Federal Revenue Service, and paid the first installment on the same date. The debt included in PAES was R$51,344 (net of 50% fine reduction), which was under administrative dispute as to the legality of the deduction of RGR (global reserve for reversion quota) and CCC (fuel usage quota) from the PIS and COFINS tax bases. The payment is being made in 120 installments. The installments were calculated based on the total debt divided by the number of installments, subject to the TJLP (long–term interest rate). The balance accrued as contingencies corresponds to the portion not included in PAES since the Company challenged the tax assessment fine imposed, obtaining an unfavorable decision at the administrative level and a favorable decision in courts, against which the tax authorities lodged an appeal. It also includes the portion corresponding to the increase in the COFINS tax rate, related to the period April 1999-December 2000, currently being discussed in courts.

c) In August 2006, Light SESA, based on an assessment made by its legal counsel, recognized a reserve in the amount of R$14,715, which comprises the periods from 2001 to 2005, related to any allowance paid by the Company to its employees as expressly provided for in the Collective Labor Agreements. In December 2007, based on a new assessment, the amount of R$6,355 was reversed because of the expiration of the right of tax authorities to collect the taxes.

d) In December 1999, the INSS issued tax delinquency notices against the Company on the grounds of joint liability for withholdings on services rendered by contractors, and levy of the social security contribution on employee profit sharing. Based on the legal counsel's opinion, the Management of Light S.A. and its subsidiaries decided to record a reserve considering the likelihood of a favorable outcome. The change in the amount from 2006 to 2007 refers to the adjustment based on SELIC (Central Bank overnight rate).

e) Light SESA challenges the constitutionality of Law No. 7787/89 that increased the rate of the social security contribution on payroll, understanding that there was a consequent increase in the tax basis in the period from July to September 1989. As per early relief obtained, Light SESA offset the amounts payable (employer's share). Based on the legal counsel's opinion, Light SESA's management recorded a reserve for the total amount of the tax delinquency notices issued by the INSS. The change in the amount from 2006 to 2007 refers to the adjustment based on SELIC.

f) In June 1992, Light SESA filed an ordinary action against the Federal Government for recognition of the inexistence of the obligation to record the monetary adjustment set forth in article 3 of Law No. 8200/91, when accounting for the difference between the IPC (Consumer Price Index) and the BTNF (National Treasury Bond Index) during calendar year 1990. The Company's request was granted by the lower and appeal courts. The Federal Government lodged a Special Appeal and an Extraordinary Appeal, the first judged by the 1st Panel of the STJ (Superior Court of Justice), whose records were sent to the STF (Federal Supreme Court) for judgment of the Extraordinary Appeal.

   Additionally, in December 1992, Light SESA filed for a court injunction to ensure the Company's right to fully use the 1991 and 1992 depreciation expenses, without applying the provisions of Law No. 8200/91, article 3, item I. The injunction was granted. The lawsuit was judged dismissed without prejudice, however ensuring the right to offsetting the unduly paid amounts.

Concurrently with the lawsuits, in November 1994, Light SESA received tax deficiency notices, relating to IRPJ (Corporate Income Tax), ILL (tax on net income) and CSL (Social Contribution on Profit), in an amount equivalent to 34,385,484.36 UFIRs (official index for inflation adjustments). These notices were challenged. The administrative decision did not accept the challenge regarding IRPJ and CSL, and considered groundless the assessment of ILL and the imposition of a tax assessment fine. On July 6, 2007, a Voluntary Appeal was lodged. Based on the opinion of its legal counsel and the amounts of the tax deficiency notices, Light SESA's Management understands that only part of these amounts represents a probable risk, for which a reserve should be recorded. The change in the amount from 2006 to 2007 refers to the adjustment based on SELIC.

g) From 1999 to date, several ICMS (state VAT) inspections were conducted at Light SESA by Rio de Janeiro tax authorities. The ICMS tax deficiency notices received to date but not paid are being challenged at the administrative and judicial levels. Based on the opinion of its legal counsel and the amounts of the tax deficiency notices, Light SESA's Management understands that only part of these amounts represents a probable risk, for which a reserve was recorded. The amounts reported in this item refer to two lawsuits, which have been accrued. The change in this amount is due to the adjustment based on the UFIR-RJ (Rio de Janeiro Official index for inflation adjustments) and the reversal of a R$5,533 reserve in July 2007 due to a favorable court decision on the lawsuit discussing the tax deficiency notice arising from the lost invoices ("Verdinhas").

h) In February 2000, Light SESA filed for an injunction, in order to prevent the disallowance of credits arising from adjustments to the Corporate Income Tax Return (DIPJ) for calendar year 1996, thereby ensuring the deduction, from the CSL (Social Contribution on Profit) tax basis, of the interest on capital paid to shareholders in calendar year 1996, as computed for IRPJ (corporate income tax). The requested injunction was granted. In September 2002, a decision was made in favor of the Company, allowing offset of the overpaid CSL. The Federal Government filed an appeal, which has not yet been judged.

In July 2001, before the end of the period for review, a tax deficiency notice was issued against Light SESA, in the incorrect amount of R$17,284, since the Federal Revenue Service considered a fine of 75%. The tax deficiency notice should be R$12,382, which monetarily adjusted until December 31, 2007 amounts to R$19,190. This tax deficiency notice was challenged and the decision was partially favorable to the Company, with respect to non-charge of the 75% fine. A voluntary appeal was lodged, which is currently awaiting judgment.

In July 2001, Light SESA received a tax deficiency notice for not adding to the social contribution tax basis the amounts related to the COFINS provision whose payment was suspended. The objection and the voluntary appeal filed were judged groundless and the Company is assessing the possibility of a legal dispute. The R$6,595 reserve recognized in July 2006 is being adjusted based on SELIC. The updated balance of the reserve as of December 31, 2007 is R$6,894. The change in the amount from 2006 to 2007 refers to the adjustment based on SELIC.

i) In September 2002, Light SESA filed for an injunction, in order to suspend the payment of CIDE (economic intervention contribution) levied on service payments remitted abroad, and at the end, a final decision to avoid the collection of the tax.

The injunction was denied and the lower court decision was also unfavorable. Light SESA filed an appeal and awaits judgment. Since December 2003, Light SESA has been paying the amounts due. The change in the amount refers to the adjustment based on SELIC.

The Company is also a party to administrative and judicial proceedings involving civil matters in which Management believes, based on the opinion of its legal counsel, that the risks of loss are possible and, accordingly, no reserve has been recognized. The amount involved in these proceedings totals R$518,286. The most significant cases and those with developments in 2007 are as follows:

(i) Tax collection lawsuits No. 2002/100-004,452-2, 2002/100-004,451-0, 2002/100-001,685-0, and 2002/100-001,684-84, and Administrative Proceeding No. E-04/109635/00 discuss the deferral of ICMS (SEF [State Finance Department] Resolution No. 1,610, of June 22, 1989) on the electricity sale to consumer Vale do Rio Doce Alumínio S.A. – ALUVALE, since it is an electricity-intensive industrial consumer.

Tax collection lawsuits were collateralized by bank guarantees. The Company filed motions to stay collections, currently awaiting judgment in lower courts. The amount involved in these tax collection lawsuits is R$206,200 and the lawyers responsible for the lawsuit estimated a possible risk of loss, and no reserve was recognized.

(ii) In June 2007 Light SESA was assessed by the Federal Revenue Service in the amount of R$189,600, and the tax assessment amount adjusted to December 2007 is R$199,810, arising from the untimely delivery of the electronic files (IN86/2001) for the years 2003-2005. The Company and its legal counsel consider that an unfavorable outcome is possible. Lawsuit in challenging stage.

(iii) In May 2007, Light SESA obtained a favorable decision at the administrative level on proceeding IN 86 related to 2001, whose assessment amount adjusted through December 2007 is R$57,450. In view of this unanimous favorable decision, the legal counsel’s estimate of an unfavorable outcome to the Company went from possible to remote. Proceeding in mandatory appeal stage.

(iv) The Central Bank, according to normal procedures and based on its preliminary conclusions about the financial operations conducted by Light SESA between 1997 and 1998, for the acquisition of Eletropaulo Metropolitana S.A., which were compliant with legal and accounting principles of Brazilian legislation, sent an official letter to the Federal Revenue Service and the Federal Government Attorney's Office of the State of Rio de Janeiro, which began their respective administrative procedures, as described in the following paragraphs. After Light SESA provided the required explanations to the Central Bank, the Central Bank fully reinstated the Certificates of Registration for the securities issued abroad in connection with the above-mentioned operations, and considered that the operations were conducted in compliance with Brazilian foreign exchange rules.

The criminal investigation has been at the MPF (Regional Attorney's Office of the 2nd Region) since May 18, 2005, and the final police report was issued on April 15, 2005 clearing the charge of financial offense (article 22 of Law No. 7492/86). Light SESA expects that the MPF is awaiting the final result of the administrative tax proceeding, according to the paragraph below, in accordance with the guideline provided by the Federal Supreme Court in judgment HC 85299/RJ.

Regarding the official letter sent to the Federal Revenue Service, on December 14, 2004 the Federal Revenue Service issued a tax deficiency notice against Light SESA in the total amount of R$481,833, related to the income tax levied on interest paid to the subsidiaries Light Overseas Investment Limited (LOI) and LIR Energy Limited (LIR) on securities issued with the benefit of withholding income tax at 0%. Light SESA presented a defense against the tax deficiency notice. The decision at the administrative level was favorable to the tax deficiency notice. On August 11, 2005, Light SESA filed a voluntary appeal with the Board of Tax Appeals of the Finance Ministry which was judged on October 19, 2006 favorably to Light SESA. The National Treasury lodged a Special Appeal with the Superior Board of Tax Appeals of the Ministry of Finance, which is still pending judgment, but the fine was definitively annulled.

On November 27, 2006, the Federal Revenue Service fined again Light, resulting in Administrative Proceeding No. 18471,001351/2006-51, in the historical amount of R$74,389, collecting income and social contribution tax differences arising from undue recognition of financial expenses in 2001 and 2002. Considering that the new tax deficiency notice is based on the same arguments used in the first tax deficiency notice, on July 10, 2007, the Federal Revenue Service Judgment Office issued a decision judging the tax deficiency notice groundless. Currently, the proceeding is awaiting judgment of the mandatory appeal filed by the Federal Revenue Service with the Board of Tax Appeals. The amount involved in this proceeding is R$77,900 and the lawyers responsible for the lawsuit estimated a remote risk of loss, and no reserve was recognized.

16.1.4. Other contingencies

In this item the Company highlights regulatory contingencies arising from the provision for low-income consumers recorded in December 2007, and two infraction notices issued by ANEEL and currently outstanding against Light SESA:

a) Low income - Through December 31, 2007 ANEEL approved the amounts to the subsidized, through several Regulatory Resolution, the last with No. 2760, of August 30, 2007, resulting in the approved amount of R$266,379, already paid to Light SESA, related to the loss of revenue in the period from May 2002 to July 2007, and the source of funds were the industry charges embedded in the concessionaires' tariffs, such as the RGR (Global Reserve for Reversion Quota).

   In compliance with ANEEL's Inspection Report RF-LIGHT-04/2007-SFE, of August 2007, for the inspection conducted from July 2, 2007 to July 13, 2007, the Company recognized a provision for low-income consumers amounting to R$36,175.

b) Infraction notice No. 009/2005 was issued on March 15, 2005 alleging that Light SESA: (a) established without the previous approval of ANEEL the subsidiaries LIR Energy Limited and Light Overseas Investments (R$1,144); (b) carried out with these companies transactions without the approval of ANEEL – (total R$2,287); and (c) failed to comply with ANEEL's decision to cancel the transactions with and discontinue the activities of these companies – (total R$3,431).

   Light SESA did not agree with the allegation of ANEEL and presented its counterarguments. After discussion during a public meeting of Light's appeal, the ANEEL's Board decided to dismiss the penalty related to item (c) and maintain the fines related to items (a) and (b).

   Light SESA decided to pay the penalty associated to item (b), through a bank deposit in the amount of R$3,235 (original amount adjusted based on SELIC). However, based on the recommendations of its legal counsel, the Company filed a lawsuit against the fine related to item (a) and deposited in escrow R$1,655 (original amount adjusted based on SELIC). The Company is currently awaiting judgment of its appeal on the injunction filed. The amount as of December 31, 2007 is R$1,712.

c) On June 5, 2007, an Infraction Notice was issued (No. 028/2007), imposing a fine of R$293 related to a specific consumer unit, because Light SESA failed to reestablish power supply within the regulatory deadline. Light SESA did not agree with ANEEL's allegation and filed its counterarguments, and is awaiting judgment of its appeal against the infraction notice. The amount as of December 31, 2007 is R$312.

17. OTHER PAYABLES

	Company		Consolidated	
	2007	2006	2007	2006
CURRENT				
Public lighting fee	-	-	43,701	28,877
Energy Efficiency Program (PEE)	-	-	81,413	73,455
Research and Development Program (R&D)	-	-	50,268	43,541
Energy Research Company (EPE)	-	-	7,840	22,055
National Scientific and Technological Development Fund (FNDCT)	-	-	16,053	23,359
Compensation for use of water resources	-	-	2,305	2,840
CVA (note 4)	-	-	76,686	26,221
Other tariff charges (note 4)	-	-	54,881	2,101
Other	810	522	20,917	50,508
Total	**810**	**522**	**354,064**	**272,957**
NONCURRENT				
Braslight deficit – CVM Resolution No. 371/2000 (see Note 18)	-	-	109,133	118,138
Use of Public Asset (UBP)	-	-	107,159	99,137
Provision for CVA - CCC (fuel usage quota)	-	-	800	408
CVA (note 4)	-	-	21,502	9,713
Provision for regulatory liability - energy subcontracting	-	-	16,986	-
Other	-	-	4,019	639
Total	**-**	**-**	**259,599**	**228,035**

a) According to concession agreement No. 12/2001, of March 15, 2001, that regulates the use of the hydroelectric power of the Paraíba do Sul river, in the municipalities of Itaocara and Aperibé, the subsidiary Itaocara Energia Ltda. shall pay the Federal Government, for using the public asset, from the 8th to the 35th year of concession, from the signature of said agreement or while it uses the hydroelectric resources, monthly installments equivalent to 1/12 of the proposed annual payment of R$2,017, subject to the IGP-M variation or to any other index that may substitute it, should such index be abolished.

18. PENSION PLAN AND OTHER EMPLOYEE BENEFITS

Light SESA sponsors Fundação de Seguridade Social – BRASLIGHT, a nonprofit closed pension entity, whose purpose is to provide retirement benefits to the Light Group’s employees and pension benefits to their dependents.

BRASLIGHT was formed in April 1974 and has three plans – A, B and C – established in 1975, 1984 and 1998, respectively, with about 96% of the active participants of the other plans having migrated to Plan C. Currently, defined benefit Plans A and B and mixed benefit Plan C are in effect.

On October 2, 2001, the Secretariat for Pension Plans (SPC) approved an agreement for resolving the technical deficit and refinancing unamortized reserves related to the Fundação BRASLIGHT pension plans.

The amounts of R$346,724 for Plans A and B, and R$188,329 for Plan C refer to refinancing of prior commitments assumed with Light SESA and technical deficits recorded through June 30, 2001, are being amortized in 300 monthly installments beginning July 2001, adjusted based on the IGP-DI (general price index – domestic supply) variation (with one-month lag) and actuarial interest of 6% per annum.

The agreement balance as of December 31, 2007 comprises R$577,890 for Plans A and B, and R$314,025 for Plan C, in both cases less amortization in the amount of R$75,855 in 2007, plus monetary adjustment of R$106,823, which corresponds to the variation in the IGP-DI (general price index – domestic supply) and interest of 6% per annum, totaling R$891,915 as of December 31, 2007 (R$73,585 in Current and R$818,330 in Noncurrent).

The changes in actuarial liability in the year are as follows:

	Consolidated		
	PLAN A/B	**PLAN C**	**TOTAL**
Actuarial liability of Braslight as of 12/31/2005:	**547,552**	**299,020**	**846,572**
Amortizations for the year	(46,684)	(19,271)	(65,955)
Adjustments for the year	57,009	23,321	80,330
Actuarial liability of Braslight as of 12/31/2006:	**557,877**	**303,070**	**860,947**
Amortizations for the year	(55,705)	(20,150)	(75,855)
Adjustments for the year	75,718	31,105	106,823
Actuarial liability of Braslight as of 12/31/2007:	**577,890**	**314,025**	**891,915**

Following are the components of the December 31, 2007 provision for defined benefit pension plans, other retirement and/or death benefit commitments arising from court decisions or agreements with injured employees, at the present value of actuarial obligations, as well as provisions for voluntary termination plan, and other information required by Resolution:

	Consolidated	
	2007	2006
Reconciliation of actuarial assets and liabilities		
Fair value of plan assets	1,053,689	976,942
Present value of actuarial obligation – vested benefits	(1,647,967)	(1,551,542)
Present value of actuarial obligation - unvested benefits	(406,770)	(404,485)
Net asset (unfunded liability)	(1,001,048)	(979,085)
Net liability, CVM Resolution No. 371/2000	(1,001,048)	(979,085)
Adjusted contract balance recorded, according to the agreement for resolving the technical deficit	(891,915)	(860,947)
CVM Resolution No. 371/2000 - Mortality Table adjustment (AT83) (note 17)	(109,133)	(118,138)

	2007	2006
Actuarial liability		
Net liability, CVM Resolution No. 371/2000 – opening balance	(979,085)	(706,632)
Sponsor contributions	78,467	64,432
Gains and losses related to actuarial deficit	(15,187)	(252,689)
Expected cost	(85,243)	(84,196)
Net liability, CVM Resolution No. 371/2000 – closing balance	**(1,001,048)**	**(979,085)**

	2008	2007
Expected costs		
Current service cost	1,680	1,738
Interest cost	194,100	185,034
Return on investments	(110,442)	(102,452)
Expected employees' contributions	(95)	(124)
Expected costs	**85,243**	**84,196**

	2007	2006
Actuarial assumptions		
Nominal interest rate to discount actuarial obligation to present value	10.59%	10.59%
Expected rate of return on plan assets	12.68%	12.68%
Annual inflation rate	4.33%	4.33%
Future salary growth rate	4.96%	4.96%
Rate of adjustment for life annuity benefits	4.33%	4.33%
Capacity factor	98.00%	98.00%
Turnover rate	Based on age	Based on age
Mortality table (a)	AT - 83 (1)	AT - 83 (1)
Disability table (plans A/B)	LIGHT - Forte	LIGHT - Forte
Disability table (settled plan C)	LIGHT - Forte	LIGHT - Forte
Disabled mortality table	IAPB-57	IAPB-57
Active participants	3,925	3,989
Retired participants and pensioners	5,658	5,626

(1) Table not rated up

(1) Table not rated up - AT-83 mortality table, in conformity with CGPC (Supplementary Pension Management Council) Resolution No. 18 of March 28, 2006, which considers a life expectancy higher than the ones resulting from the UP-94 table.

Light SESA contracted a health care plan for its former employees, of a prepayment type, directly collected from beneficiaries, where the risks of possible fluctuations or financial imbalances between premiums and claims are firstly assumed by the operator and, consequently, by the beneficiaries.

Thus, this plan is funded by contributions from beneficiaries and is overseen by representatives of the retirees' association and the trade union. Therefore, there is no financial commitment related to this benefit that should be recognized by Light SESA according to CVM Resolution No. 371/00.

19. RELATED-PARTY TRANSACTIONS

Significant transactions between related parties consist principally of loan agreements with controlling shareholders, subsidiaries and affiliates, transactions with pension entities, electricity purchase and sale transactions with Companhia Energética de Minas Gerais - CEMIG, which are conducted under usual market conditions.

Item	Intragroup agreements (agreement objectives and characteristics)	Relation with Light SESA	Original amount		Maturity date or period	Remaining balance as of 12/31/2007
			Amount	Date		
1	**Strategic agreement** Electricity purchase agreement with CEMIG	CEMIG	R$399,029	Jan/06	Dec./13	R$343,149
2	**Debt assumption vs. Purchase and sale of assets (a)** 17.61% of the loans recorded in Light SESA in exchange for the sale of assets and rights to Light Energia according to the Unbundling Project (Law No. 10.848 of March 15, 2004). The interest rate is equivalent to a mix of debts to unrelated parties.	Light Energia S.A.	R$524,736	Dec/05	Jun/15	R$410,249
3	**Assumption of postemployment benefit (b)** In connection with the unbundling project, among the obligations assumed to Light SESA and in exchange for the acquisition of assets and rights related to the electric power generation and transmission activities, Light Energia S.A.	Light Energia S.A.	R$16,695	Dec/05	Jun/26	R$18,252
4	**Rental and other** Rental of part of Light SESA’s building to Light Energia. The current rental is R$22,000/month. The agreement is derived from the Unbundling Project (Law No. 10848 of March 15, 2004) and stipulates an annual adjustment based on the IGP-M.	Light Energia S.A.	R$1,276	Dec/05	Sep/10	R$565
5	**Loan** Agreement between Light SESA and Light Overseas, subject to interest of 10.5% per annum.	Light Overseas	US$130,500	Sep/98	Mar/08	US$130,500
	Agreement between Light SESA and LIR Energy, subject to interest of 12% per annum.	LIR Energy	US$875,000	Nov/98	Apr/10	US$875,000
6	**BNDES/Loan** Debentures 1st issue – Nonconvertible	BNDES	R$137,189	Apr/98	Mar/10	R$38,278
	Debentures IV – 4th issue – Light SESA’s debentures convertible into Light S.A.’s shares and collateralized by revenue from electricity sales	BNDESPAR	R$734,929	Jul/05	Jun/15	R$5,600
	FINEM - BNDES	BNDES	R$230,000	Nov/07	Sep/14	R$242,567
	BNDES - Imports	BNDES	R$13,147	Mar/98	Apr/10	R$ 3,122
7	**Hedge contract** Light SESA entered into hedge contracts with Banco Pactual at the following rates:					
	5.97% p.a.	Pactual	US$212	Mar/07	Feb/08	R$98
	5.90% p.a.	Pactual	US$120	Mar/07	Sep/08	R$56
	5.91% p.a.	Pactual	US$465	Mar/07	Dec/08	R$216
8	**Cash investments** Light SESA’s cash investments in CDB	Pactual	R$460	Aug/07	Aug/09	R$480

a) In connection with the unbundling project, in exchange for the acquisition of assets and rights of the electric power generation and transmission activities, Light Energia S.A. committed to pay, up to the limit of the value of the assets of rights acquired from Light SESA, by the same deadline and at the same rates, debts owed by Light SESA. Therefore, Light SESA remains liable for paying all debts currently owed by it, including those related to the agreements recently renegotiated with the private banks.

b) Light SESA sponsors Fundação de Seguridade Social – BRASLIGHT, a nonprofit closed pension entity whose purpose is to provide retirement benefits to the Light Group's employees and pension benefits to their dependents. In connection with the unbundling project, among the obligations assumed to Light SESA and in exchange for the acquisition of assets and rights of the electric power generation and transmission activities, Light Energia S.A. also assumed a portion of the agreement made between Light SESA and BRASLIGHT for resolving the actuarial deficit, having as a basis the benefits payable to active employees, according to the number of employees per activity. The benefits related to inactive employees were maintained with Light SESA.

c) Up to August 10, 2006, Norte Fluminense thermoelectric plant was a related party as a subsidiary of EDF International S.A.

20. SHAREHOLDERS' EQUITY

a) Capital

Capital of Light S.A. as of December 31, 2007 is R42,220,355, represented by 203,462,739 common shares without par value, as follows:

	2007		2006	
SHAREHOLDERS	**Number of shares**	**Ownership interest %**	**Number of shares**	**Ownership interest %**
Controlling Group				
RME Rio Minas Energia Participações S.A.	100,719,912	49.50%	100,719,912,441	75.22%
Lidil Comercial Ltda	5,584,685	2.74%	5,584,685,448	4.17%
BNDES Participações S.A. - BNDESPAR	68,555,918	33.69%	-	-
Other				
Public and others	28,602,224	14.06%	27,602,448,513	20.61%
	203,462,739	**100.00%**	**133,907,046,402**	**100.00%**

Light S.A. is authorized to increase its capital by means of a resolution of the Board of Directors, regardless of amendments to the bylaws, up to the limit of R$203,965,072 common shares, exclusively to meet the exercise of the warrants issued, strictly pursuant to the conditions of the warrants (Bylaws, article 5, paragraph 2).

On October 19, 2007, the Extraordinary Shareholders' Meeting approved the reverse split of all the shares of the Company's capital stock, in the proportion of 1,000 shares for 1 share. Starting December 3, 2007, shares are traded in unit quotation of one hundred shares. The fractions remaining from the reverse split process were auctioned on December 14 at the price of R$26.30 per share. After the reverse split, the capital of Light S.A. is represented by 203,462,739 common shares, without par value. On December 17, 2007, twelve shares remaining from the reverse split were canceled (according to the Extraordinary Shareholders' Meeting held on December 20, 2007).

b) Capital reduction

On February 16, 2007, the shareholders of Light S.A. approved at the Extraordinary Shareholders' Meeting the proposal for capital reduction, based on the absorption of losses accumulated through the nine-month period ended September 30, 2006, amounting to R$288,323.

c) Capital contribution

On May 16, 2007, BNDES Participações S.A. – BNDESPar ("BNDESPar") exercised the right granted by 654,541 Company share warrants, issued by the Company's Extraordinary Shareholders' Meeting held on January 12, 2006, thus becoming shareholder of Light S.A., through the subscription of 61,700,307,365 Company shares, paid in kind on May 21 with 654,541 Fourth Issue Convertible Debentures of Light Serviços de Eletricidade S.A.

In the second quarter of 2007, the Company increased its capital by converting Fourth Issue Convertible Debentures of Light Serviços de Eletricidade S.A. into 661,314 warrants of the shareholder Light S.A. from several creditors, totaling R$720,534, of which R$713,155 from the BNDESPar conversion.

The Minutes o the Board of Directors' Meeting dated October 26, 2007, approved a capital increase in the amount of R$81,848 arising from warrants' rights exercised from September 29, 2007 to October 26, 2007. The capital increase was carried out through the issue of 7,071,948 shares, and capital increased to R$2,220,355 represented by 203,462,739 common shares. Such changes were approved at the Extraordinary Shareholders' Meeting held on December 20, 2007.

d) Legal reserve

5% of net income for the year must be allocated to this reserve until it equals to 20% of paid-up capital or 30% of capital, plus capital reserves. After this limit is achieved, allocation to the legal reserve is no longer required. The legal reserve can be used only for capital increase or to offset accumulated losses.

e) Profit reserve (investment reserve)

The remaining balance of net income for 2007, in the amount of R$394,131, adjusted pursuant to Law No. 6404/76, will be used for future investments in the expansion of the power distribution grid, recover power losses, improve business services, and increase power generation capacity.

21. DIVIDENDS PAYABLE

a) Dividends paid

On September 28, 2007, the Board of Directors approved the Light SA's dividend policy, which establishes the payment of a minimum dividend of 50% of net income, adjusted based on the Company's semiannual or annual financial statements. On the same date, the Board of Directors approved the payment of interim dividends, in the amount of R$518,000 (R$2.5459 per thousand shares), related to net income for the first half of 2007 and paid in November 2007.

b) Proposed dividends

In the meeting held on February 13, 2008, Light S.A.'s Board of Directors decided for the payment of R$203,463 (R$1.00 per share) based on the balance sheet as of December 31, 2007.

LIGHT S.A.	2007
Net income	1,077,241
Legal reserve	(53,862)
Adjusted net income	1,023,379
Mandatory minimum dividends	255,845
Dividends paid	518,000
Proposed dividends	203,463

22. MANAGEMENT COMPENSATION

The overall annual compensation of the members of the Board of Directors and the Executive Board was set at R$10,135 at the Annual Shareholders' Meeting held on March 30, 2007.

The compensation of the Company's management in 2007 was R$2,489 (R$7,387 in 2006) and consolidated, R$8,950 (R$8,096 in 2006).

23. ELECTRICITY SALES TO FINAL CONSUMERS AND DISTRIBUTORS

	Consolidated					
	No. of consumers billed (1) (2)		MWh (2)		R$	
From 1/1 to 12/31	2007	2006	2007	2006	2007	2006
Residential	3.575.553	3.495.597	7.343.764	7.241.956	2.397.832	2.417.945
Industrial	12.794	13.380	2.011.087	2.278.417	368.083	399.372
Commercial, services, and other	269.905	271.568	5.755.625	5.622.310	1.794.455	1.748.399
Rural	10.900	10.641	49.150	45.882	9.972	9.741
Public sector	9.502	8.844	1.311.291	1.238.841	293.693	277.925
Public lighting	195	148	698.318	743.095	84.864	122.047
Public service	1.251	1.187	1.062.050	1.021.147	203.165	198.035
Own consumption	427	328	75.714	66.908	-	-
Billed sales	**3.880.527**	**3.801.693**	**18.306.998**	**18.258.556**	**5.152.064**	**5.173.464**
ICMS	-	-	-	-	1.917.751	1.892.362
Unbilled sales	-	-	-	-	23.704	2.150
TOTAL	**3.880.527**	**3.801.693**	**18.306.998**	**18.258.556**	**7.093.519**	**7.067.976**
Eletric Power auction			4.693.328	4.507.462	286.027	245.559
Spot market	-	-	1.505.306	1.622.471	119.509	116.096
TOTAL	**-**	**-**	**6.198.634**	**6.129.933**	**405.536**	**361.655**
TOTAL	**3.880.527**	**3.801.693**	**24.505.632**	**24.388.489**	**7.499.055**	**7.429.631**

(1) Number of billings with or without consumption
(2) Unaudited

24. OTHER OPERATING INCOME

	Consolidated	
From 1/1 to 12/31	2007	2006
Service fee	8,434	6,711
Income from services provided	26,460	25,033
Leases, rentals and other	44,108	28,364
Electric network usage charges	560,308	507,457
	639,310	**567,565**

25. COST OF THE PUBLIC ELETRIC ENERGY SERVICE (DEDUCTIONS FROM OPERATING REVENUE):

	Consolidated	
From 1/1 to 12/31	**2007**	**2006**
Global reserve for reversion quota	(63,501)	(76,506)
CDE - Cash	(204,528)	(185,795)
CDE - CVA	15,922	27,941
CDE - CVA Amortization	(27,515)	(33,989)
CCC - Cash	(185,037)	(303,338)
CCC - CVA	(100,554)	81,528
CCC - CVA Amortization	(23,588)	(11,972)
PEE - Energy Efficiency Program	(20,318)	(7,707)
R&D - Research and Development	(17,897)	(11,385)
FNDCT (National Scientific and Technological Development Fund)	(11,711)	(18,043)
EPE - Energy Research Company	(5,857)	(9,625)
	(644,584)	**(548,891)**

26. ELECTRICITY SALE AND PURCHASE TRANSACTIONS THROUGH THE CCEE

The balances of spot market sale and purchase transactions carried out through the CCEE (former MAE) are as follows:

	2007
Sale of spot market energy:	
Balance receivable as of 12/31/2006 (note 6)	13,177
Balance receivable as of 12/31/2007 (note 6)	16,691

	2007
System service charges:	
Balance payable as of 12/31/2006 (note 13)	(1,572)
Balance payable as of 12/31/2007 (note 13)	(152)

27. OPERATING COSTS AND EXPENSES

	Consolidated					
	Cost of service		Operating expenses			
From 1/1 to 12/31	Electric power	Operation	Selling	neral and administra	2007	2006
Electricity purchased for resale	(2,927,353)	-	-	-	(2,927,353)	(2,862,552)
Personnel and management	-	(180,740)	(19,040)	(86,972)	(286,752)	(256,851)
Materials	-	(12,791)	(1,019)	(1,796)	(15,606)	(18,455)
Outside services	-	(118,984)	(60,844)	(93,384)	(273,212)	(238,299)
Allowance for doubtful accounts	-	-	(199,524)	-	(199,524)	(378,988)
Reserve for contingencies	-	-	-	(99,267)	(99,267)	(359,129)
Other	-	(16,059)	(943)	(68,693)	(85,695)	(98,566)
	(2,927,353)	**(328,574)**	**(281,370)**	**(350,112)**	**(3,887,409)**	**(4,212,840)**
Depreciation and amortization	-	(289,645)	(1,081)	(37,234)	(327,960)	(321,081)
Total	**(2,927,353)**	**(618,219)**	**(282,451)**	**(387,346)**	**(4,215,369)**	**(4,533,921)**

28. PROFIT SHARING

The Profit Sharing Program implemented in 1997 is a corporate program and is based mainly on the Company's EBITDA. Payment consists of two components, a fixed component and variable component. The program has evolved over years to create an increased commitment of employees to the improvement of the Company's results from operations.

As of December 31, 2007, the profit sharing accrued for the Light Group was R$31,475, payable by April 2008.

29. ELECTRICITY PURCHASED FOR RESALE

	Consolidated			
From 1/1 to 12/31	GWh(1)		R$	
	2007	2006	2007	2006
Itaipu	8,307	8,293	792,414	730,166
Norte Fluminense thermoelectric plant	6,351	6,351	801,584	773,901
Other contracts and electric power auctions	12,058	11,648	868,253	755,042
Recoverable cost variations (CVA)	-	-	98,462	242,030
Electric network usage charges	-	-	341,572	335,776
Connection charges	-	-	13,958	13,190
National Electric System Operator (ONS)	-	-	11,110	12,447
	26,715	**26,292**	**2,927,353**	**2,862,552**

(1) Unaudited.

30. FINANCIAL INCOME (EXPENSES)

	Company		Consolidated	
From 1/1 to 12/31	**2007**	**2006**	**2007**	**2006**
INCOME				
Income from temporary cash investments	289	691	43,370	64,140
Swap operations	-	-	15,481	21,848
Interest and monetary variation on installment payments	-	-	7,128	31,960
Arrears interest on electricity bills	-	-	43,358	69,012
Monetary adjustment of CVA and Portion A accounts	-	-	40,638	71,909
Monetary adjustment of recoverable tariff margin	-	-	56,168	75,207
Monetary adjustment of free energy transactions	-	-	31,962	58,739
Other	79	-	9,528	22,982
	368	**691**	**247,633**	**415,797**
EXPENSES				
Interest on loans and financing – local currency	-	-	(210,800)	(265,556)
Interest on loans and financing – foreign currency	-	-	(58,146)	(129,313)
Monetary variation – local currency	-	-	(1,702)	(14,762)
Exchange variation – foreign currency	-	-	78,917	126,890
Swap operations	-	-	(95,887)	(70,696)
Interest and monetary variation on actuarial liability of Braslight	-	-	(106,823)	(80,035)
Provision for PIS/COFINS on financial income	-	-	-	(186)
Monetary gain (loss) on long-term receivables	-	-	11,168	(55,153)
Monetary adjustment of reserve for contingencies and other	-	-	(78,692)	(137,047)
Charges on free energy transactions	-	-	(33,039)	(49,391)
Charges on regulatory liabilities and other	-	-	(18,302)	-
Other (a)	(2,284)	(120)	(50,295)	(65,895)
	(2,284)	**(120)**	**(563,601)**	**(741,144)**
FINANCIAL INCOME (EXPENSES)	**(1,916)**	**571**	**(315,968)**	**(325,347)**

(a) Regulatory liabilities adjusted based on SELIC (Central Bank overnight rate) and monetary and exchange variations.

31. FINANCIAL INSTRUMENTS

The carrying amounts and fair values of financial instruments are as follows:

	2007 Consolidated		2006 Consolidated	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
ASSETS				
Temporary cash investments (see Note 5)	401,346	401,346	616,939	616,939
LIABILITIES				
Loans and financing (see Note 14)	1,912,754	1,929,789	3,071,124	3,084,038

Temporary cash investments – The carrying amount is an estimate of fair value.

Loans and financing - The amount accounted for, shown in the table above, refers to the principal plus the swap amount (see note 14). The fair value was calculated at prevailing interest rates for bank financing with similar terms and maturities.

Light SESA is engaged in the distribution of electric power in a concession area covering 31 municipalities in the state of Rio de Janeiro. Following are the risk factors to which Light SESA is subject:

Credit risk

Pursuant to the electric power sector regulation and the concession agreement, Light SESA is required to supply electricity to all consumers located in the concession area. Under the electric power sector regulation, Light SESA has the right to disrupt supply if consumers fail to pay their bills.

Currency risk

Light SESA's indebtedness and results of operations are significantly affected by exchange rate fluctuations on agreements denominated in foreign currency.

Considering that a portion of Light SESA's loans and financing is denominated in foreign currency, Light SESA uses derivative financial instruments (swap operations) to hedge against exchange rate fluctuations, which resulted in a loss of R$80,403 in 2007 (loss of R$48,848 in 2006). The net amount of swap operations as of December 31, 2007 is negative by R$10,130 (negative by R$31,188 as of December 31, 2006), as shown in the table below.

Light receives	Light pays	Start date	Maturity date	Notional amount contracted (US$ thousandl)	Carrying amount Dec 2007 (R$ thousand)
US$ + 6,00%	100% CDI	3/6/07	1/15/08	50.603	23
US$ + 5,97%	100% CDI	3/6/07	2/7/08	212.494	98
US$ + 5,95%	100% CDI	3/6/07	3/12/08	126.855	59
US$ + 6,06%	100% CDI	3/6/07	4/10/08	7.596.140	3.510
US$ + 6,06%	100% CDI	3/6/07	5/15/08	47.968	22
US$ + 6,06%	100% CDI	3/6/07	6/5/08	1.047.727	484
US$ + 6,08%	100% CDI	3/6/07	6/26/08	491.425	227
US$ + 5,95%	100% CDI	3/6/07	7/15/08	46.917	22
US$ + 5,97%	100% CDI	3/6/07	8/15/08	46.584	22
US$ + 5,9%	100% CDI	3/6/07	9/10/08	120.457	56
US$ + 6,04%	100% CDI	3/6/07	10/10/08	7.238.718	3.347
US$ + 5,83%	100% CDI	3/6/07	11/17/08	45.016	21
US$ + 5,93%	100% CDI	3/6/07	12/5/08	987.819	458
US$ + 5,91%	100% CDI	3/6/07	12/26/08	464.866	216
US$ + 6,2%	100% CDI	'6/19/07	1/15/09	41.636	8
US$ + 6,1%	100% CDI	'6/19/07	2/16/09	41.167	8
US$ + 6,06%	100% CDI	'6/19/07	3/11/09	111.050	20
US$ + 6,07%	100% CDI	'6/19/07	4/9/09	6.935.401	1.268
US$ + 6,07%	100% CDI	'6/19/07	4/9/09	39.568	7
US$ + 6,06%	100% CDI	'6/19/07	6/5/09	939.611	172
US$ + 6,05%	100% CDI	'6/19/07	6/26/09	444.107	82
			TOTAL	**27.076.129**	**10.130**

Price risk

Every year electric power distribution companies request a tariff increase based on nonmanageable cost variations (referred to as Portion A) and the variation of the IGP-M (general market price index) for manageable costs (referred to as Portion B). These requests are reviewed and approved by ANEEL. On a periodic basis, ANEEL performs a tariff revision for the purpose of adjusting the concessionaires' tariffs, thus assuring economic and financial balance and reasonable tariffs, by determining the X Factor, which will reduce the IGP-M applied to Portion B. The tariffs under the concession agreement shall assure economic and financial balance for Light SESA.

32. INSURANCE – Not audited by independent auditors

As of December 31, 2007, the Company had insurance coverage for all its main assets, including:

Operational risks insurance - covers property damage on its assets caused by fire, explosion, debris removal, floods, earthquakes, machinery breakdown, and electrical damages.

Except for transmission and distribution lines, all assets of Light Group are insured for operational risks with all risks coverage.

General and civil liability insurance - insures the payment of indemnities if the Company is held liable, by a final and unappealable civil court decision or settlement authorized by the insurer, for compensation for unintentional, bodily injury and/or property damage caused to third parties and related to pollution, contamination or sudden leakage.

International transportation insurance - Loading of cargo/equipment, financial guarantee insurance – electricity sale (6 policies) and fire insurance – leased properties.

Insurance coverage as of December 31, 2007, considered sufficient by Management, is summarized below:

	Effective		Insured	
RISKS	**From**	**To**	**amount**	**Premium**
Operational risks	10/31/2007	10/31/2008	U$1,017.5 million	U$626
Directors & Officers (D&O)	8/10/2007	8/10/2008	U$30 million	U$123
General and civil liability	9/25/2007	9/25/2008	U$10 million	U$299

33. STATEMENTS OF OPERATIONS BY COMPANY

From 10/1 to 12/31	Light SESA	Light Energia	Light SA	Other	Eliminations	Consolidated 2007	Consolidated 2006
OPERATING REVENUE	**7,855,177**	**311,815**	**8**	**36,324**	**(64,959)**	**8,138,365**	**7,997,196**
Electricity sales to final consumers	7,093,519	-	-	-		7,093,519	7,067,976
Electricity sales to distributors	113,798	306,134	-	23,551	(37,947)	405,536	361,655
Other	647,860	5,681	8	12,773	(27,012)	639,310	567,565
DEDUCTIONS	**(3,099,988)**	**(40,466)**	**(1)**	**(5,532)**	**-**	**(3,145,987)**	**(3,046,473)**
ICMS (state VAT)	(1,917,751)	(5,096)	-	(4,381)	-	(1,927,228)	(1,892,362)
Consumer charges	(636,625)	(7,959)	-	-	-	(644,584)	(548,891)
PIS (tax on revenue)	(84,193)	(4,883)	-	(143)	-	(89,219)	(91,725)
PIS - CVA - Amortization	-	-	-	-	-	-	(11,020)
COFINS (tax on revenue)	(387,798)	(22,507)	-	(650)	-	(410,955)	(421,801)
COFINS - CVA - Amortization	(71,709)	-	-	-	-	(71,709)	(78,699)
Other	(1,912)	(21)	(1)	(358)	-	(2,292)	(1,975)
NET OPERATING REVENUE	**4,755,189**	**271,349**	**7**	**30,792**	**(64,959)**	**4,992,378**	**4,950,723**
OPERATING EXPENSES	**(4,119,196)**	**(127,948)**	**(5,389)**	**(27,792)**	**64,958**	**(4,215,367)**	**(4,533,921)**
Personnel	(256,395)	(25,420)	(2,981)	(1,956)	-	(286,752)	(256,851)
Materials	(14,713)	(855)	-	(38)	-	(15,606)	(18,455)
Outside services	(257,427)	(13,278)	(1,727)	(1,192)	413	(273,211)	(238,299)
Energy purchased	(2,930,885)	(42,882)	-	(17,857)	64,271	(2,927,353)	(2,862,552)
Depreciation	(301,837)	(25,298)	-	(825)	-	(327,960)	(321,081)
Provisions	(298,760)	(16)	(15)	-	-	(298,791)	(738,117)
Other	(59,179)	(20,199)	(666)	(5,924)	274	(85,694)	(98,566)
Equity in subsidiaries	(117,606)	-	1,084,533	-	(966,927)	-	(1,516)
FINANCIAL INCOME (EXPENSES)	**(160,704)**	**(36,069)**	**(1,916)**	**(117,279)**	**-**	**(315,968)**	**(325,347)**
Financial income	275,356	4,437	368	(155,892)	123,364	247,633	415,797
Financial expense	(436,060)	(40,506)	(2,284)	38,613	(123,364)	(563,601)	(741,144)
INCOME (LOSS) FROM OPERATIONS	**357,683**	**107,332**	**1,077,235**	**(114,279)**	**(966,928)**	**461,043**	**89,939**
NONOPERATING INCOME (EXPENSES)	**11,134**	**172**	**6**	**-**	**-**	**11,312**	**8,598**
Nonoperating income	17,654	228	6	-	-	17,888	4,942
Nonoperating expenses	(6,520)	(56)	-	-	-	(6,576)	3,656
INCOME BEFORE TAXES	**368,817**	**107,504**	**1,077,241**	**(114,279)**	**(966,928)**	**472,355**	**98,537**
Social contribution tax	183,424	(9,036)	-	(217)	-	174,171	(70,139)
Income tax	458,755	(27,458)	-	(582)	-	430,715	(178,889)
NET INCOME (LOSS)	**1,010,996**	**71,010**	**1,077,241**	**(115,078)**	**(966,928)**	**1,077,241**	**(150,491)**

34. ELECTRIC POWER AUCTION

Based on the new model for the electric power sector established by Law No. 10,848, of March 15, 2004, and Decree No. 5163, of July 30, 2004, the distribution companies can no longer utilize their own production to meet the market demand and shall buy all the electric power required at auctions that take place on a regular basis. Thus, Light SESA, at that time a bundled company, had to participate in the existing power auctions held by the Ministry of Mines and Energy as a seller of the power produced by its plants.

Since 2005, the subsidiary Light Energia S.A., a generation and transmission company established in September 2005 to comply with the requirements of Law No. 10848/2004 (unbundling process), has participated in Existing Energy Auctions, and sold power volumes corresponding to the volume rescinded through the MCSD (Excess and Shortage Offset Mechanism). This mechanism was established by the new model for the electric power sector and is designed to reduce the level of purchases by the distribution companies with the withdrawal of free consumers and reduction of their captive market.

With the completion of the Unbundling Process in January 2006, Light Energia S.A. was authorized by ANEEL to sell its power in the ACL (Free Contracting Environment), which resulted in bilateral contracts entered into with the sellers and the free energy consumers for the sale of rescinded power arising from the “hydrological hedge” (27 MW) and the MCSD, in the spot market or long-term contracts. The sale of this energy in the spot market permits meeting the localized demand from strategic free consumers, and results in a significant increase in Light Energia’s revenue.

It should be noted that the rescinded power is sold by LIGHT Esco Ltda., which is the selling company of the LIGHT Group.

35. TARIFF ADJUSTMENT

ANEEL approved on November 6, 2007 an average 0.10% adjustment of Light tariffs for the period starting November 7, 2007, comprising all consumption classes (residential, industrial, commercial, rural, and others).

The average adjustment index, applicable to tariffs chargeable in the period from November 7, 2007 to November 6, 2008, is composed of two components: structural, which starts to be part of the tariff, with a 0.51% adjustment; and financial, effective for the period this tariff remains in effect, which has a negative adjustment of 0.41%.

The tariff adjustment process basically results from passing on to final consumers nonmanageable costs of the concession, such as energy purchased for distribution, industry charges, and transmission charges. As part of these costs decreased in the last twelve months, mainly due to the reduction of the CCC (Fuel Usage Quota – subsidy to thermal power generation in the north region of the country) and the US dollar (index of power purchases from Itaipu Binacional), Light’s tariff adjustment was lower than inflation for the period.

On average Light’s final consumers had a decrease in their power bills of 4.79%, starting November 7. This was due to the financial adjustments included in the tariff for the period from November 2006 to November 2007, associated to the recovery of past periods’ tariff differences, which had a positive effect of 5.4% on tariffs.

With the enforcement of the tariff adjustment, where high- and low-voltage consumers have different adjustment indices, the average adjustment for each voltage level calculated by ANEEL was as follows:

Tension Level	Real change over 2006 fares
Low tension (residential)	-5.30%
A4	-3.30%
A3a	-4.11%
AS	-3.30%
A2	-5.29%
Average Value	**-4.79%**

36. AMENDMENT TO BRAZILIAN CORPORATE LAW

On December 28, 2007, Law No. 11,638 was enacted, altering, revoking and adding new provisions to the Brazilian Corporate Law. This Law is effective for fiscal years beginning on or after January 1, 2008 and was designed primarily to update the Brazilian Corporate Law, so as to enable the convergence of Brazilian accounting practices with international accounting standards (IFRS) and allow the Brazilian Securities Commission (CVM) to issue new accounting standards and procedures, in conformity with such international accounting standards.

The main changes that may affect the Company are summarized as follows:

- Replacement of the statement of changes in financial position by the statement of cash flows.

- A new requirement for the presentation of a statement of value added.

- Possibility of maintaining separate accounting records for purposes of complying with tax legislation and reflecting necessary adjustments in order to prepare the financial statements in conformity with Brazilian Corporate Law.

- Creation of two new account groups: (i) intangible assets and (ii) valuation adjustments to shareholders' equity, in order to record certain fair value adjustments, mainly for financial instruments. Such adjustments will encompass, among others, foreign exchange rate variations on foreign investments accounted for under the equity method of accounting (through December 31, 2007, this adjustment was recorded in profit and loss account) and certain fair value adjustments related to assets and liabilities as a result of a merger between unrelated parties that results in the transfer of control.

- Requirement of periodic analysis of the recoverability of amounts recorded in property, plant and equipment, intangible assets and deferred charges.

- Requirement that certain long-term assets and liabilities be recorded at present value, and, if material, for certain other short-term assets and liabilities.

- Elimination of items of article 182 of Law No. 6404/76 that permitted to record the premium received on issue of debentures and donations and government investment grants directly as capital reserves in shareholders' equity. Such items are now required to be recorded as part of earnings in the income statement. Donations and government grants may be required to be allocated, after being recorded in earnings, to the tax incentive reserve.

The requirements of the Law are effective for financial statements for fiscal years ended on or after January 1, 2008. It is not yet possible to assess all the effects that such changes might have on the Company's financial statements.

37. SUPPLEMENTAL INFORMATION

ISE (Corporate Sustainability Index)

Light S.A. is now part, for the first time, of the ISE (Corporate Sustainability Index) portfolio of the São Paulo Stock Exchange (BOVESPA). The ISE is an index created by BOVESPA based on the Dow Jones Sustainability Index (DJSI) of the New York Stock Exchange, which tries to identify companies with better social and environmental, and corporate sustainability practices, based on the triple bottom line concept: economic, social and environmental. The index consists of 32 companies, from 13 different industries, which together have an aggregate market value of R$927 billion.

38. SUBSEQUENT EVENTS

6th Issue of debentures

The Board of Directors approved during the meeting held on December 21, 2007, the 6th Issue of Light SESA Debentures. In March 2008, 40,000 simple, nonconvertible debentures will be issued in a single series. Unit nominal value on issue date will be R$10 thousand.

The total initial amount will be R$400,000, with a six-year period from issue date, thus maturing on March 5, 2014.

11.01 – NOTES TO THE FINANCIAL STATEMENTS

STATEMENTS OF CASH FLOW - For the Years Ended December 31, 2007 and 2006

	Company		Consolidated	
	2007	2006	2007	2006
Cash flows from operating activities				
Net income (loss)	1,077,241	(196,108)	1,077,241	(150,491)
Items not requiring cash:				
Allowance for doubtful accounts	-	-	171,479	296,769
Recognition (reversal) of provision for loss on extraordinary tariff adjustment	-	-	(4,389)	82,221
Allowance for doubtful accounts – free energy	-	-	32,434	88,742
Adjustment of regulatory assets and liabilities	-	-	(28,270)	(145,617)
Adjustment of receivables to present value	-	-	(11,168)	55,153
Depreciation and amortization	-	-	327,960	321,081
Interest and monetary variations, net	-	-	254,222	329,014
Equity in subsidiaries	(1,084,533)	186,536	-	1,516
Write-off of property, plant and equipment	-	-	(10,495)	5,661
Write-off of deferred charges	-	-	-	21,298
Deferred income and social contribution taxes	-	-	(855,132)	-
Charges and monetary variation on post-employment obligations	-	-	106,824	229,949
Reserve for contingencies - long-term liabilities	-	-	110,367	343,092
Other	-	-	(819)	(9,961)
	(7,292)	**(9,572)**	**1,170,254**	**1,468,427**
(Increase) decrease in assets				
Consumers and distributors	-	-	176,210	(199,773)
Recoverable taxes	-	(146)	(85,745)	19,722
Services provided	-	-	(29,923)	48,786
Rationing program	-	-	-	47
Inventories	-	-	(1,847)	(672)
Prepaid expenses (CVA and other)	-	-	-	365,389
Regulatory assets (CVA and Bolhas)	-	-	176,932	-
Dividends received	528,000	-	-	-
Escrow deposits	-	-	(32,344)	(48,006)
Other	(200)	(361)	28,067	(35,785)
	527,800	**(507)**	**231,350**	**149,708**
Increase (decrease) in liabilities				
Suppliers	151	231	64,386	(23,274)
Electricity suppliers	-	-	(42,688)	(244,081)
Payroll and related charges	(7)	145	16,417	(5,070)
Taxes payable	(27)	16	30,672	20,968
Recoverable cost variations - CVA	-	-	125,421	-
Regulatory charges	-	-	6,725	48,805
Contingencies	-	-	(42,948)	(30,194)
Post-employment obligations	-	-	(75,855)	(65,656)
Other	(295)	567	46,744	(21,407)
	(178)	**959**	**128,874**	**(319,909)**
Net cash provided by (used in) operating activities	**520,330**	**(9,120)**	**1,530,478**	**1,298,226**
Cash flows from investing activities:				
Sale of leased assets	-	-	28,000	-
Equity in subsidiaries	-	(1,695,292)	-	-
Property, plant and equipment	-	-	(488,087)	(312,616)
Consumer contributions	-	-	14,026	11,001
Deferred charges	-	-	(17,597)	(64,122)
Net cash used in investing activities	**-**	**(1,695,292)**	**(463,658)**	**(365,737)**
Cash flows from financing activities:				
Capital increase	-	1,704,617	-	-
Dividends paid	(518,000)	-	(518,000)	-
Borrowings	3,490	-	1,693,627	9,126
Repayment of loans and financing	(3,490)	-	(2,447,344)	(660,060)
Net cash provided by (used in) financing activities	**(518,000)**	**1,704,617**	**(1,271,717)**	**(650,934)**
Changes in cash	**2,330**	**205**	**(204,897)**	**281,555**
Represented by:				
Cash at beginning of year	206	1	695,108	1
Corporate restructuring – Unbundling	-	-	-	413,552
Cash at end of year	2,536	206	490,211	695,108
Changes in cash	**2,330**	**205**	**(204,897)**	**281,555**
Supplemental information				
Debt converted into capital increase	-	-	804,058	-
Interest paid	-	-	487,225	-

SUPERVISORY BOARD'S REPORT

In accordance with laws and the Company's bylaws, the Supervisory Board of LIGHT S.A. has examined the Annual Management Report and the Financial Statements for the year ended December 31, 2007, which include the statement of dividends. Based on the examinations performed, the unqualified Report of the Independent Auditors Deloitte Touche Tohmatsu, dated February 13, 2008, and the information and clarifications received during the year, the Supervisory Board is of the opinion that the aforementioned documentation is appropriate for appreciation at the Annual Shareholders' Meeting.

Rio de Janeiro, February 13, 2008

Eduardo Grande Bittencourt

Ari Barcelos da Silva

Aristóteles Luiz Menezes Vasconcellos Drummond

Beatriz Oliveira Fortunato

Isabel da Silva Ramos Kemmelmeier

11.01 – NOTES TO THE FINANCIAL STATEMENTS

BOARD OF DIRECTORS

MEMBERS	ALTERNATES
Wilson Nélio Brumer (Chairman)	Luiz Fernando Rolla
Djalma Bastos de Morais	João Batista Zollini Carneiro
Eduardo Borges de Andrade	Celso Fernandez Quintella
Ricardo Coutinho de Sena	Paulo Roberto Reckziegel Guedes
Gilberto Sayão da Silva (Vice Chairman)	Ana Marta Horta Veloso
Alessandro Monteiro Morgado Horta	Bruno Constantino Alexandre dos Santos
Aldo Floris	Lauro Alberto de Luca
José Luiz Silva	Carmen Lúcia Claussen Kanter
VACANT	Ruy Flaks Schneider
VACANT	Almir José dos Santos

EXECUTIVE BOARD

José Luiz Alquéres
CEO

Ronnie Vaz Moreira
Vice President of Finance

Roberto Manoel Guedes Alcoforado
Director

Ana Silvia Corso Matte
Director

Leonardo Lins de Albuquerque
Director

Paulo Henrique Siqueira Born
Director

Luiz Claudio Salles Cristofaro
Director

Paulo Roberto Ribeiro Pinto
Director

CONTROLLING AND PLANNING SUPERINTENDENCE

Elvira Madruga B Cavalcanti
Controlling and Planning Superintendent
CPF 869.006.507-59

Luciana Maximino Maia
ACCOUNTANT - Accounting manager
CPF 144.021.098-50
CRC-RJ 091476/O-0

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of
Light S.A.
Rio de Janeiro – RJ

1. We have audited the accompanying individual (Company) and consolidated balance sheets of Light S.A. and subsidiaries as of December 31, 2007 and 2006, and the related statements of operations, changes in shareholders' equity, and changes in financial position for the years then ended, all expressed in Brazilian reais and prepared under the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.

2. Our audits were conducted in accordance with auditing standards in Brazil and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Company and its subsidiaries, (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed, and (c) evaluating the significant accounting practices and estimates adopted by Management, as well as the presentation of the financial statements taken as a whole.

3. In our opinion, the financial statements referred to in paragraph 1 present fairly, in all material respects, the individual and consolidated financial positions of Light S.A. and subsidiaries as of December 31, 2007 and 2006, and the results of their operations, the changes in shareholders' equity, and the changes in their financial positions for the years then ended in conformity with Brazilian accounting practices.

4. Our audits were conducted for the purpose of forming an opinion on the financial statements referred to in paragraph 1 taken as a whole. The accompanying statements of cash flows for the years ended December 31, 2007 and 2006 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures described in paragraph 2 and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

Rio de Janeiro, February 13, 2008

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Gilberto Grandolpho
Engagement Partner