

**LISTING CIRCULAR**

**U.S.\$1,000,000,000**



**Centrais Elétricas Brasileiras S.A. - Eletrobrás**  
**6.875% Notes Due 2019**

We are offering U.S.\$1,000,000,000 aggregate principal amount of 6.875% senior notes due July 30, 2019 (or the notes). The notes will mature on July 30, 2019. We will pay interest on the notes each January 30 and July 30. The first interest payment will be made on January 30, 2010.

The notes will be our senior unsecured obligations and will rank equally in right of payment with all of our other existing and future obligations that are unsecured and unsubordinated. We may redeem the notes, in whole but not in part, for cash upon the occurrence of specified events relating to Brazilian tax laws as described in this listing circular, plus interest and additional amounts, if any.

Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and application for admission to trading has been made on the Euro MTF (Euro MTF) market of the Luxembourg Stock Exchange. This listing circular constitutes a prospectus for the purpose of the Luxembourg Law on prospectuses for securities dated July 10, 2005.

**Price: 99.112%**

plus accrued interest, if any, from July 30, 2009

**Investing in the notes involves risks. See “Risk Factors” beginning on page 17.**

The notes have not been registered under the U.S. Securities Act of 1933, as amended, or the Securities Act. The notes may not be offered or sold within the United States or to U.S. persons, except to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A and to certain non U.S. persons in offshore transactions in reliance on Regulation S. You are hereby notified that sellers of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

The notes will be delivered to purchasers in book-entry form through The Depository Trust Company and its direct and indirect participants, including Clearstream Banking S.A. and Euroclear Bank S.A./N.V., as operator of the Euroclear System, on or about July 30, 2009.

*Sole Bookrunner*

**Credit Suisse**

The date of this listing circular is July 31, 2009

**You should rely only on the information contained in this listing circular. We have not, and Credit Suisse Securities (USA) LLC (or the initial purchaser) has not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the initial purchaser is not, making an offer to sell the notes in any jurisdiction where the offer or sale is not permitted. This document may only be used where it is legal to sell the notes. You should assume that the information appearing in this listing circular is accurate only as of the date on the front cover this listing circular. Our business, financial condition, results of operations and prospects may have changed since that date.**

In this listing circular, unless otherwise indicated or the context otherwise requires, all references to “we,” “our,” “ours,” “us” or similar terms refer to Centrais Elétricas Brasileiras S.A. – Eletrobrás and its consolidated subsidiaries, and references to “the issuer” are to Centrais Elétricas Brasileiras S.A. – Eletrobrás.

We are relying on an exemption from registration under the Securities Act for offers and sales of securities that do not involve a public offering. The notes offered are subject to restrictions on transferability and resale and may not be transferred or resold in the United States except as permitted under the Securities Act and applicable U.S. state securities laws pursuant to registration or exemption from them. By purchasing the notes, you will be deemed to have made the acknowledgements, representations and warranties and agreements described under the heading “Transfer Restrictions” in this listing circular. You should understand that you may be required to bear the financial risks of your investment for an indefinite period of time.

We have prepared this listing circular solely for use in connection with the proposed offering of the notes, and it may only be used for that purpose. We and the initial purchaser reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the notes offered by this listing circular.

We, having made all reasonable inquiries, confirm that the information contained in this listing circular with regards to us is true and accurate in all material respects, that the opinions and intentions we express in this listing circular are honestly held, and that there are no other facts the omission of which would make this listing circular as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. We accept responsibility accordingly. This listing circular summarizes certain documents and other information and we refer you to them for a more complete understanding of what we discuss in this listing circular. In making an investment decision, you must rely on your own examination of our company and the terms of the offering and the notes, including the merits and risks involved.

We are not making any representation to any purchaser of the notes regarding the legality of an investment in the notes under any legal investment or similar laws or regulations. You should not consider any information in this listing circular to be legal, business or tax advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the notes.

Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and application for admission to trading has been made on the Euro MTF market of the Luxembourg Stock Exchange. This listing circular forms the prospectus for admission to the Luxembourg Stock Exchange. The Luxembourg Stock Exchange takes no responsibility for the contents of this listing circular, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this listing circular.

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this listing circular is truthful or complete. Any representation to the contrary is a criminal offense.

This listing circular has been prepared on the basis that all offers of the notes will be made pursuant to an exemption under Directive 2003/71/EC (together with any applicable implementing measures in any Member State of the European Economic Area (EEA), the Prospectus Directive) from the requirement to produce a prospectus for offers of the notes. Accordingly, any person making or intending to make any offer within the EEA of the notes should only do so in circumstances in which no obligation arises for the initial purchaser or us to produce a prospectus for that offer.

We expect that delivery of the notes will be made against payment therefor on or about the date specified on the cover of this listing circular, which is the fifth business day following the date of pricing of the notes (such settlement cycle being referred to as T+5). You should note that trading of the notes on the date of pricing or the next five succeeding business days may be affected by the T+5 settlement. See “Plan of Distribution.”

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### **NOTICE TO NEW HAMPSHIRE RESIDENTS**

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE IMPLIES THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATION OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

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### **NOTICE TO INVESTORS**

Notwithstanding anything set forth herein or in any other document related to the notes, you and each of your employees, representatives or other agents may disclose to any and all persons, without limitation of any kind, the tax treatment and the tax structure of the transaction described herein and all materials of any kind, including any tax analyses that we have provided to you relating to such tax treatment and tax structure. However, the foregoing does not constitute an authorization to disclose the identity of the issuer or the initial purchaser or their respective affiliates, agents or advisers or, except to the extent relating to such tax structure or tax treatment, any specific pricing terms or commercial or financial information.

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### **NOTICE TO RESIDENTS OF BRAZIL**

The notes have not been, and will not be, registered with the Brazilian Securities Commission (*CVM – Comissão de Valores Mobiliários*). The notes may not be offered or sold in Brazil, except in circumstances that do not constitute a public offering or distribution under Brazilian laws and regulations.

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### **NOTICE TO INVESTORS IN THE UNITED KINGDOM**

The initial purchaser represents and agrees that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, or FSMA) received by it in connection with the issue or sale of any notes in circumstances in which Section 21(1) of the FSMA does not apply to us; and
- (b) it has complied with, and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

## NOTICE TO RESIDENTS OF THE EUROPEAN ECONOMIC AREA

The initial purchaser represents and agrees that, in relation to each member state of the European Economic Area, or EEA, which has implemented the Prospectus Directive (each, a Relevant Member State), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of the notes to the public in that Relevant Member State other than:

- to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or
- in any other circumstances which do not require the publication by us of a prospectus pursuant to Article 3 of the Prospectus Directive.

Provided that, in each case, no such offer of the notes shall require the Company or the initial purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “*offer of notes to the public*” in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state. The EEA selling restriction is in addition to any other selling restrictions set out below.

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## FORWARD-LOOKING STATEMENTS

This listing circular includes certain forward-looking statements, including statements regarding our intent, belief or current expectations or those of our officers with respect to, among other things, our financing plans, trends affecting our financial condition or results of operations and the impact of future plans and strategies. These forward-looking statements are subject to risks, uncertainties and contingencies including, but not limited to, the following:

- general economic, regulatory, political and business conditions in Brazil and abroad;
- interest rate fluctuations, inflation and the value of the *real* in relation to the U.S. dollar;
- changes in volumes and patterns of customer electricity usage;
- competitive conditions in Brazil's electricity generation, transmission and distribution markets;
- our level of debt;
- the likelihood that we will receive payment in connection with account receivables;
- changes in rainfall and the water levels in the reservoirs used to run our hydroelectric power generation facilities;
- our financing and capital expenditure plans;
- our ability to serve our customers on a satisfactory basis;
- our ability to execute our business strategy, including our growth strategy;
- existing and future governmental regulation as to electricity rates, electricity usage, competition in our concession area and other matters;
- changes in other laws and regulations, including, among others, those affecting tax and environmental matters;
- future actions that may be taken by the Brazilian Government, our controlling shareholder;
- our ability to renew our concessions;
- the outcome of our tax, civil and other legal proceedings; and
- other risk factors as described in "Risk Factors."

The forward-looking statements referred to above also include information with respect to our capacity expansion projects that are in the planning and development stages. In addition to the above risks and uncertainties, our potential expansion projects involve engineering, construction, regulatory and other significant risks, which may:

- delay or prevent successful completion of one or more projects;
- increase the costs of projects; and
- result in the failure of facilities to operate or generate income in accordance with our expectations.

The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect” and similar words are intended to identify forward-looking statements. We undertake no obligation to update publicly or revise any forward-looking statements as a result of new information, future events or otherwise. In light of these risks and uncertainties, the forward-looking information, events and circumstances discussed in this listing circular might not occur. Our actual results and performance could differ substantially from those anticipated in our forward-looking statements.

## PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

### Financial Information in this listing circular

The audited consolidated financial statements at and for the years ended December 31, 2008, 2007 and 2006 and the unaudited consolidated and unconsolidated financial statements at and for the three-month periods ended March 31, 2009 and 2008 included in this listing circular have been prepared in accordance with the *Lei das Sociedades por Ações* (Law No. 6,404, as amended, or the Corporate Law Method), which sets forth the accounting methods required to be followed by all Brazilian corporate entities. The rules and regulations of the *Conselho Monetário Nacional* (National Monetary Council, or CMN), the Central Bank of Brazil (Central Bank), the *Comissão de Valores Mobiliários* (the Brazilian Securities Commission, or CVM) and certain other regulatory entities provide additional industry-specific guidelines that are also considered part of the accounting practices adopted in Brazil and, together with the Corporate Law Method, are referred to as Accounting Practices Adopted in Brazil.

Our consolidated annual financial statements at and for the years ended December 31, 2008 and 2007 have been audited by BDO Trevisan Auditores Independentes. CVM Instruction No. 308/99 requires us to appoint different auditors every five years. Accordingly, as of January 1, 2009, our independent auditors are PricewaterhouseCoopers Auditores Independentes. See “Independent Auditors.”

Accounting Practices Adopted in Brazil differ in certain significant respects from generally accepted accounting principles in the United States (or U.S. GAAP).

### Law No. 11,638

On December 28, 2007, Law No. 11,638/07 (or Law No. 11,638) was published, which amends the Corporate Law Method with regard to the Accounting Practices Adopted in Brazil. Law No. 11,638 was published in preparation for the requirement that all registered companies in Brazil must prepare their financial statements in accordance with international accounting standards beginning with financial statements prepared as of and for the year ended December 31, 2010. Law No. 11,638 provides that the Committee on Accounting Practices (*Comitê de Pronunciamentos Contábeis*) must issue accounting standards that comply with international standards for registered companies. In a preliminary notice to the market, the CVM has stated that the standards adopted by the IASB—International Accounting Standards Board are currently considered as an international reference for accounting standards.

Law No. 11,638 did not require us to reclassify our financial statements at and for the years ended December 31, 2007 and 2006. Accordingly, the financial information as of and for the years ended December 31, 2007 and 2006 extracted from those financial statements and presented in this listing circular is not directly comparable to the financial information at and for the year ended December 31, 2008. For a more detailed description of the impact of these changes, see note 3 of our financial statements at and for the year ending December 31, 2008.

### Filings with the United States Securities and Exchange Commission

We are a reporting company under Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended (or the Exchange Act) and we file and/or furnish periodic reports with the SEC. However, those reports do not form part of, and are not incorporated by reference in, this listing circular. You should rely only on the information contained in this listing circular in making an investment decision in relation to the notes. You should note in particular that our annual report on Form 20-F, which we are required to file with the SEC each year, contains different information from that contained in this listing circular. In particular, our Form 20-F contains our financial statements and related financial information prepared in accordance with U.S. GAAP, while the financial statements and related financial information in this listing circular was prepared in accordance with Accounting Practices Adopted in Brazil. We have not prepared any reconciliation between our financial information prepared in accordance with U.S. GAAP and our financial information prepared in accordance with Accounting Practices Adopted in Brazil.



## **Audit Reports in relation to our Financial Statements**

The report of our independent auditors in relation to our financial statements at and for the years ended December 31, 2008 and 2007 contains a qualification and certain emphasis paragraphs and the report of our independent auditors in relation to our financial statements at and for the years ended December 31, 2007 and 2006 contains a qualification and certain emphasis paragraphs, in each case as summarized below.

### ***Qualification to the Audit Report in relation to the years ended December 31, 2008 and 2007***

Our independent auditors included a qualification in their audit report in relation to our financial statements at and for the year ended December 31, 2008 and 2007 because as at the date of that report (March 23, 2009), the reports of various independent auditors for certain affiliated companies with respect to which we have made investments had not yet been completed. Accordingly, our independent auditors were unable to apply auditing procedures to satisfy themselves as to the carrying value of those investments and the equity in earnings resulting from those investments. We valued those investments using the equity method and included an asset of R\$1,526.4 million on our balance sheet and income of R\$35.0 million in our income statement. Further information in relation to these investments is contained in note 16 to our financial statements at and for the years ended December 31, 2008 and 2007.

### ***Qualification to the Audit Report in relation to the years ended December 31, 2007 and 2006***

Our independent auditors included a qualification in their audit report in relation to our financial statements at and for the years ended December 31, 2007 and 2006 because at the date of that report (March 14, 2008), the reports of various independent auditors for certain affiliated companies with respect to which we have made investments had not yet been completed. Accordingly, our independent auditors were unable to apply auditing procedures to satisfy themselves as to the carrying value of those investments and the equity in earnings resulting from those investments. We valued those investments using the equity method and included an asset of R\$376.4 million on our balance sheet and income of R\$4.8 million in our income statement. Further information in relation to these investments is contained in note 19 to our financial statements at and for the years ended December 31, 2007 and 2006.

### ***Emphasis Paragraphs in the Audit Report in relation to the years ended December 31, 2008 and 2007***

We set out below a summary of the emphasis paragraphs that our independent auditors included in their audit report in relation to our financial statements at and for the years ended December 31, 2008 and 2007:

- we recorded a provision for civil contingencies in the amount of R\$1,328 million in noncurrent liabilities for the claim, filed by certain legal entities, to receive full monetary adjustment on the amounts of compulsory loans collected on our behalf (see note 30 of our financial statements as of and for the year ending December 31, 2008);
- the independent auditors' report on the financial statements at and for the year ending December 31, 2008 of Furnas contained an emphasis of a matter paragraph regarding VAT credits with the State of Mato Grosso, amounting to R\$49 million which was recorded by Furnas under current assets;
- the independent auditors' report on the financial statements at and for the year ending December 31, 2008 of Eletronorte contained an emphasis of a matter paragraph stating that the financial statements of controlled company Boa Vista Energia S.A. were prepared assuming its continuity as a going concern, although Eletronorte has been recording operating losses accumulated over several years and a working capital deficiency, borne by its controlling shareholder through the inflow of funds for loans and a capital increase;
- the independent auditors' report on the financial statements at and for the year ending December 31, 2008 of Amazonas Energia contained an emphasis of a matter paragraph stating that the company had recorded PIS/PASEP and COFINS credits as noncurrent assets and filed an appeal with the

Federal Government in order to keep its rights to apply those credits against future debt. The company also recorded VAT, PIS/PASEP and COFINS debts to be refunded to the Fuel Consumption Account - CCC as noncurrent liabilities;

- the independent auditors' report on the financial statements at and for the year ending December 31, 2008 of each of Eletronorte, Manaus Energia and Eletroacre contained an emphasis of a matter paragraph stating that each company had prepared its financial statements assuming that it will continue as a going concern, although each company recorded accumulated losses over several years and depended on the funds of its controlling shareholder for capital increases; and
- the independent auditors' report on the financial statements at and for the year ending December 31, 2008 of CTEEP contained an emphasis of a matter paragraph as the company did not make any provision in relation to a potential charges regarding its a dispute with the state of São Paulo over certain obligations in relation to its pension fund.

***Emphasis Paragraphs in the Audit Report in relation to the years ended December 31, 2007 and 2006***

We set out below a summary of the emphasis paragraphs that our independent auditors included in their audit report in relation to our financial statements at and for the years ended December 31, 2007 and 2006:

- we recorded a provision for civil contingencies in the amount of R\$1,328 million in noncurrent liabilities for the claim, filed by certain legal entities, to receive full monetary adjustment on the amounts of compulsory loans collected on our behalf (see note 32 of our financial statements as of and for the year ending December 31, 2007);
- the independent auditors' report on the financial statements at and for the year ended December 31, 2007 of Furnas contained an emphasis of a matter paragraph regarding VAT credits with the State of Mato Grosso, amounting to R\$44 million, which was recorded by Furnas under current assets;
- the independent auditors' report on the financial statements at and for the year ended December 31, 2007 of Eletronorte contained an emphasis of a matter paragraph stating that (a) the financial statements of controlled company Manaus Energia S.A. were prepared assuming its continuity as a going concern, although it has been recording operating losses accumulated over several years and working capital deficiency borne by its controlling shareholder through the inflow of funds for loans and capital increase; (b) there was some question as to Boa Vista Energia S.A.'s viability as a going concern; (c) Eletronorte sponsors its own pension fund Previnorte - Fundação de Previdência Complementar. The methodology used for calculation of actuarial reserves of Previnorte was being gradually replaced, pursuant to Resolution CGPC No. 18, dated March 28, 2006. Because full implementation of the new methodology has not yet occurred, financial statements for the following years of Eletronorte may be adjusted for effect of actuarial revaluations.
- the independent auditors' report on the financial statements at and for the year ended December 31, 2007 of Eletroacre contained an emphasis of a matter paragraph stating that Eletroacre had prepared the financial statements assuming that it would continue as a going concern, although it recorded accumulated losses over several years and depended on the funds of its controlling shareholder for capital increases; and
- the independent auditors' report on the financial statements as of and for the year ended December 31, 2007 of CTEEP contained an emphasis of a matter paragraph as CTEEP did not make any provision in relation to a potential charges regarding its a dispute with the State of São Paulo over certain obligations in relation to its pension fund.

## **Currency and Other Information**

In this listing circular, the terms “*real*” and “*reais*” and the symbol “R\$” refer to the legal currency of Brazil. The terms “U.S. dollar” and “U.S. dollars” and the symbol “U.S.\$” refer to the legal currency of the United States of America. The term “Brazil” refers to the Federative Republic of Brazil and the phrase “Brazilian Government” refers to the federal government of Brazil. References to “billions” are to thousands of millions and to “km” are to kilometers. The term “MWh” refers to megawatt hours.

This listing circular contains translations of various *real* amounts into U.S. dollars at specified rates solely for your convenience. You should not construe these translations as representations by us that the *real* amounts actually represent the U.S. dollar amounts or could be converted into U.S. dollars at the rates indicated. Unless otherwise indicated, we have translated the *real* amounts using a rate of R\$2.3152 to U.S.\$1.00, the U.S. dollar selling rate at March 31, 2009 published by the Central Bank on its electronic information system, SISBACEN, using transaction PTAX 800, option 5.

## **Rounding**

Certain figures in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be arithmetic aggregations of the figures that precede them.

## **Glossary**

We have included a glossary of certain terms used in this listing circular in Annex A, which begins on page A-1 of this listing circular.

## SUMMARY

### Overview

Directly and through our subsidiaries, we are involved in the generation, transmission and distribution of electricity in Brazil. At March 31, 2009, we controlled approximately 38.4% of the installed power generating capacity within Brazil. Through our subsidiaries, we are also responsible for approximately 59.2% of the installed transmission capacity above 230 kV in Brazil. Our revenues principally derive from:

- the generation of electricity and its sale to electricity distribution companies and free consumers;
- the transmission of electricity on behalf of other electricity concessionaires;
- the distribution of electricity to end consumers; and
- financial revenues derived from debt service payments received from Itaipu.

For the year ended December 31, 2008, with respect to our net revenues attributable to our generation, transmission and distribution businesses, we derived 71%, 14% and 15% from our electricity generation, transmission and distribution on businesses, respectively. For the three-month period ended March 31, 2009, with respect to our net revenues attributable to our generation, transmission and distribution businesses, we derived 72%, 14% and 14% from our electricity generation, transmission and distribution businesses, respectively.

For the year ended December 31 2008, our net revenues were R\$30,732 million, compared to R\$24,735 million and R\$20,047 million in 2007 and 2006, respectively. For the three-month period ended March 31, 2009, our net revenues were R\$6,088 million, compared to R\$7,240 million for the three-month period ended March 31, 2008.

For the year ended December 31 2008, our installed generation capacity was 39,402 MW, compared to 38,567 MW and 37,221 MW in 2007 and 2006, respectively.

### Our Strengths

We believe that our competitive strengths are as follows:

***Largest generation and transmission company in Brazil.*** We are the largest generation company in Brazil as measured by installed capacity and the largest transmission company in Brazil as measured by percentage of the Brazilian transmission grid for which we are responsible. With respect to generation, we had an installed capacity of 39,413 MW at March 31, 2009 and 39,402 MW at December 31, 2008, representing 38.4% of all installed capacity in Brazil at December 31, 2008. With respect to transmission, we were responsible for 59.2% of transmission capacity above 230 kV in Brazil at December 31, 2008. We believe that the scale of our generation and distribution operations places us in a position of leadership in the Brazilian market.

***Vast experience that provides us with an excellent platform for future growth.*** We have over 45 years of experience in the Brazilian electricity sector and an established track record of successfully planning, developing and executing new projects. Our personnel have vast experience and, together with our considerable institutional know-how developed as a result of our scale and historical success, we believe this experience provides an excellent platform for future growth. For example, through our subsidiary Eletronuclear, we are the only company in Brazil that operates nuclear energy plants (Angra I and Angra II), and will use this experience in the planned construction and development by Eletronuclear of Brazil's third nuclear energy plant, Angra III.

***Solid financial position.*** We believe that we have a solid and stable financial position and capital structure. At March 31, 2009, we had R\$137.3 billion of total assets on our balance sheet and a worldwide market capitalization of approximately R\$28 billion. In May 2008, S&P upgraded our issuer credit rating to investment grade (BBB-), and affirmed the rating in December 2008. We believe our solid financial position and credit rating

is due, in part, to the fact that our majority shareholder is the Federative Republic of Brazil, whose issuer credit rating with S&P, Fitch and Moody's Investors Service, Inc. is also investment grade. We believe this solid financial base, together with our other competitive strengths, enables us to more readily and efficiently obtain financing to achieve our strategic growth and profitability goals.

**Established brand recognition.** The Eletrobrás name is one of the best-known electricity brands in Brazil. We believe that we enjoy a strong reputation with our existing customers and that our widely-known brand inspires confidence in potential customers, thereby enabling us to capitalize on growth opportunities.

## Our Strategies

Our principal strategic objectives are to achieve sustained growth and profitability, while maintaining our position as a leader in the Brazilian electricity sector. In order to achieve these objectives, our principal strategies are as follows:

- **Expand and improve efficiency in our generation, transmission and distribution businesses.** We believe that our scale and experience in the generation and transmission markets will enable us to maximize profits by improving efficiency in our existing infrastructure and capitalizing on opportunities arising from new infrastructure such as new power units and transmission lines. Our recently-adopted Strategic Action Program for 2009 - 2012 (*Programa de Ações Estratégicas do Sistema Eletrobrás*, or PAE) includes the strategic target of increasing our generation capacity and transmission lines to the Interconnected power system by 2012;
- **Renewed strategy for distribution business.** With respect to distribution, we adopted a renewed strategy in 2008 for management of the distribution companies and are seeking to continue to improve their operational efficiency;
- **Continue to maintain high corporate governance standards.** We believe our corporate governance structure is a key component that will help us achieve our growth, profitability and market share objectives. We believe that high corporate governance standards strengthen our corporate image with investors. Our shares are registered with the SEC and the CVM and are listed on the New York Stock Exchange and the Level 1 segment of the São Paulo Stock Exchange (BM&FBOVESPA). Our PAE includes the strategic target of complying with the corporate governance standards of the more stringent Level 2 segment of the BM&FBOVESPA by 2012 and the provisions of the Sarbanes Oxley Act of 2002; and
- **Selectively identify growth opportunities in certain international markets.** In accordance with our PAE, we are currently conducting feasibility studies for investments in neighbouring countries, such as, Argentina and Peru. These studies evaluate investments in hydroelectric power plants with a total production capacity of up to 18,000 MW as well as up to 11,000 km of transmission lines. Our strategic aim is to generate energy that can be added to the Interconnected power system and to integrate certain electrical power systems in the Americas.

## Organizational Structure

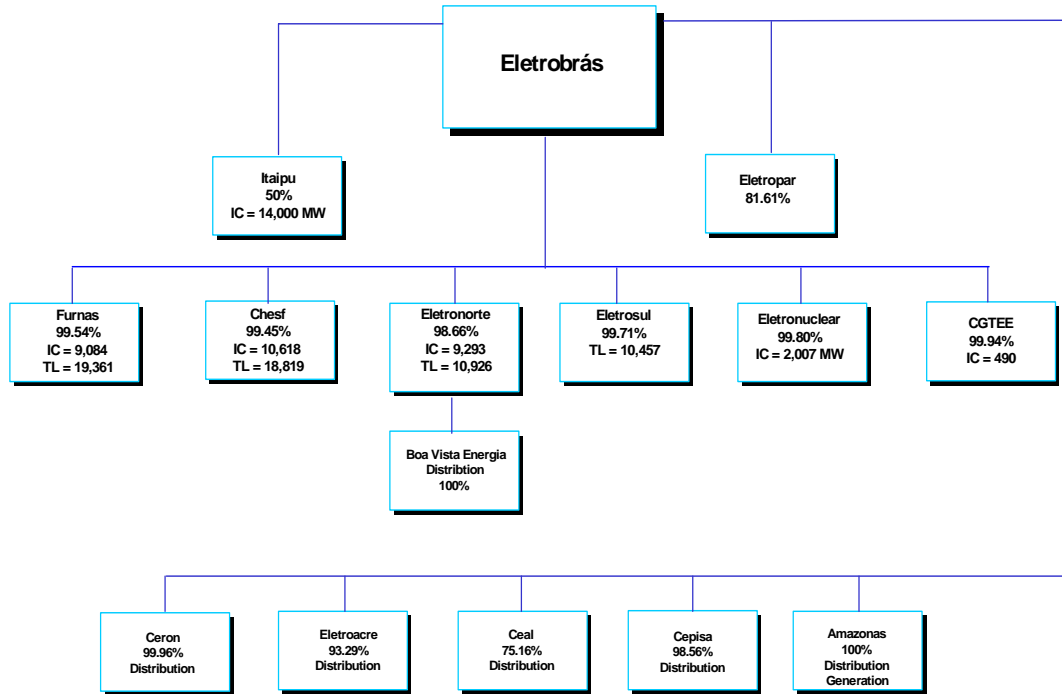
We operate our generation, transmission and distribution activities in Brazil through twelve regional subsidiaries:

- *Itaipu*, the worlds largest hydroelectric plant in terms of volume of energy generated, in which we and a Paraguayan governmental entity (ANDE) each hold a 50% interest;
- *Furnas*, which engages in generation and transmission activities in the southeast and part of the midwest regions of Brazil;
- *Chesf*, which engages in generation and transmission activities in the northeast region of Brazil;

- *Eletronorte*, which engages in generation, transmission and limited distribution activities in the north and part of the midwest regions of Brazil;
- *Eletronuclear*, which owns and operates two nuclear plants, Angra I and Angra II and is planning to construct a third, Angra III;
- *Amazonas Energia*, (formerly *Manaus Energia*) which engages in generation and distribution in the State of Amazonas. Prior to May 31, 2008 it was a subsidiary of Eletronorte but is now directly owned by Eletrobrás. Amazonas Energia now also operates in the interior of the State of Amazonas through facilities that, until March 31, 2008, were operated by Ceam, which used to be directly held by Eletrobrás, but no longer exists as a standalone operating company;
- *Eletrosul*, which engages in transmission activities in the states of Santa Catarina, Rio Grande do Sul, Mato Grosso do Sul and Paraná;
- *CGTEE*, which owns and operates thermal plants in the south region of Brazil;
- *Ceal*, which engages in distribution activities in the state of Alagoas;
- *Eletroacre*, which engages in distribution activities in the state of Acre;
- *Ceron*, which engages in distribution activities in the state of Rondônia; and
- *Cepisa*, which engages in distribution activities in the state of Piauí.

We are also the principal sponsor of *Cepel*, the largest technological research and development center in the electricity industry in Latin America and hold a majority interest in Eletropar, a holding company that holds minority interests in five Brazilian distribution companies: (i) AES Eletropaulo Metropolitana de Eletricidade de São Paulo S.A. – AES Eletropaulo; (ii) Energias do Brasil S.A. – Energias do Brasil; (iii) Companhia de Transmissão de Energia Elétrica Paulista – CTEEP; (iv) Empresa Metropolitana de Águas e Energia S.A. – EMAE; and (v) Companhia Piratininga de Força e Luz – CPFL.

The following organizational chart shows, in summary form, our shareholder structure and subsidiaries at June 30, 2009 (we also have minority shareholdings in 20 state utility companies throughout Brazil, not indicated in this chart):



Note: IC stands for installed capacity and TL stands for transmission lines.

### General

We were established on June 11, 1962 as a mixed capital company with limited liability and unlimited duration. We are subject to Brazilian Corporate Law. Our executive offices are located at Avenida Presidente Vargas, 409, 13th Floor, Edifício Herm. Stolz, CEP 20071-003 Rio de Janeiro, RJ, Brazil. Our telephone number is +55 21 2514 6331. Our legal name is Centrais Elétricas Brasileiras S.A. – Eletrobrás and our commercial name is Eletrobrás.

## THE OFFERING

*This summary highlights information presented in greater detail elsewhere in this listing circular. This summary is not complete and does not contain all of the information that you should consider before investing in the notes. For a more complete description of the terms of the notes, see "Terms and Conditions of the Notes." You should read this entire listing circular carefully before investing in the notes.*

Issuer .....	Centrais Elétricas Brasileiras S.A. - Eletrobrás.
Notes offered .....	U.S.\$1,000,000,000 aggregate principal amount of 6.875% senior notes due 2019.
Issue price .....	99.112% of the principal amount of the notes, plus accrued interest from July 30, 2009, if any.
Maturity date .....	July 30, 2019.
Interest payment dates .....	January 30 and July 30 of each year, commencing on January 30, 2010.
Interest .....	The notes will bear interest from July 30, 2009 at the annual rate of 6.875%, payable semi-annually in arrears on each interest payment date.
Ranking .....	The notes will be unsecured and will rank equally with our other unsecured senior indebtedness.
Tax redemption .....	If, as a result of changes in Brazilian law relating to the withholding taxes applicable to payments of interest, we are obligated to pay additional amounts on the notes in excess of the additional amounts that we would pay if payments in respect of the notes were subject to withholding or deduction at a rate of 15%, we may redeem the outstanding notes in whole, but not in part, at 100% of the principal amount thereof plus accrued interest to the redemption date. See "Terms and Conditions of the Notes — Redemption and Purchase — Redemption for Taxation Reasons."
Additional amounts .....	We will pay additional amounts in respect of any payments of interest or principal so that the amount you receive after Brazilian withholding tax will equal the amount that you would have received if no withholding tax had been applicable, subject to some exceptions as described under "Terms and Conditions of the Notes — Taxation — Gross up."
Covenants .....	The terms of the notes will contain certain covenants that limit our ability, and the ability of our subsidiaries to: <ul style="list-style-type: none"><li>• enter into certain transactions with affiliates;</li><li>• create liens; and</li><li>• engage in a merger, consolidation or sale of assets.</li></ul> These covenants are subject to important exceptions and qualifications. For a further description of these covenants see "Terms and Conditions of the Notes — Negative Pledge and Covenants."
Events of default .....	The trust deed sets forth the events of default applicable to the notes, including a cross default in respect of any indebtedness of the issuer or any of its subsidiaries having an aggregate principal amount of U.S.\$100.0 million or more. For a discussion of certain events of default that will permit acceleration of the principal of the notes plus accrued interest, see "Terms and Conditions of the Notes — Events of Default."
Use of proceeds .....	We expect the offering to generate net proceeds of approximately



	U.S.\$988.0 million after deducting transaction related expenses and fees payable by us. We intend to primarily use these net proceeds for general corporate purposes.
Form and denomination; settlement ....	Any notes sold pursuant to Rule 144A under the Securities Act will be issued in fully registered form in denominations of U.S.\$100,000 and integral multiples of U.S.\$1,000 in excess thereof. Any notes sold outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act will be in fully registered form in denominations of U.S.\$100,000 and integral multiples of U.S.\$1,000 in excess thereof.  The notes will be issued in book-entry form through the facilities of DTC, for the accounts of its participants, including Clearstream, Luxembourg and Euroclear Bank S.A./N.V., as the operator of Euroclear, and will trade in DTC's same-day funds settlement system. Beneficial interests in notes held in book-entry form will not be entitled to receive physical delivery of certificates notes except in certain limited circumstances. See "Form of the Notes."
Listing .....	Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and for the notes to be admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange. We cannot assure you, however, that such application will be accepted or, if accepted, that the notes will remain so listed.
Governing law .....	The trust deed and the notes and all non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
Trustee, transfer agent, paying agent and registrar .....	Deutsche Bank Trust Company Americas
Principal paying agent .....	The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Luxembourg paying agent .....	Deutsche Bank Luxembourg S.A.
Transfer restrictions .....	The notes have not been registered under the Securities Act and are subject to certain restrictions on transfer. See "Transfer Restrictions." We have not entered into any agreement requiring us to register any reoffer or resale of the notes for equivalent notes registered under the Securities Act.
Selling restrictions .....	There are restrictions on persons to whom notes can be sold and on distribution of this listing circular. See "Plan of Distribution."
Risk factors .....	You should carefully consider all of the information contained in this listing circular prior to making a decision to invest in the notes. In particular, we urge you to read and carefully consider the information set out in "Risk Factors" beginning on page 17 for a discussion of risks and uncertainties relating to us, our business, the Brazilian power industry, Brazil and the notes.
Certain ERISA considerations .....	Sales of the notes to specified types of employee benefit plans and affiliates are subject to certain conditions. See "Certain ERISA Considerations."

## SUMMARY FINANCIAL INFORMATION

The following summary financial information has been extracted without adjustments from our audited annual consolidated financial statements at and for the three years ended December 31, 2008, 2007 and 2006 and unaudited interim unconsolidated and consolidated financial statements at and for the three months ended March 31, 2009 and 2008, included elsewhere in this listing circular, and should be read in conjunction with those financial statements, “Presentation of Financial and Certain Other Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” In addition, you should note the following matters when reviewing this financial information:

- the financial information at and for the three-month period ended March 31, 2009 is not directly comparable to the financial information at and for the three-month period ended March 31, 2008 because we were not required to, and did not, apply Law No. 11,638 to our financial statements at and for the three months ended March 31, 2008. We applied Law No. 11,638 to our financial statements at and for the year ended December 31, 2008 and at and for the three months ended March 31, 2009. See note 1 to our unaudited consolidated financial statements at and for the three-month period ended March 31, 2009 and “Presentation of Financial and Certain Other Information — Law No. 11,638” for a description of the changes in accounting policies;
- the financial information at and for the year ended December 31, 2008 is not directly comparable to the financial information at and for the year ended December 31, 2007 because in 2008 we applied the accounting practices set forth in Law No. 11,638. See note 3 to our audited annual consolidated financial statements as of and for the years ended December 31, 2007 and 2006 and “Presentation of Financial and Certain Other Information — Law No. 11,638/07” for a description of these changes; and
- the financial information at and for the year ended December 31, 2007 is not directly comparable to the financial information at and for the year ended December 31, 2006. In 2008, we consolidated the financial information of Ceal, Ceam, Cepisa, Ceron, Amazonas Energia and Eletroacre for the first time in our financial statements prepared in accordance with Accounting Practices Adopted in Brazil. Although we reclassified our financial information at and for the year ended December 31, 2007 to permit comparability with our financial information at and for the year ended December 31, 2008 in this respect, we were not required to and did not do so for our financial information at and for the year ended December 31, 2006.

## Consolidated Balance Sheet Information

Assets	At December 31,			At March 31,
	2006	2007	2008	2009
	<i>(R\$ thousands)</i>			
	<i>(audited)</i>			<i>(unaudited)</i>
<b>Current</b>				
Cash and cash equivalents .....	5,459,139	8,387,789	13,566,386	14,016,977
Consumers and resellers .....	3,994,924	4,182,324	4,341,459	4,732,218
Loans and financing .....	1,414,788	1,299,066	1,493,271	1,428,939
Fuel Consumption Account – CCC .....	833,555	365,366	554,748	491,789
Return on investments .....	174,455	152,468	261,093	225,650
Rescheduled receivables .....	352,158	526,275	619,871	499,171
Deferred tax credits .....	1,842,337	2,480,999	2,081,850	1,405,054
Rights to reimbursement .....	275,468	179,460	516,766	456,265
Sundry receivables .....	128,224	432,539	377,879	551,389
Storeroom .....	519,816	641,840	759,963	766,620
Prepaid expenses .....	46,299	90,767	76,874	66,722
Others .....	374,279	681,909	947,497	985,378
	<b>15,415,442</b>	<b>19,420,802</b>	<b>25,597,657</b>	<b>25,626,171</b>
<b>Non-Current Assets</b>				
<b>Long-Term Assets</b>				
Loans and financing .....	13,052,790	11,941,405	13,467,643	13,100,107
Rescheduled receivables .....	4,735,269	1,920,766	2,070,302	1,814,414
Marketable securities .....	1,414,136	1,293,014	617,889	621,025
Nuclear fuel inventories .....	594,169	657,188	725,142	712,101
Studies and projects .....	308,011	312,122	-	-
Consumers and resellers .....	589,223	179,454	42,024	-
Deferred tax credits .....	1,959,457	2,526,213	2,786,948	2,837,570
Pledges and restricted deposits .....	367,179	290,256	165,138	245,838
Fuel Consumption Account - CCC .....	474,052	500,512	572,279	912,576
Rights to reimbursement .....	-	590,025	4,312,809	3,223,538
Others .....	376,636	1,314,571	1,156,724	1,174,086
	23,870,922	21,525,526	25,916,898	24,641,255
Advances for capital increase at parent level .....	80,383	4,027	4,027	4,000
	<b>23,951,305</b>	<b>21,529,553</b>	<b>25,920,925</b>	<b>24,645,255</b>
Investments .....	4,565,745	5,193,138	5,896,865	6,115,403
Property, plant and equipment .....	77,695,285	75,262,669	80,262,674	80,511,252
Intangible assets .....	412,538	474,485	375,811	383,909
Deferred charges .....	45,136	47,261	-	-
	82,718,704	80,977,553	86,535,350	87,010,564
<b>Total Assets .....</b>	<b>122,085,451</b>	<b>121,927,908</b>	<b>138,053,932</b>	<b>137,281,990</b>

Liabilities	At December 31,			At March 31,
	2006	2007	2008	2009
	<i>(R\$ thousands)</i>			
	<i>(audited)</i>			<i>(unaudited)</i>
<b>Current</b>				
Loans and financing.....	1,990,178	1,450,815	1,714,611	1,228,320
Compulsory loan.....	111,106	96,709	85,205	83,601
Trade accounts payable .....	1,976,903	2,476,444	2,594,567	2,324,233
Advances from consumers.....	134,909	237,441	53,159	313,577
Taxes and social contributions .....	1,448,655	1,955,794	2,075,726	1,003,252
Fuel Consumption Account – CCC.....	836,878	518,522	670,482	760,695
Shareholders' compensation.....	590,756	902,915	1,948,109	2,007,451
Payables to the Brazilian Federal Treasury .....	51,123	58,150	72,236	74,409
Estimated obligations .....	294,877	468,148	550,573	611,503
Reimbursement obligations .....	193,810	444,225	923,344	1,194,669
Complementary pension plans .....	338,355	368,950	502,699	530,704
Provisions for contingencies.....	893,299	1,095,852	1,481,709	1,252,295
Research and development.....	287,460	367,101	269,062	-
Fees as per regulation .....	591,290	541,968	708,285	748,177
Others.....	455,724	941,602	637,249	750,675
	<b>10,195,323</b>	<b>11,924,636</b>	<b>14,287,016</b>	<b>12,883,561</b>
<b>Non-current Liabilities</b>				
Loans and financing.....	17,819,926	13,029,068	18,297,562	18,795,076
Payable to the Brazilian National Treasury.....	459,808	726,989	2,854,201	2,214,977
Trade accounts payable .....	268,332	16,668	24,282	-
Global Reversion Reserve Quota – RGR.....	6,171,300	6,769,011	7,193,770	7,228,322
Compulsory loan.....	23,870	202,375	129,866	133,141
Taxes and social contributions .....	2,150,748	1,690,671	2,713,664	2,576,594
Undertaken obligations for the release of assets .....	356,604	451,017	266,168	269,162
Advances from consumers.....	942,330	1,056,761	1,018,488	1,009,446
Fuel Consumption Account – CCC.....	1,036,531	1,431,641	1,432,982	1,737,430
Provisions for contingencies.....	2,147,921	1,881,291	1,695,556	1,765,128
Complementary pension plans .....	1,992,061	1,841,685	1,567,002	1,345,887
Provisions for stockholders' deficit in investees.....	342,996	-	-	-
Others.....	97,372	629,851	722,346	982,805
	<b>33,809,799</b>	<b>29,727,028</b>	<b>37,915,887</b>	<b>38,057,969</b>
<b>Interest of non-controlling stockholders</b>	244,541	313,008	232,668	229,326
<b>Stockholders' Equity</b>				
Capital stock .....	24,235,829	24,235,829	26,156,567	26,156,567
Capital reserves.....	25,907,304	25,907,304	26,048,342	26,048,342
Revaluation surplus .....	230,538	208,109	196,906	193,606
Revenue reserves .....	24,054,259	25,800,369	28,900,908	29,172,390
Conversion accumulated adjustments .....	-	-	28,285	25,125
Accumulated profits.....	-	-	-	103,090
	<b>74,427,930</b>	<b>76,151,611</b>	<b>81,331,008</b>	<b>81,699,120</b>
Advances for future capital increase .....	3,407,858	3,811,625	4,287,353	4,412,014
	<b>77,835,788</b>	<b>79,963,236</b>	<b>85,618,361</b>	<b>86,111,134</b>
<b>Total Liabilities and Shareholders' Equity .....</b>	<b>122,085,451</b>	<b>121,927,908</b>	<b>138,053,932</b>	<b>137,281,990</b>

## Consolidated Income Statement

	Year Ending December 31,			Three Months Ending March 31,	
	2006	2007	2008	2008	2009
	<i>(R\$ thousands)</i>				
	<i>(audited)</i>			<i>(unaudited)</i>	
<b>Operating Revenues</b>					
Electricity sale and transmission .....	21,011,354	25,603,572	31,450,764	7,400,340	6,375,376
(-) Sectorial charges .....	(1,292,529)	(1,235,991)	(1,191,673)	(309,983)	(300,406)
(-) State VAT (ICMS) .....	(465,555)	(882,750)	(984,608)	(234,869)	(254,121)
Ownership Interest .....	361,667	753,292	665,533	332,537	134,279
Tax Incentive revenue .....	-	-	343,251	-	-
Other revenues .....	431,621	496,746	448,616	51,732	132,661
	<u>20,046,558</u>	<u>24,734,869</u>	<u>30,731,883</u>	<u>7,239,757</u>	<u>6,087,789</u>
<b>Operating Expenses</b>					
Personnel, material and services .....	3,977,700	4,918,538	5,439,642	1,090,431	1,277,836
Energy purchased for resale .....	4,895,225	6,420,631	8,832,314	1,910,423	1,403,222
Fuel for electric production .....	442,724	632,826	1,158,856	453,557	204,008
PASEP and COFINS (tax on sales) .....	750,756	1,124,658	1,464,809	346,700	390,772
Electricity network use .....	891,337	976,647	1,101,220	252,523	297,244
Financial compensation on water resources .....	1,152,447	1,095,234	1,100,777	254,360	332,896
Depreciation and amortization .....	2,006,805	2,127,479	2,339,904	574,503	595,042
Operating provisions .....	957,613	1,105,122	1,544,091	53,020	372,938
ITAIPU's income (loss) to be offset .....	(390,916)	694,088	835,885	181,395	391,445
Donations and contributions .....	196,904	198,990	217,913	52,466	62,178
Others .....	594,035	1,906,767	495,320	197,811	129,805
	<u>15,474,630</u>	<u>21,200,980</u>	<u>24,530,731</u>	<u>5,367,189</u>	<u>5,457,386</u>
<b>Operating Income before Financial Income (Expenses) .....</b>	<b>4,571,928</b>	<b>3,533,889</b>	<b>6,201,152</b>	<b>1,872,568</b>	<b>630,404</b>
<b>Financial Income (Expenses) .....</b>	<b>(2,706,039)</b>	<b>(1,208,663)</b>	<b>3,383,768</b>	<b>(232,681)</b>	<b>(359,048)</b>
<b>Other Expenses and Income .....</b>	<b>-</b>	<b>-</b>	<b>(32,258)</b>	<b>-</b>	<b>(36,494)</b>
<b>Operating Income .....</b>	<b>1,865,889</b>	<b>2,325,226</b>	<b>9,552,662</b>	<b>1,639,887</b>	<b>234,861</b>
<b>Non-Operating Income (Loss) .....</b>	<b>(17,964)</b>	<b>(41,309)</b>	<b>-</b>	<b>(277,135)</b>	<b>-</b>
<b>Income before income and social contribution taxes, employee's and management profit sharing and minority interest .....</b>	<b>1,847,925</b>	<b>2,283,917</b>	<b>9,552,662</b>	<b>1,362,751</b>	<b>234,861</b>
Income tax .....	(411,620)	(415,322)	(2,362,859)	(390,711)	(62,491)
Social contribution tax on net income .....	(151,373)	(172,612)	(863,656)	(140,968)	(43,933)
<b>Income before ownership interest .....</b>	<b>1,284,932</b>	<b>1,695,983</b>	<b>6,326,147</b>	<b>831,072</b>	<b>128,437</b>
Profit sharing .....	(138,468)	(159,926)	(176,817)	-	-
Minority interests .....	14,854	11,800	(12,833)	10,453	(27,109)
<b>Net Income for the year/period .....</b>	<b>1,161,318</b>	<b>1,547,857</b>	<b>6,136,497</b>	<b>841,525</b>	<b>101,328</b>
<b>Earnings per share, net .....</b>	<b>1.03</b>	<b>1.37</b>	<b>5.42</b>	<b>0.74</b>	<b>0.09</b>

## RISK FACTORS

### Risks Relating to our Company

***Some of our concessions are due to expire in 2015; if we are unable to renew these concessions our operating results would be materially adversely affected.***

We carry out our generation, transmission and distribution activities pursuant to concession agreements entered into with the Brazilian Government through ANEEL. These concessions range in duration from 20 to 35 years. Our concession agreements with the earliest expiration dates are due to expire in 2015 and have already been renewed once, except for Samuel, Serra da Mesa and Corumbá I, which expire in September 2009, May 2011 and November 2014, respectively. We have requested renewal for Samuel and Serra da Mesa and are currently awaiting approval from ANEEL. These concessions have been granted to Furnas or Chesf, which represent 20.1% and 18.3%, respectively, of our consolidated property, plant and equipment assets as at March 31, 2009. For a further discussion of Chesf and Furnas, see “Summary—Organizational Structure.” Presently, Law No. 10,848 of 2004 only permits concessions to be renewed once. However, there is a working group in place at the Brazilian Ministry of Mines and Energy examining proposals to amend this law, including the rules and terms for renewal of concessions in electricity generation, transmission and distribution. If the law is not changed, we would be unable to renew certain concessions and would have to take part in auctions for these concessions if we were to continue operations at these plants. If we are unable to renew any of our concessions and are unable to successfully bid for the concessions at any of the auctions for these concessions, we would lose the business derived from these concessions, significantly reducing our operating assets base and adversely affecting our financial condition and results of operations.

***We are controlled by the Brazilian Government, the policies and priorities of which directly affect our operations.***

The Brazilian Government, as our controlling shareholder, has pursued (and may continue to pursue) some of its macroeconomic and social objectives through us using principally Brazilian Government funds which we administer. These funds are the RGR Fund, the CCC Account and the CDE Account. The Brazilian Government also has the power to appoint eight out of the 10 members of our *Conselho de Administração* (or Board of Directors) and, through them, a majority of the executive officers responsible for our day-to-day management. Separately, the Brazilian Government has in the past and may in the future require us to make investments, incur costs or engage in transactions (which may include, for example, requiring us to make acquisitions) that may not be consistent with our objective of maximizing our profits. As a company controlled by the Brazilian Government, we are subject to Law No. 8,666 of June 21, 1993 (or the Procurement Law), pursuant to which procurement of goods and services by us are determined by price, meaning we must select the lowest bidder to supply such goods and services. Although there are some exceptions to the lowest-price rule of the Procurement Law, these are limited in nature. Accordingly, we may be required to contract goods and/or services of a lower quality than would otherwise be the case, which might adversely affect our financial condition and results of operations.

***We are subject to rules limiting borrowing by public sector companies and may not be able to obtain sufficient funds to complete our proposed capital expenditure programs.***

Our current budget anticipates capital expenditures of approximately R\$7.2 billion in 2009. We cannot assure you that we will be able to finance our proposed capital expenditure programs from either our cash flow or external resources. Moreover, as a state controlled company, we are subject to certain rules limiting our indebtedness and investments and must submit our proposed annual budgets, including estimates of the amounts of our financing requirements and sources of our financing, to the Ministry of Planning, Budget and Management and the Brazilian Congress for approval. Accordingly, if our operations do not fall within the parameters and conditions established by such rules and the Brazilian Government, we may have difficulty in obtaining the necessary financing authorizations, which could create difficulties in raising funds. If we are unable to obtain such funds, our ability to invest in capital expenditures for expansion and maintenance may be adversely impacted, which would materially adversely affect the execution of our growth strategy, particularly large scale projects such as the construction of the new nuclear plant, Angra III.

***We have not yet paid dividends to our common shareholders for certain historic periods prior to 1998; we may receive adverse publicity and/or be subject to litigation in respect of these unpaid dividends.***

We have only partially paid accrued dividends in respect of our common shares for the years 1979, 1980, 1981, 1982, 1983, 1984, 1989, 1996 and 1998. The amount of the unpaid portion of these dividends was originally R\$887 million, but following consecutive adjustments for inflation using the Selic rate, we currently record this liability at approximately R\$9.6 billion on our balance sheet (at March 31, 2009) as “Shareholders’ remuneration and dividends.” This amount is not due to individual shareholders until the dividend is paid, which has not yet occurred. If a dividend is paid, our then current common shareholders will be entitled to receive it. Under Brazilian corporate law, there is no date by which these dividends must be paid. We believe this is a widely accepted interpretation of Brazilian corporate law. However, we cannot assure you that this interpretation may not be challenged in the future by the CVM or by former or current minority shareholders. Dividends for the years after 1998 have been declared and fully paid to our shareholders. We may receive adverse publicity in relation to these unpaid dividends and may be subject to litigation from former and current shareholders demanding payment. Furthermore, payment of such a large amount may have adverse financial consequences for us, depending on the form or manner in which these dividends are paid to the common shareholders.

***We own a number of subsidiaries whose performance significantly influences our results.***

We conduct our business mainly through our operating subsidiaries, including Eletronorte, CGTEE, Eletronuclear, Chesf, Furnas and Eletrosul and through Itaipu. Our ability to meet our financial obligations is therefore related in part to the cash flow and earnings of those subsidiaries and the distribution or other transfer of those earnings to us in the form of dividends, loans or other advances and payment. Some of our subsidiaries are, or may in the future be, subject to loan agreements that require that any indebtedness of these subsidiaries to us be subordinate to the indebtedness under those loan agreements. Our subsidiaries are separate legal entities. Any right we may have to receive assets of any subsidiary or other payments upon its liquidation or reorganization will be effectively subordinated to the claims of that subsidiary’s creditors (including tax authorities, trade creditors and lenders to such subsidiaries), except to the extent that we are a creditor of that subsidiary, in which case our claims would still be subordinated to any security interest in the assets of that subsidiary and indebtedness of that subsidiary senior to that held by us.

***The amounts we receive from the Fuel Consumption Account may decrease.***

The Brazilian Government introduced the Fuel Consumption Account, or CCC Account, in 1973. The purpose of the CCC Account is to generate financial reserves payable to distribution companies and some generation companies (all of which must make annual contributions to the CCC Account) to cover some of the costs of the operation of thermoelectric plants in the event of adverse hydrological conditions. Although the Brazilian Government has announced that the CCC Account is to be gradually phased out, we (together with other companies in our industry) continue to receive reimbursements from that account. In recent periods, the amounts we have received as reimbursements from the CCC Account have exceeded our contributions to that account. However, we cannot assure you that we will continue to receive reimbursements from the CCC Account (in amounts that exceed our contributions or at all), and any decrease in the amounts we receive may materially adversely affect our financial condition and results of operations. See “The Brazilian Power Industry — Regulatory Charges.”

***If any of our assets were deemed assets dedicated to providing an essential public service, they would not be available for liquidation in the event of bankruptcy and could not be subject to attachment to secure a judgment.***

On February 9, 2005, the Brazilian Government enacted Law No. 11,101, or the New Bankruptcy Law. The New Bankruptcy Law, which came into effect on June 9, 2005, governs judicial recovery, extrajudicial recovery and liquidation proceedings, and replaces the debt reorganization judicial proceeding known as *concordata* (reorganization) for judicial recovery and extrajudicial recovery. The New Bankruptcy Law provides that its provisions do not apply to government owned and mixed capital companies (such as Eletrobrás). However, the Brazilian Federal Constitution establishes that mixed capital companies, such as Eletrobrás, which operate a commercial business, will be subject to the legal regime applicable to private corporations in respect of civil, commercial, labor and tax matters. Accordingly it is unclear whether or not the provisions relating to judicial and extrajudicial recovery and liquidation proceedings of the New Bankruptcy Law would apply to us.

We believe that a substantial portion of our assets, including our generation assets, our transmission network and our distribution network, would be deemed by Brazilian courts to be related to providing an essential public service. Accordingly, these assets would not be available for liquidation in the event of bankruptcy or available for attachment to secure a judgment. In the event of our bankruptcy, these assets would revert to the Brazilian Government pursuant to Brazilian law and the terms of our concession agreements. Although the Brazilian Government would in such circumstances be under an obligation to compensate us in respect of the reversion of these assets, we cannot assure you that the level of compensation received would be equal to the market value of the assets and, accordingly, our financial condition and results of operations may be materially adversely affected.

***We may be liable if there is a nuclear accident involving our subsidiary Eletronuclear.***

Our subsidiary Eletronuclear, as an operator of two nuclear power plants, is subject to strict liability under Brazilian law for damages in the event of a nuclear accident. The Vienna Convention on Civil Liability for Nuclear Accidents (or the Vienna Convention) became binding in Brazil in 1993. The Vienna Convention provides that an operator of a nuclear installation, such as Eletronuclear, in a jurisdiction which has adopted legislation implementing the Vienna Convention, will be strictly liable for unlimited damages in the event of a nuclear accident (except in certain limited exceptions), subject to the right of any such jurisdiction to adopt legislation placing limits on liability, which Brazil has not done. Eletronuclear is regulated by several federal and state agencies. While Eletronuclear's Angra I and Angra II plants are currently insured against losses resulting from nuclear accidents for an aggregate amount of U.S.\$140 million, we cannot assure that this coverage will be sufficient in the event of a nuclear accident (see "Business — Generation — Nuclear Plants"). Accordingly, any nuclear accident may have a material adverse effect on our financial condition and results of operations.

***We do not have alternative supply sources for the key raw materials that our thermal and nuclear plants use.***

Our thermal plants operate on coal and/or oil and our nuclear plants operate on processed uranium. In each case, we are entirely dependent on third parties for the provision of these raw materials. In the event that supplies of these raw materials become unavailable for any reason, we do not have alternative supply sources and, therefore, the ability of our thermal and/or nuclear plants, as applicable, to generate electricity would be materially adversely affected which may materially adversely affect our financial condition and results of operations.

***Our subsidiary Eletronorte has historically supplied electricity at a loss and our ability to reduce these losses in the future may be limited.***

As a result of our status as a mixed-capital company and to support governmental development objectives, our subsidiary Eletronorte has historically operated a number of isolated systems in the northern region of Brazil supplying electricity at prices below the applicable cost of generation. Although Eletronorte has negotiated supply contracts and applicable tariffs to attempt to reduce its losses in the future, we have only been able to implement changes to our operations in isolated areas of Brazil on a gradual basis.

Furthermore, Eletronorte remains dependent upon purchases of oil in order to generate electricity at its isolated plants and is unable to distribute the electricity that it generates through the Interconnected power system, adversely affecting its profitability and cash flow from operations. Discussions have taken place regarding proposals to connect the plants owned by Eletronorte to the Interconnected power system and to supply them with natural gas by means of a pipeline from gas fields in the Amazon region. However we cannot assure you that any of these proposals will be implemented and, accordingly, there is a risk that net losses attributable to Eletronorte will continue to adversely affect our profitability, our financial condition and the results of our operations.

***Our distribution companies operate in challenging market conditions and, on an aggregate basis, have historically incurred losses.***

Our distribution business, which in the year ended December 31, 2008 accounted for 15% of our consolidated net revenues, is conducted solely in the north and northeastern regions of Brazil. These regions are among the poorest in Brazil and our distribution subsidiaries suffer from commercial losses (the theft of electricity)



and relatively high rates of default by customers in these regions. Historically, on an aggregate basis, our distribution subsidiaries have recorded losses which have adversely affected our consolidated results of operations. Although we introduced a new management structure for our distribution business in May 2008 and are undertaking a number of initiative to reduce commercial losses and renegotiate debts owed to our distribution subsidiaries by customers in default, we cannot assure you that these measures will be successful in materially reducing the losses suffered by these companies or that market conditions in these regions will not deteriorate further. Accordingly, our distribution companies may continue to incur losses, which may continue to have an adverse effect on our financial condition and results of operations.

***We may incur losses and spend time and money defending pending litigation and arbitration.***

We are currently a party to numerous legal proceedings relating to civil, administrative, environmental, labor and tax claims filed against us. These claims involve substantial amounts of money and other remedies. Several individual disputes account for a significant part of the total amount of claims against us. We have established provisions for all amounts in dispute that represent a probable loss in the view of our legal advisors and in relation to those disputes that are covered by laws, administrative decrees, decrees or our court rulings that have proven to be unfavorable. As of March 31, 2009, we provisioned a total aggregate amount of approximately R\$3,017 million in respect of our legal proceedings (plus judicial deposits of R\$1,054 million), of which R\$237 million related to tax claims, R\$2,683 million related to civil claims and R\$968 million related to labor claims. (See “Business—Litigation”).

In the event that claims involving a material amount and for which we have no provisions were to be decided against us, or in the event that the losses estimated turn out to be significantly higher than the provisions made, the aggregate cost of unfavorable decisions could have a material adverse effect on our financial condition and results of operations. In addition, our management may be required to direct its time and attention to defending these claims, which could preclude them from focusing on our core business. Depending on the outcome, certain litigation could result in restrictions in our operations and have a material adverse effect on certain of our businesses.

***Our insurance coverage may be insufficient to cover potential losses.***

Our business is generally subject to a number of risks and hazards, including industrial accidents, labor disputes, unexpected geological conditions, changes in the regulatory environment, environmental hazards and weather and other natural phenomena. Our insurance covers only part of the losses that we may incur. We maintain insurance in amounts that we believe to be adequate to cover damages to our plants caused fire, general third-party liability for accidents and operational risks. If we are unable to renew our insurance policies from time to time or losses or other liabilities occur that are not covered by insurance that exceed our insurance limits, we could be subject to significant unexpected additional losses.

***Judgment may not be enforceable against our directors or officers.***

All of our directors and officers named in this listing circular reside in Brazil. We, our directors and officers and our Fiscal Council members, have not agreed to accept service of process in the United States. Substantially all of our assets, as well as the assets of these persons, are located in Brazil. As a result, it may not be possible to effect service of process within the United States or other jurisdictions outside Brazil upon these persons, attach their assets, or enforce against them or us in United States courts, or the courts of other jurisdictions outside Brazil, judgments predicated upon the civil liability provisions of the securities laws of the United States or the laws of other jurisdictions.

**Risks Relating to the Brazilian Power Industry**

***We cannot predict whether the constitutionality of the Electricity Regulatory Law will be upheld; if it is not, we may face both uncertainty and costs in re-aligning our business.***

In 2004, the Brazilian Government enacted the Electricity Regulatory Law, a far-reaching piece of legislation that provides the framework for regulation of the electricity sector in Brazil. We have aligned our

business within this framework. However, the constitutionality of the Electricity Regulatory Law is being challenged in the Brazilian Supreme Court. The Supreme Court has not yet issued a final ruling in this case, although it recently agreed to deny a request to suspend the effectiveness of the Electricity Regulatory Law while the challenge is pending. If the Supreme Court were to hold that the Electricity Regulatory Law is unconstitutional, this would result in significant uncertainty in Brazil as to the appropriate regulatory framework for the electricity sector, which could materially adversely affect the operation of our business. Moreover, we have no way of predicting the terms of any alternative framework for the regulation of electricity in Brazil. We would likely face costs in re-aligning our business to meet the requirements of any such framework, which would materially adversely affect our financial condition and results of operations.

***We could be penalized by ANEEL for failing to comply with the terms of our concession agreements and we may not recover the full value of our investment in the event that any of our concession agreements are terminated.***

ANEEL may impose penalties on us in the event that we fail to comply with any provision of our concession agreements. Depending on the extent of the non-compliance, these penalties could include substantial fines (in some cases up to two per cent of our gross revenues in the fiscal year immediately preceding the assessment) and restrictions on our operations. ANEEL may also terminate our concessions prior to their due date in the event that we fail to comply with their provisions, are declared bankrupt or are dissolved, or in the event that ANEEL determines that such termination would serve the public interest (see “Business — Generation — Concessions”).

We believe that we are currently in compliance with all material terms of our concession agreements. However, we cannot assure you that we will not be penalized by ANEEL for a future breach of our concession agreements or that our concessions will not be terminated in the future. In the event that ANEEL were to terminate any of our concessions before their expiration date, the compensation we recover for the unamortized portion of our investment may not be sufficient for us to recover the full value of our investment and, accordingly, could have a material adverse effect on our financial condition and results of operations.

***We are subject to safety, health and environmental laws and regulations that may become more stringent in the future and may result in increased liabilities and increased capital expenditures.***

Our operations are subject to comprehensive federal, state and local safety, health and environmental legislation as well as supervision by agencies of the Brazilian Government that are responsible for the implementation of such laws. Among other things, these laws require us to obtain environmental licenses for the construction of new facilities or the installation and operation of new equipment required for our business. The rules are complex and may change over time, making our ability to comply with the applicable requirements more difficult or even impossible, thereby precluding our continuing or future generation, distribution and transmission operations. For example, the Ministry of Environment required us to fulfil 33 steps related to health and safety and environment in order to receive a permit for operation of our Madeira river project. We see increasing health and safety requirements as a trend in our industry. Moreover, private individuals, non-governmental organizations and the public have certain rights to commence legal proceedings to obtain injunctions to suspend or cancel the licensing process. In addition, Brazilian Government agencies could take enforcement action against us for any failure to comply with applicable laws. Such enforcement action could include, among other things, the imposition of fines, revocation of licenses and suspension of operations. Such failures may also result in criminal liability, irrespective of our strict liability to perform environmental remediation and to indemnify third parties for environmental damage. We cannot accurately predict the effect that compliance with enhanced environmental, health or safety regulations may have on our business. If we do not secure the appropriate permits, our growth strategy will be significantly adversely affected, which may materially adversely affect our results of operations and our financial condition.

***Environmental regulations require us to perform environmental impact studies on future projects and obtain regulatory permits.***

We must conduct environmental impact studies and obtain regulatory permits for our current and future projects. We cannot assure you that these environmental impact studies will be approved by the Brazilian Government, that public opposition will not result in delays or modifications to any proposed project or that laws or regulations will not change or be interpreted in a manner that could materially adversely affect our operations or

plans for the projects in which we have an investment. We believe that concern for environmental protection is an increasing trend in our industry. Changes in environmental regulations, or changes in the policy of enforcement of existing environmental regulations, could materially adversely affect our results of operations and our financial condition by delaying the implementation of electricity projects, increasing the costs of expansion, or subjecting us to regulatory fines for non-compliance with environmental regulations.

***We are affected by hydrological conditions and if the poor hydrological conditions of recent years were to recur, our results of operations would be affected as non-hydrological sources of generation were used.***

Prevailing hydrological conditions could adversely affect our operations in a number of different ways, not all of which we can predict. For example, hydrological conditions that result in a low supply of electricity in Brazil could cause, among other things, the implementation of broad electricity conservation programs, including mandatory reductions in electricity generation or consumption. The most recent period of extremely low rainfall in a large portion of Brazil was in the years immediately prior to 2001, and as a result the Brazilian Government instituted a program to reduce electricity consumption from June 1, 2001 to February 28, 2002. A recurrence of unfavorable hydrological conditions that result in a reduced supply of electricity to the Brazilian market could cause, among other things, the implementation of broad electricity conservation programs, including mandated reductions in electricity consumption. Hydrological conditions in late 2007 and early 2008 have been poor, particularly impacting reservoir levels in the northeastern and southeastern regions of Brazil. A prolonged continuation of these poor conditions could lead to a greater usage of other sources of generation of electricity and the implementation of broad electricity conservation programs, including mandated reductions in electricity. In the event of electricity shortages, the Brazilian Government typically mandates increased production from thermal plants that use fossil fuel as their generation sources. Although we have thermal facilities, hydroelectric facilities are the most significant component of our generation business and, accordingly, we are particularly affected when hydrological conditions are poor. Our generation capacity could also be affected by events such as floods which might do damage to our installations. This may in turn materially adversely affect our financial condition and results of operations.

***Construction, expansion and operation of our electricity generation, transmission and distribution facilities and equipment involve significant risks that could lead to lost revenues or increased expenses.***

The construction, expansion and operation of facilities and equipment for the generation, transmission and distribution of electricity involves many risks, including:

- the inability to obtain required governmental permits and approvals;
- the unavailability of equipment;
- supply interruptions;
- work stoppages;
- labor unrest;
- social unrest;
- interruptions by weather and hydrological conditions;
- unforeseen engineering and environmental problems;
- increases in electricity losses, including technical and commercial losses;
- construction and operational delays, or unanticipated cost overruns; and
- the unavailability of adequate funding.

If we experience any of these or other problems, we may not be able to generate, transmit and distribute electricity in amounts consistent with our projections, which may have a material adverse effect on our financial condition and results of operations. We do not have insurance for some of these risks, including certain weather risks.

***We are strictly liable for any damages resulting from inadequate supply of electricity to distribution companies, and our contracted insurance policies may not fully cover such damages.***

Under Brazilian law, we are strictly liable for direct and indirect damages resulting from the inadequate supply of electricity to distribution companies, such as abrupt interruptions or disturbances arising from the generation, distribution or transmission systems. Accordingly, we may be held liable for such damages even if we were not at fault. As a result of the inherent uncertainty involved in these matters, we do not maintain any provisions in relation to potential damage, and these interruptions or disturbances may not be covered by our insurance policies or may exceed the coverage limits of such policies. Accordingly, if we are found liable to pay damages in a material amount, our financial condition and results of operations would be materially adversely affected to a greater degree than those claims where we have recorded provisions.

### **Risks Relating to Brazil**

***Macroeconomic conditions globally and in Brazil have weakened and our business and results of operations are likely to be materially adversely affected while these conditions persist.***

Recent market volatility and disruption globally has been accompanied by worsening economic data in the world's major economies. Substantially all of our revenue is generated by our operations in Brazil, and in keeping with the global trend, the Brazilian economy has weakened since the third quarter of 2008. According to the Brazilian Geography and Statistics Institute (or the IBGE), Brazil's GDP declined by 3.6% in the fourth quarter of 2008 compared to the previous fiscal quarter, which was the most significant quarterly decline in GDP since 1996. In the three months ended March 31, 2009, GDP decreased 0.8%. The unemployment rate has also increased in recent months, reaching 8.9% in April 2009 according to IBGE. Recent volatility in commodity prices has also impacted certain key industries in Brazil. According to a survey among financial institutions carried out by the Central Bank on February 2009, the rate of growth in Brazilian GDP is forecast to decline or remain close to zero in 2009 and GDP declined by 1.60% in the first quarter of 2009. Weakening economic conditions in Brazil may impair the ability of some of our customers in the free market to pay us amounts due under contracts we have with them and/or prompt some of those customers to seek renegotiations of the terms of the applicable contracts. In addition, weakening economic conditions may limit our ability to execute our strategy in the same way that we would in a period of economic growth and stability. Accordingly, for so long as these conditions persist, our results of operations may be adversely affected.

***The Brazilian Government has exercised, and continues to exercise, significant influence over the Brazilian economy. Brazilian economic and political conditions have a direct impact on our business, financial condition, results of operations and prospects.***

The Brazilian economy has been characterized by the significant involvement of the Brazilian Government, which often changes monetary, credit and other policies to influence Brazil's economy. The Brazilian Government's actions to control inflation and effect other policies have often involved wage and price controls, depreciation of the *real*, controls over remittances of funds abroad, intervention by the Central Bank to affect base interest rates and other measures. We have no control over, and cannot predict, what measures or policies the Brazilian Government may take in the future. Our business, financial condition, results of operations and prospects may be adversely affected by changes in Brazilian Government policies, as well as general factors including, without limitation:

- Brazilian economic growth;
- inflation;

- interest rates;
- variations in exchange rates;
- exchange control policies;
- liquidity of the domestic capital and lending markets;
- fiscal policy and changes in tax laws; and
- other political, diplomatic, social and economic policies or developments in or affecting Brazil.

Changes in, or uncertainties regarding the implementation of, the policies listed above could contribute to economic uncertainty in Brazil, thereby increasing the volatility of the Brazilian securities market and the value of Brazilian securities traded abroad.

***The stability of the Brazilian real is affected by its relationship with the U.S. dollar, inflation and Brazilian Government policy regarding exchange rates. Our business could be adversely affected by any recurrence of volatility affecting our foreign currency-linked receivables and obligations.***

The Brazilian currency has experienced high degrees of volatility in the past. Although the *real* appreciated against the U.S. dollar in 2005, 2006 and 2007, the *real* experienced a significant degree of fluctuation in 2008, ranging from R\$1.559 to U.S.\$1.00 to R\$2.500 to U.S.\$1.00, and ended the year at R\$2.337 to U.S.\$1.00, which represents a material depreciation from the average for the year of R\$1.837 to U.S.\$1.00 and the Brazilian currency has historically suffered frequent devaluations or depreciations. The exchange rate of the *real* per U.S.\$1.00 was R\$2.3152 on March 31, 2009 and R\$1.9512 on June 30, 2009. Although over the longer term, devaluations or depreciations of the Brazilian currency are generally correlated with the rate of inflation in Brazil, depreciations of the Brazilian currency over shorter periods of time have resulted in significant fluctuations in the value of the Brazilian currency. The relationship of Brazil's currency to the value of the U.S. dollar, relative rates of devaluation or depreciation of Brazil's currency and prevailing rates of inflation have affected, and may in the future affect our financial results.

The *real* may not maintain its current value or the Brazilian Government may implement foreign currency control mechanisms. Any governmental interference with the exchange rate, or the implementation of exchange control mechanisms, could lead to a depreciation of the *real*, which could reduce the value of our receivables and make our foreign currency-linked obligations more expensive. Other than in respect of our revenues and receivables denominated in U.S. dollars, such devaluation could materially adversely affect our business, operations or prospects.

***Inflation, and the Brazilian Government's measures to curb inflation, may contribute significantly to economic uncertainty in Brazil and materially adversely impact our operating results.***

Brazil has historically experienced high rates of inflation. Inflation and some of the Brazilian Government's measures taken in an attempt to curb inflation have had significant negative effects on the Brazilian economy generally. Inflation, policies adopted to contain inflationary pressures and uncertainties regarding possible future governmental intervention have contributed to economic uncertainty.

Since the introduction of the *real* in 1994, Brazil's inflation rate has been substantially lower than in previous periods. However, inflationary pressures persist. According to the *Índice Geral de Preços-Mercado* (General Market Inflation Index, or IGP-M), Brazilian general market inflation rates were 3.79% in 2006, 7.50% in 2007 and 9.42% in 2008. According to the *Índice de Preços ao Consumidor Amplo* (Consumer Price Index, or IPCA), Brazilian price inflation rates were 3.1% in 2006, 4.5% in 2007 and 5.9% in 2008.

If Brazil were to experience high levels of inflation in the future, inflationary cost pressures may lead to further government intervention, including the introduction of policies that could adversely affect our business, financial condition, results of operations and prospects.

***The market value of securities issued by Brazilian companies is influenced by the perception of risk in Brazil and by the risk of other emerging economies.***

Adverse events in the Brazilian economy and in market conditions of other emerging markets, especially in Latin America, may adversely affect the market prices of securities issued by Brazilian companies. Even if economic conditions in these countries differ considerably from economic conditions prevailing in Brazil, investors' reactions to events in those countries may have a negative effect on the market prices of securities of Brazilian issuers. As a consequence of economic problems in various emerging market countries in recent years (such as the financial crisis in Argentina that began in 2001), investors have tended to examine investments in emerging markets with heightened caution. These crises could result in Brazilian companies facing higher costs for raising funds, thereby impeding access to capital markets. Recently, certain emerging market indices declined because of global economic uncertainty and indications of inflationary pressures in the United States. The Brazilian economy is affected by general global economic conditions, especially those in the United States (including the levels of U.S. interest rates and the behavior of major U.S. stock indices). There is no guarantee that international capital markets will remain open to Brazilian companies or that the costs of financing in such markets will be advantageous for us.

These factors could affect the trading price of the notes and could make it more difficult for us to access capital markets and finance future operations.

#### **Risks Relating to the notes**

***There are no financial covenants in the notes or in the trust deed.***

Neither the notes nor the trust deed contain any restrictions on our ability to incur additional debt or liabilities, including additional senior debt. If we incur additional debt or liabilities, our ability to pay our other obligations on the notes could be materially adversely affected. We expect that we will, from time to time, incur additional debt and other liabilities.

***An active trading market for the notes may not develop.***

There is currently no market for the notes. Application has been made to have the notes traded on the Euro MTF market of the Luxembourg Stock Exchange. We cannot assure you that this application will be accepted. Even if the notes are approved for trading on the Euro MTF market of the Luxembourg Stock Exchange, we may delist the notes. A trading market for the notes may not develop, or if a market for the notes were to develop, the notes may trade at a discount from their initial public offering price, depending on many factors including prevailing interest rates, the market for similar securities, general economic conditions, our financial condition and results of our operations. The initial purchaser is not under any obligation to make a market with respect to the notes and we cannot assure you that trading markets will develop or be maintained. Accordingly, we cannot assure you as to the development or liquidity of any trading market for the notes. If an active market for the notes does not develop or is interrupted, the market price and liquidity of the notes may be adversely affected.

***Judgments of Brazilian courts in respect of our obligations under the notes would be payable only in reais.***

If proceedings were to be brought in the courts of Brazil seeking to enforce our obligations under the notes, we would not be required to discharge our obligations in any currency other than *reais*. Any judgment obtained against us in Brazilian courts in respect of our obligations under the notes will be expressed in *reais* equivalent to the U.S. dollar exchange rate published by the Central Bank as of the date on which such judgment is rendered. We cannot assure you that this exchange rate will provide full compensation in respect of the amount of your investment in the notes.

***There are restrictions on your ability to transfer or resell the notes without registration under applicable securities laws.***

The notes have not been and will not be registered under the Securities Act or any state securities laws. You should note that we have not entered into any agreement requiring us to register any reoffer or resale of the notes for equivalent notes registered under the Securities Act. The notes are being offered and sold pursuant to exemptions from registration under the Securities Act and applicable state securities laws. Accordingly, you may only transfer or sell the notes in the United States in a transaction that is registered under or exempt from the registration requirements of the Securities Act and applicable state securities laws and you may be required to bear the risk of your investment for an indefinite period of time. See “Transfer Restrictions.”

## ENFORCEABILITY OF CIVIL JUDGMENTS

We are a corporation organized under the laws of Brazil. All of our directors and executive officers and certain advisors named herein reside in Brazil or elsewhere outside the United States, and all or a significant portion of the assets of such persons may be, and substantially all of our assets are, located outside the United States. As a result, it will be necessary for you to comply with Brazilian law in order to obtain an enforceable judgement against these foreign resident persons or our assets. It may not be possible for investors to effect service of process within the United States or other jurisdictions outside Brazil upon such persons or to enforce against them or against us any judgements obtained in such courts, including judgements predicated upon the civil liability provisions of the U.S. federal securities laws or predicated upon the laws of such other jurisdictions outside Brazil. We will appoint Clifford Chance Secretaries Limited as our agent for service of process in England and Wales.

We have been advised by our internal counsel, that judgements of non-Brazilian courts for civil liabilities predicated upon the securities laws of such countries, including the securities laws of the United States, subject to certain requirements described below, may be enforced in Brazil. A judgement against either us or any other person described above obtained outside Brazil would be enforceable in Brazil against us or any such person without reconsideration of the merits, upon confirmation of that judgement by the *Superior Tribunal de Justiça* (the Brazilian Superior Court of Justice, or STJ). That confirmation, generally, will occur if the foreign judgement:

- fulfills all formalities required for its enforceability under the laws of the country where the foreign judgement is granted;
- is issued by a competent court after proper service of process is made in accordance with the applicable law, which service must comply with Brazilian law if made in Brazil;
- is not subject to appeal;
- it is for the payment of a sum certain of money;
- is authenticated by a Brazilian consular office in the country where the foreign judgement is issued;
- is accompanied by a sworn translation into Portuguese;
- is not contrary to Brazilian national sovereignty, public policy or good morals (as set forth in Brazilian law); and
- does not contain any provision which for any reason would not be upheld by the courts of Brazil.

Notwithstanding the foregoing, no assurance can be given that confirmation will be obtained, that the process described above can be conducted in a timely manner or that a Brazilian court would enforce a monetary judgement for violation of the securities laws of countries other than Brazil with respect to the notes. We understand that original actions predicated on the securities laws of countries other than Brazil may be brought in Brazilian courts and that, subject to Brazilian public policy, or good morals and national sovereignty and provided further that Brazilian courts can assert jurisdiction over the particular actions, Brazilian courts may enforce civil liabilities in such actions against us, our directors, certain of our officers and the advisors named herein. The ability of a creditor to satisfy a judgment by attaching certain assets of the defendant is limited by provisions of Brazilian law. Pursuant to Article 835 of Law No. 5,869 of January 11, 1973 (or the Brazilian Code of Civil Procedures), a plaintiff (whether Brazilian or non-Brazilian) who resides outside or leaves Brazil during the course of litigation in Brazil must provide a bond to guarantee court costs and legal fees if the plaintiff owns no real property in Brazil that may ensure such payment. This bond must have a value sufficient to satisfy the payment of court fees and defendant's attorneys' fees, as determined by a Brazilian judge. This requirement does not apply to enforcement of foreign judgements which have been duly confirmed by the STJ, nor to the exceptions set forth in certain limited



circumstances (enforcement of trade bills and counterclaims, which do not include the notes being offered by this listing circular) under Article 836 of the Brazilian Code of Civil Procedures.

## EXCHANGE RATE INFORMATION

Before March 14, 2005, there were two legal foreign exchange markets in Brazil, the commercial rate exchange market (or the Commercial Market) and the floating rate exchange market (or the Floating Market), where exchange positions of the Brazilian financial institutions in the Commercial Market and in the Floating Market were unified and differentiated solely for regulatory purposes. The Commercial Market was reserved primarily for foreign trade transactions and transactions that generally required prior approval from Brazilian monetary authorities, such as the purchase and sale of registered investments by foreign persons and related remittances of funds abroad (including the payment of principal and of interest on loans, notes, bonds and other debt instruments denominated in foreign currencies and duly registered with the Central Bank). The Floating Market rate generally applied to specific transactions for which Central Bank approval was not required. Prior to the introduction of the *real* in 1994 the Commercial Market rate and the Floating Market rate differed significantly at times. However, since the introduction of the *real*, the two rates have not differed significantly.

CMN Resolutions Nos. 3,265 and 3,266, dated March 4, 2005 and effective as of March 14, 2005, introduced several changes in the Brazilian foreign exchange regime, including: (i) the unification of the Commercial Market and the Floating Market; (ii) the relaxation of rules for the acquisition of foreign currency by Brazilian residents; and (iii) the extension of the period for reporting proceeds derived from Brazilian exports to the Central Bank. The unified market and the new regulations are intended to simplify foreign exchange transactions for inbound and outbound transactions by means of exchange contracts entered into with local institutions authorized to deal in foreign exchange.

Those regulations allow, subject to certain procedures and specific regulatory provisions, the purchase and sale of foreign currency and the international transfer of *reais*, without any limitation on the amounts involved, *provided, however*, that the transaction is legal and prescribed under the regulation. Purchases and sales of foreign currency continue to be carried out through a financial institution authorized to operate in the foreign exchange market.

The *real* was introduced in July 1994, and from that time through March 1995 the *real* appreciated against the U.S. dollar. In March 1995, the Central Bank introduced exchange rate policies that established a trading band within which the *real*/U.S. dollar exchange rate could fluctuate, allowing the gradual devaluation of the *real* against the U.S. dollar. In January 1999, in response to increased pressure on Brazil's foreign currency reserves, the Central Bank allowed the *real* to float freely.

During 2001 and 2002, the *real* declined against the U.S. dollar. In 2003, the highest rate occurred in January, reaching R\$3.66 *reais* per U.S. dollar. Under the current free convertibility exchange system, the *real* may undergo further depreciation or may appreciate against the U.S. dollar and other currencies. During 2004, the *real* appreciated by 8.1% against the U.S. dollar and continued to appreciate in the first half of 2005. As of December 31, 2006, the commercial market for purchasing U.S. dollars was R\$2.1380 to U.S.\$1.00 and, as of December 31, 2007, it was R\$1.7713 to U.S.\$1.00. The *real* experienced a significant degree of fluctuation in 2008, ranging from R\$1.559 to U.S.\$1.00 to R\$2.500 to U.S.\$1.00, and ended the year at R\$2.337 to U.S.\$1.00, which represents a material depreciation from the average for the year of R\$1.837 to U.S.\$1.00. Since August 2008, the *real* has depreciated substantially against the U.S. dollar, principally as a result of the ongoing global economic crisis. We cannot assure you that the *real* will not depreciate substantially or continue to appreciate against the U.S. dollar in the near future.

The following table sets forth the period end, average, high and low selling rates published by the Central Bank expressed in *reais* per U.S.\$ for the periods and dates indicated.

<b>Year Ended</b>	<b>Reais per U.S. Dollar</b>			
	<b>Period-end</b>	<b>Average<sup>(1)</sup></b>	<b>Low</b>	<b>High</b>
December 31, 2004 .....	2.6544	2.9257	2.6544	3.2051
December 31, 2005 .....	2.3407	2.4341	2.1633	2.7621
December 31, 2006 .....	2.1380	2.1771	2.0586	2.3711
December 31, 2007 .....	1.7713	1.9483	1.7325	2.1556
December 31, 2008 .....	2.3370	1.8374	1.5593	2.5004

<sup>(1)</sup> Represents the average of month-end rates beginning with December of the previous period through last month of period indicated.

The following table sets forth the period end, high and low commercial market/foreign exchange market selling rates published by the Central Bank expressed in *reais* per U.S.\$ for the periods and dates indicated,

<b>Month</b>	<b>Reais per U.S. Dollar</b>		
	<b>Period-end</b>	<b>Low</b>	<b>High</b>
January 2009 .....	2.3162	2.1889	2.3803
February 2009 .....	2.3784	2.2446	2.3916
March 2009.....	2.3152	2.2375	2.4218
April 2009.....	2.1783	2.1699	2.2899
May 2009.....	1.9730	1.9730	2.1476
June 2009.....	1.9516	1.9301	2.0074
July 2009 (through July 16, 2009) .....	1.9340	1.9340	2.0147

Brazilian law provides that, whenever there is a serious imbalance in Brazil's balance of payments or there are serious reasons to foresee a serious imbalance, temporary restrictions may be imposed on remittances of foreign capital abroad. We cannot assure you that such measures will not be taken by the Brazilian Government in the future. See "Risk Factors — Risks Relating to Brazil."

## **USE OF PROCEEDS**

We expect the offering to generate net proceeds of approximately U.S.\$988.0 million after deducting transaction related expenses and fees payable by us. We intend to primarily use these net proceeds for general corporate purposes.

## CAPITALIZATION

The following table sets forth our capitalization at March 31, 2009, on an actual basis and as adjusted to give effect to the issuance of the notes and the use of the proceeds therefrom as if it had occurred on March 31, 2009 as derived from our unaudited consolidated financial statements prepared in accordance with Accounting Practices Adopted in Brazil. This table should be read in conjunction with “Selected Financial Information,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our audited and unaudited consolidated financial statements included elsewhere in this listing circular.

	At March 31, 2009	
	Actual	Adjusted <sup>(1)</sup>
	<i>(R\$ thousands)</i>	
<b>Short-Term Debt</b>		
Loans and financings:		
Foreign financing .....	746,801	746,801
Local financial institutions .....	481,521	481,521
<b>Total short-term debt</b> .....	<b>1,228,322</b>	<b>1,228,322</b>
<b>Long-Term Debt</b>		
Loans and financings:		
Foreign financing .....	15,798,082	17,778,082
Local financial institutions .....	2,996,995	2,996,995
Global Reversal Reserve Quota - RGR .....	7,228,322	7,228,322
Compulsory loans .....	133,141	133,141
<b>Total long-term debt</b> .....	<b>26,156,540</b>	<b>28,136,540</b>
<b>Stockholders’ equity</b>		
Capital stock .....	26,156,567	26,156,567
Capital reserves .....	26,048,342	26,048,342
Revaluation reserves .....	193,606	193,606
Revenue reserves .....	29,172,390	29,172,390
Conversion accumulated adjustments .....	25,125	25,125
Accumulated profits .....	103,090	103,090
<b>Total stockholders’ equity</b> .....	<b>81,699,120</b>	<b>81,699,120</b>
Advances for future capital increases .....	4,412,014	4,412,014
<b>Total capitalization</b> .....	<b>113,495,996</b>	<b>115,475,996</b>

<sup>(1)</sup> As adjusted, assuming the issuance of U.S.\$1,000,000,000 in notes offered hereby and converted from U.S. dollars to *reais* using the rate of R\$1.98 to U.S.\$1.00, the U.S. dollar selling rate of July 13, 2009 published by the Central Bank.

As of March 31, 2009, our corporate capital of R\$26,156,567,211.64 consisted of 1,132,357,090 shares with no par value, of which 905,023,527 were common shares, 146,920 were class A preferred shares and 227,186,643 were class B preferred shares. All of our issued capital is fully paid-up.

There has been no material change to our capitalization since March 31, 2009.

## SELECTED FINANCIAL INFORMATION

The following summary financial information has been extracted without adjustments from our audited annual consolidated financial statements at and for the three years ended December 31, 2008, 2007 and 2006 and unaudited interim unconsolidated and consolidated financial statements at and for the three months ended March 31, 2009 and 2008, included elsewhere in this listing circular, and should be read in conjunction with those financial statements, “Presentation of Financial and Certain Other Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” In addition, you should note the following matters when reviewing this financial information:

- the financial information at and for the three-month period ended March 31, 2009 is not directly comparable to the financial information at and for the three-month period ended March 31, 2008 because we were not required to, and did not, apply Law No. 11,638 to our financial statements at and for the three months ended March 31, 2008. We applied Law No. 11,638 to our financial statements at and for the year ended December 31, 2008 and at and for the three months ended March 31, 2009. See note 1 to our unaudited consolidated financial statements at and for the three-month period ended March 31, 2009 and “Presentation of Financial and Certain Other Information — Law No. 11,638” for a description of the changes in accounting policies;
- the financial information at and for the year ended December 31, 2008 is not directly comparable to the financial information at and for the year ended December 31, 2007 because in 2008 we applied the accounting practices set forth in Law No. 11,638. See note 3 to our audited annual consolidated financial statements as of and for the years ended December 31, 2007 and 2006 and “Presentation of Financial and Certain Other Information — Law No. 11,638/07” for a description of these changes; and
- the financial information at and for the year ended December 31, 2007 is not directly comparable to the financial information at and for the year ended December 31, 2006. In 2008, we consolidated the financial information of Ceal, Ceam, Cepisa, Ceron, Amazonas Energia and Eletroacre for the first time in our financial statements prepared in accordance with Accounting Practices Adopted in Brazil. Although we reclassified our financial information at and for the year ended December 31, 2007 to permit comparability with our financial information at and for the year ended December 31, 2008 in this respect, we were not required to and did not do so for our financial information at and for the year ended December 31, 2006.

## Consolidated Balance Sheet Information

Assets	At December 31,			At March 31,
	2006	2007	2008	2009
	<i>(R\$ thousands)</i>			
	<i>(audited)</i>			<i>(unaudited)</i>
<b>Current</b>				
Cash and cash equivalents .....	5,459,139	8,387,789	13,566,386	14,016,977
Consumers and resellers .....	3,994,924	4,182,324	4,341,459	4,732,218
Loans and financing .....	1,414,788	1,299,066	1,493,271	1,428,939
Fuel Consumption Account – CCC .....	833,555	365,366	554,748	491,789
Return on Investments .....	174,455	152,468	261,093	225,650
Rescheduled receivables .....	352,158	526,275	619,871	499,171
Deferred tax credits .....	1,842,337	2,480,999	2,081,850	1,405,054
Rights to reimbursement .....	275,468	179,460	516,766	456,265
Sundry receivables .....	128,224	432,539	377,879	551,389
Storeroom .....	519,816	641,840	759,963	766,620
Prepaid expenses .....	46,299	90,767	76,874	66,722
Others .....	374,279	681,909	947,497	985,378
	<b>15,415,442</b>	<b>19,420,802</b>	<b>25,597,657</b>	<b>25,626,171</b>
<b>Non-Current Assets</b>				
<b>Long-Term Assets</b>				
Loans and financing .....	13,052,790	11,941,405	13,467,643	13,100,107
Rescheduled receivables .....	4,735,269	1,920,766	2,070,302	1,814,414
Marketable securities .....	1,414,136	1,293,014	617,889	621,025
Nuclear fuel inventories .....	594,169	657,188	725,142	712,101
Studies and projects .....	308,011	312,122	-	-
Consumers and resellers .....	589,223	179,454	42,024	-
Deferred tax credits .....	1,959,457	2,526,213	2,786,948	2,837,570
Pledges and restricted deposits .....	367,179	290,256	165,138	245,838
Fuel Consumption Account -CCC .....	474,052	500,512	572,279	912,576
Rights to reimbursement .....	-	590,025	4,312,809	3,223,538
Others .....	376,636	1,314,571	1,156,724	1,174,086
	23,870,922	21,525,526	25,916,898	24,641,255
Advances for capital increase at parent level .....	80,383	4,027	4,027	4,000
	<b>23,951,305</b>	<b>21,529,553</b>	<b>25,920,925</b>	<b>24,645,255</b>
Investments .....	4,565,745	5,193,138	5,896,865	6,115,403
Property, plant and equipment .....	77,695,285	75,262,669	80,262,674	80,511,252
Intangible assets .....	412,538	474,485	375,811	383,909
Deferred charges .....	45,136	47,261	-	-
	82,718,704	80,977,553	86,535,350	87,010,564
<b>Total Assets .....</b>	<b>122,085,451</b>	<b>121,927,908</b>	<b>138,053,932</b>	<b>137,281,990</b>

Liabilities	At December 31,			At March 31,
	2006	2007	2008	2009
	<i>(R\$ thousands)</i>			
	<i>(audited)</i>			<i>(unaudited)</i>
<b>Current</b>				
Loans and financing.....	1,990,178	1,450,815	1,714,611	1,228,320
Compulsory loan.....	111,106	96,709	85,205	83,601
Trade accounts payable .....	1,976,903	2,476,444	2,594,567	2,324,233
Advances from consumers.....	134,909	237,441	53,159	313,577
Taxes and social contributions .....	1,448,655	1,955,794	2,075,726	1,003,252
Fuel Consumption Account – CCC.....	836,878	518,522	670,482	760,695
Shareholders' compensation.....	590,756	902,915	1,948,109	2,007,451
Payables to the Brazilian Federal Treasury.....	51,123	58,150	72,236	74,409
Estimated obligations .....	294,877	468,148	550,573	611,503
Reimbursement obligations.....	193,810	444,225	923,344	1,194,669
Complementary pension plans .....	338,355	368,950	502,699	530,704
Provisions for contingencies.....	893,299	1,095,852	1,481,709	1,252,295
Research and development .....	287,460	367,101	269,062	-
Fees as per regulation .....	591,290	541,968	708,285	748,177
Others.....	455,724	941,602	637,249	750,675
	<b>10,195,323</b>	<b>11,924,636</b>	<b>14,287,016</b>	<b>12,883,561</b>
<b>Non-current Liabilities</b>				
Loans and financing.....	17,819,926	13,029,068	18,297,562	18,795,076
Payable to the Brazilian National Treasury.....	459,808	726,989	2,854,201	2,214,977
Trade accounts payable .....	268,332	16,668	24,282	-
Global Reversion Reserve Quota – RGR.....	6,171,300	6,769,011	7,193,770	7,228,322
Compulsory loan.....	23,870	202,375	129,866	133,141
Taxes and social contributions .....	2,150,748	1,690,671	2,713,664	2,576,594
Undertaken obligations for the release of assets.....	356,604	451,017	266,168	269,162
Advances from consumers.....	942,330	1,056,761	1,018,488	1,009,446
Fuel Consumption Account – CCC.....	1,036,531	1,431,641	1,432,982	1,737,430
Provisions for contingencies.....	2,147,921	1,881,291	1,695,556	1,765,128
Complementary pension plans .....	1,992,061	1,841,685	1,567,002	1,345,887
Provisions for stockholders' deficit in investees.....	342,996	-	-	-
Others.....	97,372	629,851	722,346	982,805
	<b>33,809,799</b>	<b>29,727,028</b>	<b>37,915,887</b>	<b>38,057,969</b>
<b>Interest of non-controlling stockholders</b>	244,541	313,008	232,668	229,326
<b>Stockholders' Equity</b>				
Capital Stock.....	24,235,829	24,235,829	26,156,567	26,156,567
Capital reserves.....	25,907,304	25,907,304	26,048,342	26,048,342
Revaluation surplus .....	230,538	208,109	196,906	193,606
Revenue reserves .....	24,054,259	25,800,369	28,900,908	29,172,390
Conversion accumulated adjustments .....	-	-	28,285	25,125
Accumulated profits (losses).....	-	-	-	103,090
	<b>74,427,930</b>	<b>76,151,611</b>	<b>81,331,008</b>	<b>81,699,120</b>
Advances for future capital increase.....	3,407,858	3,811,625	4,287,353	4,412,014
	<b>77,835,788</b>	<b>79,963,236</b>	<b>85,618,361</b>	<b>86,111,134</b>
<b>Total Liabilities and Shareholders' Equity .....</b>	<b>122,085,451</b>	<b>121,927,908</b>	<b>138,053,932</b>	<b>137,281,990</b>



## Consolidated Income Statement

	Year Ending December 31,			Three Months Ending March 31,	
	2006	2007	2008	2008	2009
	<i>(R\$ thousands)</i>				
	<i>(audited)</i>			<i>(unaudited)</i>	
<b>Operating Revenues</b>					
Electric sale and transmission .....	21,011,354	25,603,572	31,450,764	7,400,340	6,375,376
(-) Sectorial charges .....	(1,292,529)	(1,235,991)	(1,191,673)	(309,983)	(300,406)
(-) State VAT (ICMS) .....	(465,555)	(882,750)	(984,608)	(234,869)	(254,121)
Ownership Interest .....	361,667	753,292	665,533	332,537	134,279
Tax Incentive revenue .....	-	-	343,251	-	-
Other revenues .....	431,621	496,746	448,616	51,732	132,661
	<u>20,046,558</u>	<u>24,734,869</u>	<u>30,731,883</u>	<u>7,239,757</u>	<u>6,087,789</u>
<b>Operating Expenses</b>					
Personnel, material and services .....	3,977,700	4,918,538	5,439,642	1,090,431	1,277,836
Energy purchased for resale .....	4,895,225	6,420,631	8,832,314	1,910,423	1,403,222
Fuel for electric production .....	442,724	632,826	1,158,856	453,557	204,008
PASEP and COFINS (tax on sales) .....	750,756	1,124,658	1,464,809	346,700	390,772
Electricity network use .....	891,337	976,647	1,101,220	252,523	297,244
Financial compensation on water resources .....	1,152,447	1,095,234	1,100,777	254,360	332,896
Depreciation and amortization .....	2,006,805	2,127,479	2,339,904	574,503	595,042
Operating provisions .....	957,613	1,105,122	1,544,091	53,020	372,938
ITAIPU's income (loss) to be offset .....	(390,916)	694,088	835,885	181,395	391,445
Donations and contributions .....	196,904	198,990	217,913	52,466	62,178
Others .....	594,035	1,906,767	495,320	197,811	129,805
	<u>15,474,630</u>	<u>21,200,980</u>	<u>24,530,731</u>	<u>5,367,189</u>	<u>5,457,386</u>
<b>Operating Income before Financial Income (Expenses) .....</b>	<b>4,571,928</b>	<b>3,533,889</b>	<b>6,201,152</b>	<b>1,872,568</b>	<b>630,404</b>
<b>Financial Income (Expenses) .....</b>	<b>(2,706,039)</b>	<b>(1,208,663)</b>	<b>3,383,768</b>	<b>(232,681)</b>	<b>(359,048)</b>
<b>Other Expenses and Income .....</b>	<b>-</b>	<b>-</b>	<b>(32,258)</b>	<b>-</b>	<b>(36,494)</b>
<b>Operating Income .....</b>	<b>1,865,889</b>	<b>2,325,226</b>	<b>9,552,662</b>	<b>1,639,887</b>	<b>234,861</b>
<b>Non-Operating Income (Loss) .....</b>	<b>(17,964)</b>	<b>(41,309)</b>	<b>-</b>	<b>(277,135)</b>	<b>-</b>
<b>Income before income and social contribution taxes, employee's and management profit sharing and minority interest .....</b>	<b>1,847,925</b>	<b>2,283,917</b>	<b>9,552,662</b>	<b>1,362,751</b>	<b>234,861</b>
Income tax .....	(411,620)	(415,322)	(2,362,859)	(390,711)	(62,491)
Social contribution tax on net income .....	(151,373)	(172,612)	(863,656)	(140,968)	(43,933)
<b>Income before ownership interest .....</b>	<b>1,284,932</b>	<b>1,695,983</b>	<b>6,326,147</b>	<b>831,072</b>	<b>128,437</b>
Profit sharing .....	(138,468)	(159,926)	(176,817)	-	-
Minority interests .....	14,854	11,800	(12,833)	10,453	(27,109)
<b>Net Income for the year/period .....</b>	<b>1,161,318</b>	<b>1,547,857</b>	<b>6,136,497</b>	<b>841,525</b>	<b>101,328</b>
<b>Earnings per share, net .....</b>	<b>1.03</b>	<b>1.37</b>	<b>5.42</b>	<b>0.74</b>	<b>0.09</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

*The following discussion should be read in conjunction with our audited and unaudited consolidated financial statements included elsewhere in this listing circular. Our financial statements have been prepared in accordance with Accounting Practices Adopted in Brazil, which differ in certain respects from U.S. GAAP.*

### Overview

Directly and through our subsidiaries, we are involved in the generation, transmission and distribution of electricity in Brazil. Our revenues principally derive from:

- the generation of electricity through our subsidiaries, and Itaipu, and its sale to electricity distribution companies and free consumers, which in 2008, 2007 and in 2006 accounted for R\$21.8 billion, or 71%, R\$17.8 billion, or 72%, and R\$14.0 billion, or 69%, of our total net revenues, respectively;
- the transmission of electricity, which in 2008, 2007 and in 2006 accounted for R\$4.1 billion, or 14%, R\$3.3 billion, or 14%, and R\$3.0 billion, or 15%, of our total net revenues, respectively;
- the distribution of electricity to end consumers, which in 2008, 2007 and in 2006 accounted for R\$4.4 billion, or 15%, R\$3.5 billion, or 14%, and R\$3.2 billion, or 16%, of our total net revenues, respectively; and
- financial revenues derived from debt service payments received from Itaipu, which in 2008, 2007 and in 2006 accounted for R\$506 million, or 2%, R\$448 million, or 2%, and R\$788 million, or 4%, of our total net revenues, respectively.

The primary drivers of our financial performance are demand for electricity (which in turn is impacted by macroeconomic conditions and external events such as electricity rationing, which occurred in 2001 and 2002) and the pricing of electricity (which is determined as set out in "The Brazilian Power Industry"). Although levels of electricity consumption now exceed those that existed before the energy crisis that occurred in 2001 and 2002, that energy crisis continues to impact our recognition of revenues and, accordingly, our results of operations.

### Certain Factors Affecting our Financial Performance

#### *Brazilian Macroeconomic Conditions*

We are affected by conditions in the Brazilian economy.

In 2005, the Brazilian economy improved in comparison with the previous year, mainly in the fourth quarter. GDP grew by 2.3%, and the *real* appreciated to R\$2.3407 per U.S. dollar on December 31, 2005 compared to R\$2.6544 on December 31, 2004, an appreciation of 11.8%. The Central Bank increased the base interest rate in the first half of 2005, from 17.75% to 19.75%, but began decreasing the interest rate later in that year, eventually setting at an interest rate of 18.0% in December 31, 2005. Inflation, as measured by the IGP DI, was 1.2% for 2005.

In 2006, the Brazilian economy continued to improve in comparison with the previous year. GDP grew by 3.7%, and the *real* appreciated by 8.9% in relation to the U.S. dollar, reaching R\$2.1380 per U.S. dollar as of December 31, 2006 compared to R\$2.3407 per U.S. dollar as of December 31, 2005. The Central Bank gradually reduced the base interest rate during 2006 from 18.0% as of December 31, 2005 to 13.25% as of December 31, 2006. Inflation, as measured by the IGP DI, was 3.8% for 2006.

In 2007, the Brazilian economy continued to grow, with GDP increasing by 5.67%. The *real* appreciated to R\$1.7713 per U.S. dollar as of December 31, 2007 compared to R\$2.1380 as of December 31, 2006. During 2007,

the Central Bank decreased the base interest rate from 13.25% to 11.25%. Inflation, as measured by IGP DI, was 7.9% for 2007.

In 2008, GDP grew by 5.1%. However, GDP declined 3.6% in the fourth quarter of 2008 compared to the third quarter of 2008. The *real* depreciated to R\$2.337 per U.S. dollar as of December 31, 2008 compared to R\$1.7713 as of December 31, 2007. For the year ended December 31, 2008, the Central Bank increased the base interest rate from 11.25% to 13.75%. Inflation, as measured by IGP DI, was 9.11% for the year ended December 31, 2008. As of July 14, 2009, the *real*/U.S. dollar exchange rate was R\$1.9704.

GDP growth for 2009 is projected to be zero by the Central Bank or, if there is growth at a rate significantly less than in prior years.

The following table shows data relating to Brazilian GDP growth, inflation and the *real*/U.S. dollar exchange rate for the periods indicated:

	Year Ending December 31,			Three Months Ending March 31,
	2008	2007	2006	2009
GDP growth rate.....	5.08%	5.67%	3.97%	(0.8)%
Inflation (IGP M) .....	9.42%	7.50%	3.85%	(1.22)%
Inflation (IPCA) .....	5.90%	4.46%	3.14%	1.23%
Appreciation of the <i>real</i> vs. the U.S. dollar .....	(31.94)%	17.15%	8.66%	0.93%
Period end exchange rate – U.S.\$1.00 .....	R\$ 2.3370	R\$ 1.7713	R\$ 2.1380	2.3152
Average exchange rate – U.S.\$1.00 .....	R\$ 1.8374	R\$ 1.9483	R\$ 2.1771	2.3225

Sources: Fundação Getúlio Vargas, Instituto Brasileiro de Geografia e Estatística and the Central Bank.

### ***Itaipu***

Itaipu, the world’s largest hydroelectric plant, is jointly owned by Brazil and Paraguay and was established and is operated pursuant to a treaty between those countries. The treaty also establishes how Itaipu’s results of operation will be recorded, both by Itaipu Binacional, the company that operates Itaipu, and by us when we consolidate Itaipu Binacional’s results of operations. In accordance with the requirements of Accounting Practices Adopted in Brazil, we consolidate the results of Itaipu.

Pursuant to the Itaipu treaty, we are required to sell not only the 50% of electricity produced by Itaipu that, through us, Brazil owns, but also that part of Paraguay’s share of electricity not used by Paraguay. As a result we have historically sold approximately 95% of the electricity produced by Itaipu. Articles 7 and 8 of Law No. 5,899 of July 5, 1973 set out the framework which distribution companies use to calculate the total amount of energy purchased from Itaipu.

While Itaipu produces a large amount of electricity (accounting for 37.08% and 36.97% of the electricity that we sold in 2008 and in the first quarter of 2009, respectively, compared to 38.6% in 2007 and 40.1% in 2006), the Itaipu treaty requires that sales of Itaipu electricity be made on a non profit basis, with no net effect on our results of operations.

In order to effect the “no profit” requirement, profits from the sale of Itaipu electricity are credited in subsequent periods to residential and rural consumers of electricity through the Interconnected power system through their electricity bills (thus reducing our revenues from electricity sales) and losses are taken into account by ANEEL in calculating tariffs for electricity in subsequent periods (thus increasing our revenues from electricity sales). Profits to be subsequently credited to consumers are recorded on our balance sheet as current liabilities under “Reimbursement obligations” and losses to be subsequently billed are recorded as current assets under “Rights to reimbursement.” At December 31, 2008 and at March 31, 2009, we recorded gains of R\$5,777.5 million and R\$1,074 million, respectively, in respect of the sale of Itaipu electricity. At December 31, 2008 and at March 31, 2009, we recorded a liability of R\$389.9 million and R\$16.0 million, respectively, under “Reimbursement obligations”, reflecting gains we realized in respect of the sale of Itaipu electricity in 2008 and in the first quarter of

2009. At December 31, 2007, we recorded a liability of R\$96.0 million under “Reimbursement obligations”, reflecting gains we made in respect of the sale of Itaipu electricity in 2007. At December 31, 2006, we recorded an asset of R\$81.7 million under “Rights to reimbursement”, reflecting losses in respect of the sale of Itaipu electricity in 2006.

Although the operations of Itaipu do not affect our net operating result, they significantly impact several line items in our financial statements. In particular, Itaipu’s operating results affect the “electricity purchased for resale” line item. Most of the amounts reflected in “electricity purchased for resale” represent energy produced by Itaipu. This amount, which after consolidation represents only the Paraguayan portion of the energy produced by Itaipu, would be much higher if we did not consolidate the Brazilian portion of the energy produced by Itaipu. Additionally, because the financial statements of Itaipu Binacional are prepared in U.S. dollars and translated to *reais* at the exchange rate published by the Central Bank at period end, any movement in the exchange rate between the *real* and the U.S. dollar can have a major impact on the “Monetary and exchange restatements” component of the line item “Financial income (expense)” (see note 39 of our financial statements as of and for the year ending December 31, 2008). Moreover, depreciation and amortization costs can be significant as a result of exchange rate variations. Royalties paid by Itaipu are recorded in the line item “Financial Compensation of water resources.” The accumulated effect of Itaipu’s operations on these and other items are netted out and recorded in the income statement line item “Itaipu’s income (loss) to be offset.” Brazilian distribution companies sell the total amount of the energy purchased from Itaipu in accordance with articles 7 and 8 of Law No. 5,899, dated July 5, 1973.

Pursuant to Law No. 11,480/2007, we were able to apply an “adjustment factor” to any financial contracts entered into between us and Itaipu and any credit assignments entered into between us and the Brazilian Federal Treasury prior to December 31, 2007. The aim of this “adjustment factor” was to offset the effects of the rate of inflation in the United States. This law was repealed and Decree No. 6,265 of November 22, 2007 came into force which determines that a rate equivalent to the previous “adjustment factor” is to be passed on to consumers on an annual basis. For our 2008 financial year, we started recording any gains or losses made with respect to the U.S. rate of inflation as part of our line item “Operating Revenue.”

### ***Exchange Rate Variations***

Fluctuations in the value of the *real* against the U.S. dollar, particularly devaluations and/or depreciations of the *real* have had and will continue to have an effect on the results of our operations. In particular, pursuant to the Itaipu treaty, all revenues from Itaipu are denominated in U.S. dollars. Because the financial statements of Itaipu Binacional are prepared in U.S. dollars and translated to *reais* at the exchange rate published by the Central Bank at the period end, any movement in the exchange rate between the *real* and the U.S. dollar can have a major impact on our operating results, in particular the “Monetary and exchange restatements” component of the line item “Financial income (expense)” (see note 39 of our financial statements as of and for the year ending December 31, 2008).

However, since the Itaipu treaty does not permit the operation of Itaipu to have any net effect on our operating results, any loss or gain incurred as a result of any appreciation or depreciation of the U.S. dollar against the *real*, among other things, will subsequently be compensated for by the tariffs we charge to our residential and rural consumers and any gains incurred will be credited in subsequent periods to residential and rural consumers. In our income statement, the effects of Itaipu on the line items described above are netted out and recorded in the line item “Itaipu’s income (loss) to be offset.” Until that compensation or credit takes place, the accumulated results of profits or losses from Itaipu operations, net of compensation through tariff adjustments or credits, is carried on our balance sheet as a current asset under “Rights to reimbursement” or a current liability under “Reimbursement obligations.”

### ***Eletronorte***

For many years our subsidiary Eletronorte was used as a vehicle for the development of Brazil’s northern region, functioning in some ways as a development agency. In particular, it has supplied electricity pursuant to supply contracts at prices which did not cover its costs. We began to re negotiate these supply contracts, which are principally with companies in the aluminum smelting industry, in 2004 with the aim of revising the tariffs so as to cover Eletronorte’s operating costs and gradually pay off its debts. Eletronorte entered into a contract on May 11, 2004 to sell electricity to ALBRAS – Alumínio Brasileiro S.A. (an aluminum producer in the north of Brazil) to

provide electrical energy for ALBRAS' industrial operations, priced on the basis of the international aluminum price. This contract came into effect on June 1, 2004. ALBRAS may terminate the contract with two years' notice if they elect to discontinue production or start using their own resources for power generation. ALBRAS is not required to pay any amounts related to termination. The total term of this contract is 20 years and the contract includes an energy prepayment of R\$1.2 billion.

For 2008 the net losses attributable to Eletronorte amounted to R\$2,425.0 million, compared to R\$542.0 million in 2007 and R\$349.0 million in 2006. The significant increase in the Eletronorte's losses in 2008 was largely due to a change in our critical accounting policies with respect to impairments. As part of this change we revaluated our impairments which resulted in a loss of R\$770.0 million in compliance with CVM Decision 527/2007.

### ***Our Role in Administering Brazilian Government Programs***

As a mixed capital company, we are involved in the administration of certain federal programs relating to the electricity industry. These include the RGR Fund, the CCC Account and the CDE Account. The administration of these programs does not directly affect our income statement. Amounts administered with respect to the CCC Account and the RGR Fund are reflected on our balance sheet. For a description of the CDE Account, see "The Brazilian Power Industry—Regulatory Changes—Energy Development Account."

As described further in "The Brazilian Power Industry—Regulatory Charges," the CCC Account is collected from all companies as insurance against increased generation costs in connection with the greater use of thermal plants. Amounts collected on account of the CCC Account are reflected on our balance sheet under current assets as "Fuel consumption account - CCC" and amounts payable from the CCC Account are reflected under current liabilities as "Fuel consumption account - CCC."

As discussed further in "The Brazilian Power Industry—Regulatory Charges—Global Reversion Reserve Fund," we also administer the RGR Fund, which was established to compensate electricity concessionaires for uncompensated expenses when the concessions ended. Amounts held on behalf of the RGR Fund are reflected on our balance sheet as an asset under "Loans and financing" and as a long term liability under "Global reversal reserve quota — RGR." Pending use of the funds for their ultimate purpose, we use those funds for lending to companies in the Brazilian electricity sector. We pay an interest rate of 5.0% for borrowing these funds to on lend. We receive an administration fee of up to 2.0% for the RGR Fund that we administer.

### ***Regulated Distribution Tariffs***

At December 31, 2008 and at March 31, 2009, 15% and 14%, respectively, of our net revenues were derived from the distribution of electricity. The distribution companies generally produce losses, which are likely to continue as the tariffs that may be charged by distribution companies are regulated by ANEEL and are adjusted by ANEEL only in accordance with the process set out in "The Brazilian Power Industry—Distribution Tariffs."

### ***Fixed Transmission Revenues***

Unlike revenues from our distribution and generation segments, revenues from our transmission segment are fixed by the Brazilian Government. This applies to all electricity companies with transmission operations in Brazil. As a result of the fact that the transmission revenue fee is fixed, revenues from our transmission segment do not increase or decrease based on the amount of electricity we transmit. The Brazilian Government sets a fixed transmission revenue fee each year that end consumers must pay and this is passed on to us and recorded as revenues from our transmission segment. Thus, our net income may be affected by the fact that our costs in this sector cannot easily be passed on to our customers.

### ***Principal Accounting Policies***

In preparing the financial statements included in this listing circular, we made estimates and assumptions that we consider reasonable based on our historical experience and other factors. The presentation of our financial

condition and results of operations requires that our management make estimates about inherently uncertain matters, such as the book value of our assets, our liabilities and, consequently, our results of operations. Our financial presentation would be materially affected if we were to use different estimates or if we were to change our estimates in response to future events. To provide an understanding of how our management forms its judgments about future events, including the factors and assumptions underlying those estimates, we have identified the following critical accounting policies.

### ***Impairment***

We analyze the recoverability of the book value of our assets annually, and as and when required. If we find evidence that an asset might not be recoverable, we estimate the chances of its recoverability. When the residual accounting value of the asset exceeds the recoverable value of such asset, we revalue the asset downwards, with such resulting amount being known as an impairment. This impairment is then recognized as an operating expense for the period. If it is not possible to estimate the recoverable amount of an individual asset, we estimate the probability of recovery of the cash generating unit to which such asset belongs. When using this technique, we discount the estimated future cash flows to present value based on a discounted rate before tax which reflects the market conditions, current money value and specific risks related to such asset group. The recoverable value of an asset or such cash generating unit is reviewed periodically and, if necessary, such impairment can be fully or partially reversed. Such reversal will have a impact on our income statement and as well as the book value of the relevant asset or cash generating unit.

### ***Reserves for Contingencies***

We are party to certain legal proceedings. Apart from the compulsory loans, we record contingencies where there is a probability that a future event may give rise to the devaluation of any asset or upon identification of a liability incurred and such liability can be estimated. We do not record a provision if the chance of loss in a claim is “remote” or “reasonably possible.” In addition, we do not record provisions for administrative proceedings when those proceedings have reached court. We account for the costs which may arise from resolving legal proceedings as discussed under “Risk Factors—We may incur losses and spend time and money defending pending litigation and arbitration.” In calculating these potential losses, we consult outside and internal counsel that represent us in these proceedings, and our estimates are based on an analysis of possible results, taking into account the applicable litigation and settlement strategies. We request quarterly an inventory of the proceedings being handled by our outside legal counsel that identifies the cases where we have potential losses. Accounting for contingencies requires significant judgment by our management concerning the estimated probabilities and ranges of exposure to potential liability. This is particularly true in the context of the impact of Brazilian tax legislation on us because such legislation has historically proved uncertain in scope and application.

### ***Employee Benefits***

We sponsor a defined benefit pension plan that covers almost all of our employees. The actuarial liabilities related to this plan are accounted for in accordance with CVM Rule 371/2000 and are valued by an independent actuary. In addition, we and some of our subsidiaries have also established post retirement health care plans and subsidize whole life insurance premiums for “Post retirement Benefits other than Pensions.” Estimates of the evolution of medical attendance costs, and biometrical and economical hypotheses, as well as historical information on incurred expenses and employees’ contributions are also taken into consideration.

### ***Deferred Tax Assets***

We recognize the effects of tax loss carryforwards and temporary differences in our consolidated financial statements. We recognize a valuation allowance when we believe there is a higher probability that we will not fully recover tax loss carryforwards in the future. This requires us to carry out estimates on our current tax exposure and assess the temporary differences resulting from the different treatment given to certain items for tax and accounting purposes. These differences give rise to deferred asset and liability taxes, which are presented in our consolidated balance sheet. Accordingly, we assess the probability that our tax loss carryforwards will be recovered from future taxable income. In the event that we believe that such recovery will not be probable, we recognize a valuation allowance and also recognize a tax expense in our income statement. Any reduction of the valuation allowance

leads to recognition of a tax benefit in our income statement. The determination of our provision for income tax or deferred asset and liability income taxes requires significant estimates and judgments by our management. For all future tax loss carryforwards, we assess the probability that the related tax asset will not be recovered in whole or in part.

### ***Derivatives***

We account for derivatives at fair value based on market standard valuation techniques of marking to market. We calculate the close out value of each derivative at maturity based on (i) the current spot rate, (ii) the domestic interest rate for Brazilian *reais* quoted for future inter bank deposits, (iii) the domestic interest rate for U.S. dollars, the coupon rate. We then compare the result of this calculation with the price negotiated for each derivative, enabling us to estimate a future gain or loss, which we discount to present value by using the fixed interest rate for Brazilian *reais* quoted for future inter bank deposits. Any gains or losses are recorded as financial income or expenses, respectively, for the period.

## **Description of Principal Line Items**

### ***Operating Revenues***

#### *Electricity Sale and Transmission*

Our revenues are derived from the generation, transmission and distribution of electricity, as set out below:

- revenues in our generation segment derive from the sale to distribution companies and free consumers of electricity that we have generated (including the electricity generated by our share of the Itaipu project) and the resale of electricity from Paraguay's share of the Itaipu project not used in Paraguay. Revenues from the sale of electricity generation are recorded based on the output delivered at rates specified under contract terms or prevailing regulatory rates;
- revenues from our transmission segment derive from the transmission of electricity over our grid for other electricity concessionaires. These revenues are fixed each year by the Brazilian Government. Revenues received from other concessionaires using our basic transmission network are recognized in the month that the services are provided to the other concessionaires; and
- revenues in our distribution segment derive from the sale to end consumers of electricity that we purchase from generation companies and also some electricity that we generate in thermal plants in isolated areas in the north of Brazil for distribution. Electricity distribution sales to final customers are recognized when power is provided. Billings for these sales are made on a monthly basis. Unbilled revenues from the billing cycle up to the end of each month are estimated based on the prior month's billing and are accrued at the end of the month. Differences between estimated and actual unbilled revenues, if any, are recognized in the following month.

A very large proportion of our revenues in any given year derives from the selling or reselling of electricity from Itaipu. However, the Brazil Paraguay treaty pursuant to which Itaipu operates provides that these activities must have no effect on our net income.

### *Sectorial Charges*

These deductions from gross revenues comprise payments made to the CCC Account, the RGR Fund and similar charges levied on electricity sector participants. Regulatory charges are calculated in accordance with formulae established by ANEEL, which differ according to the type of sector charges, and thus there is no direct correlation between revenues and sector charges.

## *ICMS — Taxes on Revenues*

Taxes on revenues consists of *Imposto sobre a Circulação de Mercadorias e Serviços* (ICMS), a sales tax charged on gross revenues. We are subject to different rates of ICMS in the different states in which we operate, with the rate of ICMS ranging from 7% to 27%. We are not liable for any taxes on revenues in our transmission segment, as provided by applicable regulation. ICMS charges are not cumulative and amounts paid related to these taxes in the acquisition of products and/or services can be offset when these products and services are sold, which means a tax credit is generated when the purchase is made and such credit is then offset upon sale to the final customer.

## *Other Revenues*

Other revenues include (i) fees for the administration of the RGR Fund and other governmental funds, (ii) revenues resulting from renting our communication lines to third parties, and (iii) revenues resulting from miscellaneous services rendered.

## ***Operating Expenses***

### *Personnel, Material and Services*

Personnel, material and services principally reflects our expenses in respect of employees, office equipment necessary for day to day administrative operations and any outsourcing costs. Third party services reflect expenses for security, maintenance contractors, consultants and other advisors. As a result of the nature of many of these expenses, we have to apply judgments in making allocations among our operating segments because some of these expenses could be allocated to different segments. Furthermore, this reflects our expenses for administrative items needed for our operations (but excludes raw materials we use in the generation of electricity).

### *Energy Purchased for Resale*

Our distribution and generation segments both purchase energy for resale. Energy purchased in the distribution segment is purchased from other generators. Energy purchased in the generation segment primarily represents the Paraguayan portion of the energy from Itaipu that is not used in Paraguay and that we resell to distribution companies and free consumers.

### *Fuel for Electricity Production*

The cost of fuel is a significant component of our operating expenses; however, a large proportion of these costs (on average, over the periods under discussion, approximately 90% of fuel costs) is subsequently reimbursed from the CCC Account.

### *PASEP and COFINS — Social Contributions*

This reflects our obligation to pay the PASEP and COFINS taxes that are incurred on financial income and revenues from energy sales.

### *Electricity Network Use*

These costs represent charges for transmission of energy over the power lines of third parties.

### *Financial Compensation of Water Resources*

This principally reflects our obligation to pay royalties in relation to use of water for the generation of energy.



### *Depreciation and Amortization*

This represents depreciation and amortization for our property, plant and equipment. We record property, plant and equipment at construction or acquisition cost, as applicable, less accumulated depreciation calculated based on the straight line method, at rates that take into consideration the estimated useful lives of the assets. Repair and maintenance costs that extend the useful lives of the related assets are capitalized, while other routine costs are charged to our result of operations. Interest relating to debt obtained from third parties incurred during the construction period is capitalized.

### *Operating Provisions*

This reflects provisions we make in respect of (i) legal proceedings to which we are party; (ii) allowances for doubtful accounts and impairments; and (iii) decommissioning costs, which are the costs associated with decommissioning of nuclear facilities (i.e. safe retirement of nuclear facilities). The cost of decommissioning of a nuclear plant is denominated in U.S. dollars and, accordingly, variations in the U.S. dollar/*reais* exchange rate influences this cost. We record operating provisions as part of our “Operating expenses” segment.

### *Itaipu’s Income (Loss) to be Offset*

As discussed above in “—Certain Factors affecting our Financial Performance—Itaipu,” the net effect of the results of operations of Itaipu is recorded in this line item and the accumulated effects of Itaipu operations, net of compensation through tariff adjustments, is carried on our balance sheet under “Property, plant and equipment”.

### *Donations and Contributions*

This reflects expenses relating to investments in information technology and research and development, which we make through Cepel, as well as investments in cultural programs and sponsorships.

### *Others*

Our other operating costs comprise a number of miscellaneous costs that we incur as part of our day to day operations. The most significant components are: (i) costs of leasing goods such as generation units for the Isolated system; (ii) telecommunication costs primarily costs incurred for telephone and internet services; (iii) insurance costs, including insurance for our facilities and property; (iv) taxes payable to ANEEL; and (v) costs of disposal of assets, primarily transformers.

### *Financial Income (Expenses)*

Financial income (expenses) reflects interest income and commissions we receive from loans we made in accordance with the provisions of Brazilian law that permitted us to act as lender to certain public utility companies (see “Business—Lending and Financing Activities”), as well as, inter alia, payments of dividends to our shareholders, financial income, financial expenses, monetary and exchange restatements and gains or losses derived from derivative transactions.

### *Profit Sharing*

Profit sharing reflects our income or expense in relation to the profit sharing scheme operated by us, as described in “Business—Profit Sharing and Pension Plans.”

## Operating Results

The following table shows our revenues and operating expenses as a percentage of net operating revenues:

	Year Ending December 31,			Three Months Ending March 31,	
	2006	2007	2008	2008	2009
<b>Revenues</b>					
Electricity, sale and transmission.....	105%	104%	103%	102%	105%
Sectorial Charges .....	(6)%	(5)%	(4)%	(4)%	(5)%
ICMS .....	(2)%	(4)%	(3)%	(3)%	(4)%
Ownership interests.....	2%	3%	2%	5%	2%
Tax incentive revenue .....	—	—	—	—	—
Other revenues.....	2%	2%	1%	1%	2%
<b>Expenses</b>					
Operating Expenses.....	(77)%	(86)%	(81)%	(74)%	(90)%
Operating income (loss) before financial income (expenses) .....	23%	14%	19%	26%	10%
Financial income (expenses).....	(13)%	(5)%	11%	(3)%	(6)%
Other expenses and income.....	—	—	—	(4)%	(1)%
Operating income .....	9%	9%	30%	19%	4%
Income taxes.....	(3)%	(2)%	(9)%	(7)%	(2)%
Income before ownership interest.....	6%	7%	21%	11%	2%
Net income for the year/period .....	6%	6%	20%	12%	2%

## Results of Operations

### *Three Months Ending March 31, 2009 compared to Three Months Ending March 31, 2008*

#### *Consolidated Results*

##### *Operating Revenues*

Total operating revenues decreased R\$1,152 million, or 15.9% from R\$7,239.8 million for the three months, ending March 31, 2008 (or interim 2008) to R\$6,087.8 million for the three months ending March 31, 2009 (or interim 2009).

Electric energy sales decreased R\$1,025 million or 13.9% from R\$7,400.3 million in interim 2008 to R\$6,375.4 million in interim 2009, due to a reduction of energy sold in the free market.

ICMS charges increased R\$19.3 million, or 8.2%, from R\$234.9 million in interim 2008 to R\$254.1 million in interim 2009, despite a decrease in revenues, as we had fewer tax exempt consumers during the period.

##### *Operating Expenses*

Operating expenses increased by R\$90.2 million, or 1.7% from R\$5,367.2 million in interim 2008 to R\$5,457.4 million in interim 2009. The primary components of this increase were the following:

- personnel costs increased R\$187.4 million, or 17.2%, from R\$1,090.4 million in interim 2008 to R\$1,277.8 million in interim 2009, particularly affecting our generation and transmission segments, due to an increase in the number of employees and an increase in average salaries;
- operating provisions increased by R\$319.9 million, or 603.6%, from R\$53 million in interim 2008 to R\$372.9 million in interim 2009, due to adjustments made in the valuation of impairments as required by Law No. 11,638. See “Presentation of Financial and Certain Other Information—Law No. 11,638;”

- PASEP and COFINS charges increased R\$44.1 million, or 12.7%, from R\$346.7 million in interim 2008 to R\$390.8 million in interim 2009, primarily resulting from an increase in the effective rate of PASEP and COFINS charges;
- charges on the use of the electricity network increased R\$44.7 million, or 17.7%, from R\$252.5 million in interim 2008 to R\$297.2 million in interim 2009, due to an increase in costs for the use of the electricity network, impacting both our distribution and generation segments;
- financial compensation on water resources increased R\$78.5 million, or 30.9%, from R\$254.4 million in interim 2008 to R\$332.9 million in interim 2009, due to the depreciation of the *real* against the U.S. dollar during interim 2009 compared to interim 2008. The variations in the U.S. dollar/*real* exchange rate affected the royalty payments due by Itaipu whose accounting currency is the U.S. dollar while our consolidated accounts are prepared in *reais*; and
- Itaipu's income to be offset, increased R\$210 million, or 115.8%, from R\$181.4 million in interim 2008 to R\$391.4 million in interim 2009. As Itaipu was more profitable during the period this line item increased as this line item offsets any profits we make in relation to Itaipu in accordance with the Itaipu treaty, as further described in “—Itaipu.”

These increases in operating expenses were offset by the following:

- electric energy purchased for resale decreased R\$507.2 million, or 26.5%, from R\$1,910.4 million in interim 2008 to R\$1,403.2 million in interim 2009, due to a reduction in the amount of energy purchased from third parties;
- fuel for the production of electricity decreased by R\$249.5 million, or 55.0%, from R\$453.5 million in interim 2008 to R\$204 million in interim 2009, as a result of ONS requiring less electricity from our thermal plants, thereby resulting in decreased fuel costs in our generation segment; and
- other operating expenses relating, among others, to rent, taxes and insurance decreased R\$68 million, or 34.4%, from R\$197.8 million in interim 2008 to R\$129.8 million in interim 2009, due to a general reduction in expenses.

#### *Financial Income (Expenses)*

Financial income (expenses) increased R\$126.3 million, or 54.3%, from an expense of R\$232.7 million in interim 2008 to an expense of R\$359.0 million in interim 2009, due to an increase in dividends for the period as a result of increased profits in 2008 compared to 2007.

#### *Operating Income*

Due to the factors discussed above, operating income decreased R\$1,405 million, or 85.7%, from R\$1,639.9 million in interim 2008 to R\$234.9 million in interim 2009.

#### *Non Operating Income (Expenses)*

Non operating expenses decreased R\$240.6 million from expenses of R\$277.1 million in interim 2008 to R\$36.5 million in interim 2009, due to the implementation of Law No. 11,638 and its effects on this line item. See “Presentation of Financial and Certain Other Information—Law No. 11,638.”

#### *Social Contribution*

Social contribution charges decreased R\$97.1 million, or 68.9%, from R\$141 million in interim 2008 to R\$43.9 million in interim 2009, due to a decrease in income before taxes during the period.

### *Income Tax*

Income tax decreased R\$328.2 million, or 84.0%, from R\$390.7 million in interim 2008 to R\$62.5 million in interim 2009, due to a decrease in income before taxes during the period.

### *Net Income*

As a result of the factors described above, net income decreased R\$740.2 million, or 87.9%, from R\$841.5 million in interim 2008 to R\$101.3 million in interim 2009.

### ***Results of Distribution Segment***

#### *Operating Revenues*

Total operating revenues for the distribution segment decreased R\$158.4 million, or 15.6%, from R\$1,012.9 million in interim 2008 to R\$854.5 million in interim 2009, as a result of the factors discussed below.

Electric energy sales for the distribution segment decreased R\$171.8 million, or 13.9%, from R\$1,240.3 million in interim 2008 to R\$1,068.5 million in interim 2009. This decrease was due to a 14.2% decrease in average tariffs to 398.4 *reais* per MWh in interim 2009 from 464.3 *reais* per MWh in interim 2008, despite a 0.4% increase in the volume of electricity sold to 2,681,785 MWh in interim 2009 from 2,671,288 MWh in interim 2008.

#### *Operating Expenses*

The cost of electric energy purchased for resale for the distribution segment decreased R\$80.2 million, or 26.5%, from R\$302.1 million in interim 2008 to R\$221.9 million in interim 2009, as the majority of energy purchased by our distribution companies during the period was not purchased from third parties but from distribution companies forming part of our group whose results are consolidated.

Charges on the use of the electricity network for the distribution segment increased R\$10.8 million, or 17.8%, from R\$60.8 million in interim 2008 to R\$71.6 million in interim 2009, due to an increase in the tariff for transmission and the introduction of new transmission lines during the period.

Depreciation and amortization for the distribution segment increased R\$5.5 million, or 3.5%, from R\$155.5 million in interim 2008 to R\$161.0 million in interim 2009, in line with general annual increases in depreciation and amortization costs.

### ***Results of Generation Segment***

#### *Operating Revenues*

Total operating revenues for the generation segment decreased R\$584.6 million, or 12.2%, from R\$4,774.5 million in interim 2008 to R\$4,189.9 million in interim 2009, as a result of the factors discussed below.

Electric energy sales for the generation segment decreased R\$712.0 million, or 13.8%, from R\$5,141.0 million in interim 2008 to R\$4,429 million in interim 2009. This decrease was largely due to a decrease in interim 2009 in electric energy sales attributable to Itaipu.

#### *Operating Expenses*

The cost of electric energy purchased for resale for the generation segment decreased R\$427.0 million, or 26.5%, from R\$1,608.4 million in interim 2008 to R\$1,181.4 million in interim 2009. This decrease was largely due to a decrease in interim 2009 in the total cost of energy purchased for resale attributable to Itaipu from R\$1,346.7 million in interim 2008 to R\$781.1 million in interim 2009.

The cost of fuel for the production of electricity for the generation segment decreased R\$249.6 million, or 55%, from R\$453.6 million in interim 2008 to R\$204.0 million in interim 2009, as a result of ONS requiring less electricity from our thermal plants resulting in a decrease in the amount of energy generated by our thermal plants from 1,464,534 MWh in interim 2008 to 764,897 MWh in interim 2009.

Charges on the use of the electricity network for the generation segment increased R\$34.0 million, or 17.7%, from R\$191.7 million in interim 2008 to R\$225.7 million in interim 2009, due to an increase in the tariff for transmission and the introduction of new transmission lines during the period.

Depreciation and amortization for the generation segment increased R\$10.1 million, or 3.6%, from R\$282.8 million in interim 2008 to R\$292.9 million in interim 2009, in line with general annual increases in depreciation and amortization costs.

### ***Results of Transmission Segment***

#### *Operating Revenues*

Total operating revenues for the transmission segment decreased R\$111.8 million, or 11.8%, from R\$948.0 million in interim 2008 to R\$836.2 million in interim 2009, as a result of the factors discussed below.

Electric energy transmission sales decreased R\$141.1 million, or 13.9%, from R\$1,019 million in interim 2008 to R\$877.9 million in interim 2009, as fewer third parties used our transmission lines during the period.

#### *Operating Expenses*

Depreciation and amortization for the transmission segment increased R\$4.8 million, or 3.6%, from R\$134.5 million in interim 2008 to R\$139.3 million in interim 2009, in line with general annual increases in depreciation and amortization costs.

Regulatory charges on revenues decreased R\$1.8 million or 3.0% from R\$60.8 million in interim 2008 to R\$59.0 million in interim 2009, due to the overall decrease in revenues for the transmission segment.

### ***Year Ending December 31, 2008 compared to Year Ending December 31, 2007***

#### ***Consolidated Results***

#### *Operating Revenues*

Operating revenues increased R\$5,653.7 million, or 23%, from R\$24,734.9 million in the year ended December 31, 2007 to R\$30,388.6 million in the year ended December 31, 2008. The operating revenues of R\$30,388.6 million for the year ended December 31, 2008 reflect a reclassification we effected pursuant to which we reclassified an amount of R\$343.3 million from tax incentive revenue to income tax and social contribution. Prior to this reclassification, our operating revenues for the year ended December 31, 2008 were R\$30,731.9.

Electric energy sales increased R\$5,847.2 million, or 22.8%, from R\$25,603.6 million in 2007 to R\$31,450.8 million in 2008, due to an increase in the average price of electric energy combined with a slight increase in the volume of electric energy generated.

ICMS charges increased R\$101.9 million, or 11.5%, from R\$882.7 million in 2007 to R\$984.6 million in 2008, as a result of the increase in electric energy sales.

#### *Operating Expenses*

Operating expenses increased R\$3,329.7 million, or 15.7%, from R\$21,201 million in 2007 to R\$24,530.7 million in 2008. This increase was primarily accounted for by the following:

- operating provisions increased R\$439 million or 39.7%, from R\$1,105.1 million in 2007 to R\$1,544.1 million in 2008, due to the implementation of Law No. 11,638 and its effects on the valuation of impairments. See “Presentation of Financial and Certain Other Information—Law No. 11,638;”
- PASEP and COFINS charges increased R\$340.2 million, or 30.2%, from R\$1,124.6 million in 2007 to R\$1,464.8 million in 2008, as a result of the increase in electric energy sales;
- fuel for the production of electricity increased R\$526 million, or 83.1%, from R\$632.8 million in 2007 to R\$1,158.9 million in 2008, as a result of ONS requiring more electricity from our thermal plants, thereby resulting in increased fuel costs in our generation segment;
- personnel costs increased R\$521.1 million, or 10.6%, from R\$4,918.5 million in 2007 to R\$5,439.6 million in 2008, particularly affecting our generation and transmission segments, due to, among other things, an increase in the number of employees and an increase in average salaries;
- costs for energy purchased for resale increased R\$2,411.7 million or 37.6%, from R\$6,420.6 million in 2007 to R\$8,832.3 million in 2008, particularly affecting our generation segment, primarily due to the fact that Furnas and CGTEE purchased larger quantities of energy for resale in 2008;
- charges on the use of the electricity network increased R\$124.6 million, or 12.8%, from R\$976.6 million in 2007 to R\$1,101.2 million in 2008 as a larger number of third parties used our transmission lines; and
- Itaipu’s income to be offset increased R\$141.8 million, or 20.4%, from R\$694 million in 2007 to R\$835.9 million in 2008, principally as a result of variations in the U.S. dollar/*real* exchange rate because Itaipu’s accounting currency is the U.S. dollar while our consolidated accounts are prepared in *reais*.

These increases were offset by a decrease in other operating expenses of R\$1,411.5 million, or 74.0%, from R\$1,906.8 million in 2007 to R\$495.3 million in 2008, principally due to the fact that Amazonas Energia was able to claim a significant amount of ICMS credits.

#### *Operating Revenues before Financial Results*

Operating revenues before financial results increased R\$2,324 million, or 65.8%, from R\$3,533.9 million in 2007 to R\$5,857.9 million in 2008, as a result of the factors discussed above.

#### *Financial Income (Expenses)*

Financial expenses decreased R\$4,592.4 million, or 380.0%, from expenses of R\$1,208.7 million in 2007 to financial income of R\$3,383.8 million in 2008. This was mainly due to the U.S. dollar/*real* exchange rate variation relating to Itaipu, which was negative in 2007 and positive in 2008.

#### *Operating Income*

Operating income increased R\$6,925.5 million, or 303.2%, from R\$2,283.9 million in 2007, to R\$9,209.4 million in 2008. This was mainly due to the U.S. dollar/*real* exchange rate variation relating to Itaipu, which was negative in 2007 and positive in 2008.

### *Non operating Income (Loss)*

Non operating income (loss) decreased R\$9 million from an expenses of R\$41.3 million in 2007 to an expense of R\$32.3 million in 2008, due to the implementation of Law No. 11,638 and its effects on this line item. See “Presentation of Financial and Certain Other Information—Law No. 11,638.”

### *Social Contribution*

Social contribution increased R\$691 million, or 400.0%, from R\$172.6 million in 2007 to R\$863.7 million in 2008, due to the increase in operating income.

### *Income Tax*

Income tax increased R\$1,604.3 million, or 386.3%, from R\$415.3 million in 2007 to R\$2,019.6 million in 2008, due to the increase in operating income.

### *Profit Sharing*

Profit sharing increased R\$16.9 million, or 10.6%, from R\$159.9 million in 2007 to R\$176.8 million in 2008, due to the increase in operating income.

### *Net Income*

Net income increased R\$4,588.6 million, or 296.5%, from R\$1,547.9 million in 2007 to R\$6,136.5 million in 2008, as a result of the factors described above.

## ***Results of Distribution Segment***

### *Operating Revenues*

Total operating revenues for the distribution segment increased R\$903.5 million, or 25.7%, from R\$3,512.9 million in 2007 to R\$4,416.4 million in 2008, as a result of the factors discussed below.

Electric energy sales for the distribution segment increased R\$980 million, or 22.8%, from R\$4,291.2 million in 2007 to R\$5,271.2 million in 2008. This increase was due to a 2.2% increase in the volume of electricity sold to 10,909,107 MWh in 2008 from 10,676,983 MWh in 2007, together with an increase in average tariffs.

### *Operating Expenses*

The cost of electric energy purchased for resale for the distribution segment increased R\$381.3 million, or 37.6%, from R\$1,015.2 million in 2007 to R\$1,396.5 million in 2008, due to an increase in the price of electricity purchased for resale.

Charges on the use of the electricity network for the distribution segment increased R\$30 million, or 12.8%, from R\$235 million in 2007 to R\$265 million in 2008, due to an increase in the tariff for transmission and the introduction of new transmission lines during the period.

Depreciation and amortization for the distribution segment increased R\$57.5 million, or 10%, from R\$575.8 million in 2007 to R\$633.3 million in 2008, in line with general annual increases in depreciation and amortization costs.

## ***Results of Generation Segment***

### *Operating Revenues*

Total operating revenues for the generation segment increased R\$4,074.5 million, or 24.4%, from R\$16,735.1 million in 2007 to R\$20,809.7 million in 2008, as a result of the factors discussed below.

Electric energy sales for the generation segment increased R\$4,062 million, or 22.8%, from R\$17,786.8 million in 2007 to R\$21,848.8 million in 2008. This increase was largely due to an increase in 2008 in electric energy sales attributable to Itaipu.

### *Operating Expenses*

The cost of electric energy purchased for resale for the generation segment increased R\$2,030.4 million, or 37.6%, from R\$5,405.4 million in 2007 to R\$7,435.8 million in 2008, due to an increase in the price of electricity purchased for resale.

The cost of fuel for the production of electricity for the generation segment increased R\$526 million, or 83.1%, from R\$632.8 million in 2007 to R\$1,158.9 million in 2008, due to an increased use of our thermal plants.

Charges on the use of the electricity network for the generation segment increased R\$94.6 million, or 12.8%, from R\$741.6 million in 2007 to R\$836.1 million in 2008, due to an increase in the tariff for transmission and the introduction of new transmission lines during the period.

Depreciation and amortization for the generation segment increased R\$104.6 million, or 10%, from R\$1,047.3 million in 2007 to R\$1,151.8 million in 2008, in line with general annual increases in depreciation and amortization costs.

## ***Results of Transmission Segment***

### *Operating Revenues*

Total operating revenues for the transmission segment increased R\$809.9 million, or 24.3%, from R\$3,332.5 million in 2007 to R\$4,142.5 million in 2008, as a result of the factors discussed below.

Electric energy transmission sales increased R\$805.2 million, or 22.8%, from R\$3,525.6 million in 2007 to R\$4,330.8 million in 2008, as a result of an increase in the fixed transmission fee set by the Brazilian Government and the introduction of new transmission lines in the period.

### *Operating Expenses*

Depreciation and amortization for the transmission segment increased R\$49.7 million, or 10%, from R\$498.2 million in 2007 to R\$547.9 million in 2008, in line with general annual increases in depreciation and amortization costs.

## ***Year Ending December 31, 2007 compared to Year Ending December 31, 2006.***

### ***Consolidated Results***

#### *Operating Revenues*

Operating revenues increased R\$4,688.4 million, or 23.4%, from R\$20,046.6 million in the year ended December 31, 2006 to R\$24,734.9 million in the year ended December 31, 2007.



Electric energy sales increased R\$4,592.2 million, or 23%, from R\$21,011.3 million in 2006 to R\$25,603.5 million in 2007, due to an increase in the average price of electric energy, together with a slight increase in the volume of electric energy generated.

ICMS charges increased R\$417.2 million, or 89.6%, from R\$465.6 million in 2006 to R\$882.8 million in 2007, due to an increase in the amount of energy sold and the fact that we consolidated the financial information of the distribution companies Ceal, Ceam, Cepisa, Ceron, Amazonas Energia and Eletroacre for the first time in our financial statements for 2007.

#### *Operating Expenses*

Operating expenses increased R\$5,726.3 million, or 37%, from R\$15,474.6 million in 2006 to R\$21,201 million in 2007. This increase was primarily accounted for by the following:

- Itaipu's income (loss) to be offset changed from income of R\$390.9 million in 2006 to a loss of R\$694 million in 2007. As Itaipu was less profitable during the period this line item changed as this line item offsets any losses we make in relation to Itaipu in accordance with the Itaipu treaty (as further described in "—Itaipu"). The loss was also driven by variations in the U.S. dollar/*real* exchange rate because Itaipu's accounting currency is the U.S. dollar while our consolidated accounts are prepared in *reais*;
- an increase in operating provisions of R\$147.5 million, or 15.4%, from R\$957.6 million in 2006 to R\$1,105.1 million in 2007, principally due to the recording a new provision with respect to the fact that in 2007 we did not receive reimbursements for electricity rationing, pursuant to the general agreement entered into with the Brazilian Government in 2002 following the implementation of rationing strategies in the prior year;
- an increase in the costs of energy purchased for resale of R\$1,525.4 million, or 31.2%, from R\$4,895.2 million in 2006 to R\$6,420.6 million in 2007, due to an increase in the volume of energy purchased for resale;
- an increase in personnel costs of R\$940.8 million, or 23.7%, from R\$3,977.7 million in 2006 to R\$4,918.5 million in 2007, due to, among other things, an increase in the number of employees and average salaries;
- an increase charges on the use of the electricity network of R\$85.3 million, or 9.6%, from R\$891.3 million in 2006 to R\$976.6 million in 2007, due to an increased use of third party transmission lines;
- an increase in the cost of fuel for electric energy production of R\$190.1 million, or 42.9%, from R\$442.7 million in 2006 to R\$632.8 million in 2007, as a result of ONS requiring more electricity from our thermal plants, thereby resulting in increased fuel costs in our generation segment and the fact that the fuel consumption of our distribution companies was not included in the 2006 figures; and
- an increase in PASEP and COFINS charges of R\$373.9 million, or 49.8%, from R\$750.8 million in 2006 to R\$1,124.7 million in 2007, as a result of an increase in the rates of sales taxes during the period related to PASEP and COFINS and the increase in the revenues from the sale of electricity due to the fact that the results of the distribution companies were consolidated in 2007.

These increases were partially offset by a decrease in the costs of financial compensation of water resources of R\$57.2 million, or 5.0%, from R\$1,152.4 million in 2006 to R\$1,095.2 in 2007, due to a decrease in the generation of electricity through our hydroelectric plants.

### *Operating Revenues before Financial Results*

Operating revenues before financial results decreased R\$1,038.0 million, or 22.7%, from R\$4,571.9 million in 2006 to R\$3,533.9 million in 2007, as a result of the factors discussed above.

### *Financial Income*

Financial income increased R\$1,497.3 million, or 55.3%, from R\$2,706.0 million in 2006 to R\$1,208.6 million in 2007. This increase was mainly due to an increase in income arising from actuarial adjustments with respect to Furnas' pension fund, Fundação Real Grandeza, which recorded a surplus in 2007, as well as decreased losses from foreign currency variations.

### *Operating Income*

Operating income increased R\$436 million, or 23.6%, from R\$1,847.9 million in 2006 to R\$2,283.9 million in 2007 as a result of the factors discussed above.

### *Non operating Income (Expenses)*

Non operating income (expenses) increased R\$23.3 million, or 129.9%, from an expense of R\$17.9 million in 2006 and to an expense of R\$41.3 million in 2007, due to a general increase in expenses such as rent and insurance.

### *Social Contribution*

Social contribution increased R\$21.2 million, or 14%, from R\$151.4 million in 2006 to R\$172.6 million in 2007, due to an adjustment in the amount of deferred social contributions payable.

### *Income Tax*

Income tax increased R\$3.7 million, or 0.9%, from R\$411.6 million in 2006 to R\$415.3 million in 2007, due to a slight adjustment in the amount of deferred income tax payable.

### *Profit Sharing*

Profit sharing increased R\$21.5 million, or 15.5%, from R\$138.5 million in 2006 to R\$159.9 million in 2007, due to an increase in salaries and the number of employees.

### *Net Income*

Net income increased R\$386.5 million, or 33.3%, from R\$1,161.3 million in 2006 to R\$1,547.9 million in 2007, as a result of the factors explained above.

## ***Results of Distribution Segment***

### *Operating Revenues*

Total operating revenues for the distribution segment increased R\$363.4 million, or 11.4%, from R\$3,194.8 million in 2006 to R\$3,558.3 million in 2007, as a result of the factors discussed below.

Electric energy sales for the distribution segment increased R\$804.9 million, or 23.1%, from R\$3,486.3 million in 2006 to R\$4,291.2 million in 2007. This increase was due to a 6.4% increase in the volume of electricity sold to 10,676,983 MWh in 2007 from 10,037,379 MWh in 2006.

### *Operating Expenses*

The cost of electric energy purchased for resale for the distribution segment increased R\$241.2 million, or 31.2%, from R\$774 million in 2006 to R\$1,015.2 million in 2007. This was principally due to an increase in the volume of electricity purchased for resale of 16.1% to 14,680,997 MWh in 2007 from 12,644,121 MWh in 2006.

Charges on the use of the electricity network for the distribution segment increased R\$20.5 million, or 9.6%, from R\$214.6 million in 2006 to R\$235.1 million in 2007, due to an increase in the tariff for transmission and the introduction of new transmission lines.

Depreciation and amortization for the distribution segment increased R\$32.7 million, or 6%, from R\$543.1 million in 2006 to R\$575.8 million in 2007, in line with general annual increases in depreciation and amortization costs.

### **Results of Generation Segment**

#### *Operating Revenues*

Total operating revenues for the generation segment increased R\$3,348.3 million, or 25.0%, from R\$13,386.8 million in 2006 to R\$16,735.1 million in 2007, as a result of the factors discussed below.

Electric energy sales for the generation segment increased R\$3,126.0 million, or 23.1%, from R\$14,660.7 million in 2006 to R\$17,786.8 million in 2007. This increase was largely due to an increase in 2007 in electric energy sales attributable to Itaipu.

#### *Operating Expenses*

The cost of electric energy purchased for resale for the generation segment increased R\$1,284.2 million, or 31.2%, from R\$4,121.2 million in 2006 to R\$5,405.4 million in 2007. This increase was largely due to an increase in the volume of electricity purchased for resale by 68.7% to 24,858,429 MWh in 2007 from 14,733,550 MWh in 2006. The total cost of electric energy purchased for resale attributable to Itaipu increased from R\$3,204.7 million in 2006 to R\$4,133.1 million in 2007.

The cost of fuel for the production of electricity for the generation segment increased R\$190.1 million, or 42.9%, from R\$442.7 million in 2006 to R\$632.8 million in 2007, due to an increased use of our thermal plants.

Charges on the use of the electricity network for the generation segment increased R\$64.8 million, or 9.6%, from R\$676.8 million in 2006 to R\$741.6 million in 2007, due to an increase in the tariff for transmission.

Depreciation and amortization for the generation segment increased R\$59.4 million, or 6%, from R\$987.9 million in 2006 to R\$1,047.3 million in 2007, in line with general annual increases in depreciation and amortization costs.

### **Results of Transmission Segment**

#### *Operating Revenues*

Total operating revenues for the transmission segment increased R\$382.5 million, or 13.1%, from R\$2,904.5 million in 2006 to R\$3,287.1 million in 2007, as a result of the factors discussed below.

Electric energy transmission sales increased R\$661.3 million, or 23.1%, from R\$2,864.3 million in 2006 to R\$3,525.6 million in 2007, as the result of an increase in the fixed transmission fee set by the Brazilian Government and the introduction of new transmission lines in the period.

### *Operating Expenses*

Depreciation and amortization for the transmission segment increased R\$28.3 million, or 6%, from R\$469.9 million in 2006 to R\$498.2 million in 2007, in line with general annual increases in depreciation and amortization costs.

### **Liquidity and Capital Resources**

Our principal sources of liquidity derive from the cash generated by our operations and from loans received from various sources, including the RGR Fund (established to compensate electricity concessionaires for uncompensated expenses when the concessions end as described more fully in “—Certain Factors Affecting our Financial Performance—Our Role in Administering Brazilian Government Programs”), loans from third parties, including certain international agencies, and realizations of various investments we have made with Banco do Brasil S.A., with whom we are required by law to deposit any surplus cash assets.

We require funding principally in order to finance the upgrade and expansion of our generation and transmission facilities and in order to repay our maturing debt obligations. In addition, through our subsidiaries, we are bidding in auctions for new transmission lines and new generation contracts. In the event that we are successful in any of these auctions, we will need additional cash to fund investments necessary to expand the applicable operations.

From time to time, we consider potential new investment opportunities and we may finance such investments with cash generated by our operations, loans, financings in the international capital markets, capital increases or other sources of funding that may be available at the relevant time. At present we have the ability to fund up to R\$4 billion of capital expenditures out of existing resources without the need to access the capital markets. Those funds represent a portion of the revenues we have generated from our sales of electricity and the interest we have received from our lending activities.

### *Cash Flows*

The following table summarizes our net cash flows for the periods presented:

	<b>Year Ending December 31,</b>			<b>Three Months Ending March 31,</b>	
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2008</b>	<b>2009</b>
	<i>(in R\$ millions)</i>			<i>(in R\$ millions)</i>	
<b>Net Cash Flows:</b>					
Provided by operating activities.....	6,683	6,301	9,325	855	1,571
Used in investing activities.....	(2,531)	(2,621)	(4,735)	403	(735)
Used in financing activities.....	(2,511)	(1,135)	589	(18)	(630)
<b>Total</b> .....	<b>1,641</b>	<b>2,545</b>	<b>5,179</b>	<b>1,240</b>	<b>206</b>

### *Cash Flows from Operating Activities*

Our cash flows from operating activities primarily result from the sale and transmission of electricity to a stable and diverse base of retail and wholesale customers at fixed prices. Cash flows from operating activities have been sufficient to meet operating and capital expenditures requirements during the periods under discussion.

### *Cash Flows from Investing Activities*

Our cash flows from investing activities primarily reflect:

- restricted investments, being the surplus cash we are required to either deposit with Banco do Brasil S.A. (or in certain other investments issued by the Brazilian Government);

- investment acquisitions, being partnerships we enter into with third parties in the private sector in relation to the operation of new plants;
- the following types of marketable debt and equity securities:
  - “CFT E1” debt securities issued by the Brazilian Government: these securities are indexed to the IGP M inflation index, do not bear interest and are due to mature in August 2012;
  - “NTN P” debt securities issued by the Brazilian Government: these securities are indexed to the Taxa Referencial (or TR) rate, a monthly benchmark rate published by the Central Bank, bear interest at the rate of 6.0% per annum and mature on varying dates beginning in February 2012;
  - “Beneficiary party” equity securities issued by the following companies: (i) Rede Lajeado Energia S.A., (ii) EDP Lajeado Energia S.A., (iii) CEB Lajeado S.A., and (iv) Paulista Lajeado Energia S.A. We receive dividend income from these shareholdings based on the annual profits that each company achieves;
- acquisitions of fixed assets, being primarily investments in equipment necessary for operational activities;
- restricted deposits for legal proceedings, the court deposits we are required to pay in Brazil where we are the plaintiff in legal proceedings; and
- deferred regulatory assets, primarily representing the cash effect of the accumulated results of profits or losses from Itaipu operations, net of compensation through tariff adjustments.

In 2008, our cash flows from investing activities decreased R\$2,115 million, or 80.7%, from an expense of R\$2,621 million in 2007 to an expense of R\$ 4,735 million in 2008, as variations in the U.S. dollar/*real* exchange rate relating to Itaipu strongly affected our valuation of property, plant and equipment, which had an effect on our cash flows as any revaluation of property, plant and equipment has to be reflected in our cash flows.

In interim 2009, our cash flows from investing activities increased R\$1,138.5 million from income of R\$403.3 million in interim 2008 to an expense of R\$735.2 million in interim 2009, as the debt service payments received from Itaipu decreased due to the devaluation of the *real* against the U.S. dollar in interim 2009.

#### *Cash Flows from Financing Activities*

Our cash flows used in financing activities primarily reflect interest income we receive from short term and long term loans made to non-affiliated companies that operate in the Brazilian electricity sector.

In 2008, our cash flows from financing activities increased R\$1,724 million, or 151.9%, from an expense of R\$1,135 million in 2007 to a net cash flow of R\$589 million in 2008, as variations in the U.S. dollar/*real* exchange rate relating to Itaipu strongly affected our liabilities due to debt service payments made by Itaipu to third parties.

In interim 2009, our cash flows from financing activities increased R\$611.8 million from an expense of R\$18.8 million in interim 2008 to an expense of R\$630.6 million in interim 2009, as we received less debt service payments from loans owed to us and whilst debt service payments owed by us to third parties increased.

#### *Relationship between Appropriated Retained Earnings and Cash Flows*

As of December 31, 2008 and March 31, 2009, our balance sheet reflected retained reserves of R\$28,901 million and R\$29,172 million, respectively, which consists of our statutory reserves.



The following table shows capital expenditures by reference to specific projects for the years ended December 31, 2008, 2007 and 2006 (for the three-month period ended March 31, 2009 we had a total of R\$859.7 million in capital expenditure on these projects):

Principal Capital Expenditure Projects	Year Ending December 31,		
	2008	2007	2006
		<i>(R\$ million)</i>	
<b>Generation</b>			
Upgrading HPU Furnas – Furnas .....	61.4	45.3	72.2
Upgrading HPU Luiz Carlos Barreto – Furnas .....	73.2	92.1	157.5
TPU Santa Cruz – Furnas .....	3.1	—	39.0
Angra I, II and III – Eletronuclear .....	283.6	222.3	246.5
TPU Camaçari – Chesf .....	0.013	—	8.2
Expansion HPU Tucuruí First/Second Phases – Eletronorte	20.4	77.2	231.3
Irrigation of lots at Itaparica .....	134.1	—	—
Irrigation of lots at Luiz Gonzaga Powerplant – Chesf...	—	109.5	148.8
Implementation of Belo Monte Plant – Eletronorte .....	—	—	—
Implementation of HPU Simplício Complex .....	491.2	265.3	—
Implementation of HPU Batalhas (former Paulistas).....	95.8	18.4	—
Implementation of TPU Candiota III. ....	389.6	126.8	—
Implementation of HPU São Bernardo Complex .....	4.9	3.1	—
Implementation of HPU Passo São João Complex .....	124.8	27.1	—
Implementaion of steam generators from TPU Angra I...	4.6	76.4	—
Implementation of Mauá Powerplant and associated systems	43.4	—	—
Expansion Thermal Generation Capacity in Manaus	92.2	—	—
Other .....	196.5	220.8	260.4
<b>Total</b> .....	<b>2,018.8</b>	<b>1,284.3</b>	<b>1,163.9</b>
<b>Transmission</b>			
Improvement of the transmission system RJ/ES .....	61.5	52.8	93.4
Improvement of the transmission system SP/MG .....	81.7	28.4	97.7
Improvement of the transmission system GO/MT/DF.....	24.3	82.8	125.5
Transmission system maintenance RJ .....	—	—	75.6
Transmission system maintenance (Furnas).....	68.6	—	—
Northeast Transmission system maintenance.....	74.5	—	—
Implementation of the transmission system Ouro Preto/Vitória	—	—	—
Implementation of the Northeast System .....	—	234.9	225.3
Improvement of the Northeast transmission System.....	153.9	—	—
Implementation of the Northern transmission System.....	91.5	—	—
Expansion of the Northeast System.....	118.7	61.4	78.1
Expansion of the Southern System .....	153.6	228.1	268.9
Expansion of the transmission system HPU Tucuruí/MA	30.7	61.9	70.4
Expansion of the transmission system AC/RO .....	—	128.4	170.6
Transmission system in Pará/Tucuruí .....	—	77.2	54.8
Mato Grosso system .....	4.1	—	47.9
Interconnection Brazil/Uruguai – Rivera .....	—	—	0.9
Implementation of the transmission system Tijuco Preto Itapeti northeastern – SP .....	14.5	35.3	—
Other .....	312.3	296.7	211.6
<b>Total</b> .....	<b>1,190.2</b>	<b>1,287.9</b>	<b>1,520.7</b>
<b>Distribution</b>			
“Luz para Todos” program .....	208.5	224.8	253.0
Other .....	175.3	107.0	74.2
<b>Total</b> .....	<b>383.8</b>	<b>331.8</b>	<b>327.2</b>
<b>Other</b>			
Environmental quality .....	29.7	9.0	24.3
Research .....	28.1	18.3	13.2
Infrastructure .....	227.3	173.0	154.6
<b>Total</b> .....	<b>285.2</b>	<b>200.3</b>	<b>192.1</b>
<b>Total</b> .....	<b>3,878.1</b>	<b>3,104.3</b>	<b>3,203.9</b>

## Indebtedness

We set out below, on a segment basis, our long term debt and long term purchase obligations for the periods presented:

	Payments due by period as of March 31, 2009			
	<i>(in R\$ thousands)</i>			
	2010	2011	2012	2013 and after
<b>Long term debt obligations:</b>				
Generation .....	474,704	371,491	467,759	4,336,015
Transmission .....	162,505	127,172	160,128	1,484,346
Distribution.....	20,617	16,134	20,316	188,320
<b>Total</b> .....	<b>657,827</b>	<b>514,797</b>	<b>648,203</b>	<b>6,008,681</b>

	Payments due by period as of March 31, 2009					
	<i>(in R\$ million)</i>					
	2010	2011	2012	2013	2014	2015 and after
<b>Long term purchase obligations:</b>						
Generation .....	517.7	519.4	521.1	523.1	525.3	930.2
Transmission .....	—	—	—	—	—	—
Distribution.....	1,804.5	1,925.6	2,113.7	2,138.6	2,151.9	9,895.6
<b>Total</b> .....	<b>2,322.2</b>	<b>2,445.0</b>	<b>2,634.8</b>	<b>2,661.7</b>	<b>2,677.2</b>	<b>10,825.8</b>

## Qualitative and Quantitative Information Regarding Market Risk

The risks inherent in our market sensitive instruments are potential losses that may arise from adverse changes to interest rates and/or foreign exchange rates. We are subject to market risk resulting from changes in interest rates because such changes may affect the cost at which we obtain financing. We are subject to exchange rate risk with respect to our debt denominated in foreign currencies.

### Interest Rate Risks

Apart from a loan of U.S.\$300 million linked to the LIBOR rate, we do not have any other debt that is directly linked to variable interest rates. Variations in interest rates may impact inflation and, accordingly, we are indirectly subject to changes in interest rates that may increase the cost of financing.

At March 31, 2009, 100.0% of our total indebtedness of R\$3,479 million denominated in *reais* was indexed to the IGP M or another inflation index. As a result, our exposure to Brazilian inflation risk was R\$3,479 million at March 31, 2009. Each 1.0% variation in the IGP M rate or any other inflation index would have an impact of R\$35 million on our net income.

### Exchange Rate Risks

At March 31, 2009, approximately 83% of our total indebtedness of R\$20,023 million was denominated in foreign currencies. Of this foreign currency denominated indebtedness, R\$15,386 million, or approximately 93% was denominated in U.S. dollars (and of which R\$12,402 million, or approximately 81% was indebtedness of Itaipu).

We have a foreign currency exposure affecting our assets and liabilities due to the loans we provide to Itaipu, whose financial statements are prepared in U.S. dollars. In order to protect ourselves against fluctuations in the U.S. dollar/*real* exchange rate, our Board of Executive Officers approved the implementation of a hedging policy in July 2007, which was designed to reduce the exposure to these foreign currency variations through the use of derivative contracts.

Our only embedded derivative contracts relate to the contracts between Eletronorte and ALBRAS for the supply of electricity to ALBRAS. However, in July 2007, our Board of Executive Officers approved the implementation of a foreign currency hedging policy to use derivative contracts to reduce exposure to foreign



currency variations. Pursuant to this policy, the amount to be hedged per year is decided on a rolling basis, and there are no fixed amounts stipulated. For 2009 we hedged the amount of up to U.S.\$1.3 billion, which is Itaipu's estimated U.S. dollar receivables for the period. We decided to use this estimate because Itaipu's receivables are denominated in U.S. dollars and represent our most significant exposure to U.S. dollar variations. The policy provides that different types of derivative instruments may be used if our management understands that different instruments may provide more effective results. For 2009, we determined to use the sale of non deliverable forwards (or NDFs) as the appropriate hedging instrument because it presented the optimal cost/benefit of all derivative instruments that our management considered, but to date we have not yet entered into any hedging contracts for this year.

In 2008, we entered into short term derivative contracts, which expired in December 2008. Currently we do not have any derivative contracts outstanding and we are not proposing to enter into derivative contracts providing leverage or credit protection. Our general strategy is to focus on protection from currency fluctuations. However, we are considering broadening our hedging policy to cover others market risks, such as interest rates and indices, as well as embedded derivatives.

As a result, our actual exposure to U.S. dollar exchange rate risk was R\$15,386 million as at March 31, 2009. Each 1.0% variation in the U.S. dollar/Brazilian *real* exchange rate would have an impact of R\$150 million on our net income.

### **Trend Information**

Our management has identified the following key trends, which contain certain forward looking information and should be read in conjunction with "Forward Looking Statements." Fundamentally, we believe these trends will allow us to continue to grow our business and improve our corporate image:

- ***electricity is in constant demand:*** unlike certain industries which are particularly vulnerable to cyclical conditions in the market and/or seasonality, the demand for electricity is constant. We believe we will continue to have the ability to set tariffs in accordance with market conditions, particularly in the generation segment. Although tariffs in the transmission segment are set by the Brazilian Government each year, we believe that these tariffs will continue to increase;
- ***participation in future auctions will allow us to grow:*** we expect to participate in an increasing number of future new energy auctions, as well as new transmission auctions, and will, accordingly need to invest in new power generation plants (both hydroelectric and thermal) and new transmission lines in order to expand the existing grid and keep our current market share. We also believe that by focusing on generation and transmission, we will be able to maximize profits by improving efficiency in our existing infrastructure and capitalizing on opportunities arising from new infrastructure;
- ***a decrease in regulatory charges once infrastructure investments have been completed:*** in recent periods, our financial results have been impacted by regulatory charges regulated by ANEEL. The proceeds of these charges have been used by the Brazilian Government to invest in infrastructure such as the CCC and RGR. As this infrastructure is completed, we believe ANEEL will decrease the levels of regulatory charges, which will have a positive effect on our financial results. Moreover, we believe that the completion of these infrastructure projects will have a beneficial effect on our ability to grow our business;
- ***revenues from third parties for maintenance of facilities:*** although the core of our business will remain the generation and transmission segments, we have successfully increased our revenues in recent periods by using our expertise to provide maintenance services for other companies in our industry. Our subsidiary Eletronorte has been the key conduit for this. We expect this trend to continue, thereby improving our financial position; and

- ***an increasing focus on environmental, health and safety concerns***: there is a trend in Brazil and globally towards increasing concerns for the protection of the environment. This impacts us in various ways, including dealing with social and political issues that may arise when we seek to construct new facilities (particularly in remote areas of Brazil) and reduced carbon emission targets from facilities that rely on fossil fuel. One of the key challenges for us will be to balance these environmental concerns against the growth of our business, as these concerns naturally can increase cost pressures. There is also an increasing trend in Brazil towards more stringent health and safety requirements with respect to operating permits for our facilities, which similarly imposes cost pressure challenges on our business.

## BUSINESS

### Overview

Directly and through our subsidiaries, we are involved in the generation, transmission and distribution of electricity in Brazil. At March 31, 2009, we controlled approximately 38.4% of the installed power generating capacity within Brazil. Through our subsidiaries, we are also responsible for approximately 59.2% of the installed transmission capacity above 230 kV in Brazil. Our revenues principally derive from:

Our revenues principally derive from:

- the generation of electricity through our subsidiaries, and Itaipu, and its sale to electricity distribution companies and free consumers, which in 2008, 2007 and in 2006 accounted for R\$21.8 billion or 71%, R\$17.8 billion or 72% and R\$14 billion or 69% of our total net revenues, respectively;
- the transmission of electricity, which in 2008, 2007 and in 2006 accounted for R\$4.1 billion or 14%, R\$3.3 billion or 14% and R\$3 billion or 15% of our total net revenues, respectively;
- the distribution of electricity to end consumers, which in 2008, 2007 and in 2006 accounted for R\$4.4 billion or 15%, R\$3.5 billion or 14% and R\$3.3 billion or 16% of our total net revenues, respectively; and
- financial revenues derived from debt service payments received from Itaipu, which in 2008, 2007 and in 2006 accounted for R\$506 million or 2%, R\$448 million or 2% and R\$788 million or 4% of our total net revenues, respectively.

The primary drivers of our financial performance are demand for electricity (which in turn is impacted by macroeconomic conditions and external events such as electricity rationing, which occurred in 2001 and 2002) and the pricing of electricity. Although levels of electricity consumption now exceed those that existed before the energy crisis that occurred in 2001 and 2002, that energy crisis continues to impact our recognition of revenues and, accordingly, our results of operations. See “The Brazilian Power Industry” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

### Our Strategies

Our principal strategic objectives are to achieve sustained growth and profitability, while maintaining our position as a leader in the Brazilian electricity sector. In order to achieve these objectives, our principal strategies are as follows:

- ***Expand and improve efficiency in our generation, transmission and distribution businesses.*** We believe that our scale and experience in the generation and transmission markets will enable us to maximize profits by improving efficiency in our existing infrastructure and capitalizing on opportunities arising from new infrastructure such as new power units and transmission lines. Our recently-adopted Strategic Action Program for 2009 - 2012 (*Programa de Ações Estratégicas do Sistema Eletrobrás*, or PAE) includes the strategic target of increasing our generation capacity and transmission lines to the Interconnected power system by 2012;
- ***Renewed strategy for distribution business.*** With respect to distribution, we adopted a renewed strategy in 2008 for management of the distribution companies and are seeking to continue to improve their operational efficiency;
- ***Continue to maintain high corporate governance standards.*** We believe our corporate governance structure is a key component that will help us achieve our growth, profitability and market share objectives. We believe that high corporate governance standards strengthen our

corporate image with investors. Our shares are registered with the SEC and the CVM and are listed on the New York Stock Exchange and the Level 1 segment of the São Paulo Stock Exchange (BM&FBOVESPA). Our PAE includes the strategic target of complying with the corporate governance standards of the more stringent Level 2 segment of the BM&FBOVESPA by 2012 and the provisions of the Sarbanes Oxley Act of 2002; and

- ***Selectively identify growth opportunities in certain international markets.*** In accordance with our PAE, we are currently conducting feasibility studies for investments in countries that neighbor Brazil, such as, Argentina and Peru. These studies evaluate investments in hydroelectric power plants with a total production capacity of up to 18,000 MW as well as up to 11,000 km of transmission lines. Our strategic aim is to generate energy that can be added to the Interconnected power system and to integrate certain electrical power systems in the Americas.

## **Organizational Structure**

We operate our distribution, generation and transmission activities in Brazil through the following twelve regional subsidiaries:

- *Itaipu*, the worlds largest hydroelectric plant in terms of volume of energy generated, in which we and a Paraguayan governmental entity (ANDE) each hold a 50% interest;
- *Furnas*, which engages in generation and transmission activities in the southeast and part of the midwest regions of Brazil;
- *Chesf*, which engages in generation and transmission activities in the northeast region of Brazil;
- *Eletronorte*, which engages in generation, transmission and limited distribution activities in the north and part of the midwest regions of Brazil;
- *Eletronuclear*, which owns and operates two nuclear plants, Angra I and Angra II and is planning to construct a third, Angra III;
- *Amazonas Energia*, (formerly *Manaus Energia*) which engages in generation and distribution in the State of Amazonas. Prior to May 31, 2008 it was a subsidiary of Eletronorte but is now directly owned by Eletrobrás. Amazonas Energia now also operates in the interior of the State of Amazonas through facilities that, until March 31, 2008, were operated by Ceam, which used to be directly held by Eletrobrás, but no longer exists as a standalone operating company;
- *Eletrosul*, which engages in transmission activities in the states of Santa Catarina, Rio Grande do Sul, Mato Grosso do Sul and Paraná;
- *CGTEE*, which owns and operates thermal plants in the south region of Brazil;
- *Ceal*, which engages in distribution activities in the state of Alagoas;
- *Eletroacre*, which engages in distribution activities in the state of Acre;
- *Ceron*, which engages in distribution activities in the state of Rondônia; and
- *Cepisa*, which engages in distribution activities in the state of Piauí.

We are also the principal sponsor of *Cepel*, the largest technological research and development center in the electricity industry in Latin America.

We also hold a majority interest in Eletropar. Eletropar is a holding company that holds minority interests in the following five Brazilian distribution companies: (i) AES Eletropaulo Metropolitana de Eletricidade de São Paulo S.A. – AES Eletropaulo; (ii) Energias do Brasil S.A. – Energias do Brasil; (iii) Companhia de Transmissão de Energia Elétrica Paulista – CTEEP; (iv) Empresa Metropolitana de Águas e Energia S.A. – EMAE; and (v) Companhia Piratininga de Força e Luz – CPFL.

On February 22, 2008 we announced that the Board of Directors of our subsidiary Eletrosul resolved to purchase majority shares in two electricity transmission companies, Empresa de Transmissão de Energia de Santa Catarina S.A. – SC Energia and Empresa de Transmissão de Energia do Rio Grande do Sul S.A. – RS Energia. Those acquisitions were approved by ANEEL and have enabled us to improve our transmission capacity in the southern region of Brazil.

## Generation

Our principal activity is the generation of electricity. Net revenues from generation represented 69.6%, 72.3%, 71.8% and 72% of our total net revenues in the years ended December 31, 2006, 2007 and 2008 and the three-month period ended March 31, 2009, respectively. Through our subsidiaries and Itaipu we control approximately 38.4% of Brazil’s total installed generation capacity. Including Itaipu, our power plants generated 52.3% and 50.5% of the total electricity generated in Brazil in the years ended December 31, 2007 and 2008, respectively.

Pursuant to Law No. 5,899, of July 5, 1993, and Decree 4,550, of December 27, 2002, Eletrobrás must sell all energy produced by Itaipu to distribution companies in the Southern, Southeastern and Midwestern regions in Brazil (see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Principal Factors Affecting our Financial Performance — Itaipu”).

We had an installed capacity of 38,567 MW at December 31, 2007, 39,402 MW at December 31, 2008 and 39,413 MW at March 31, 2009. The increase in capacity over these periods reflects continuous growth. At December 31, 2007 and December 31, 2008, Brazil had an installed capacity in the Interconnected power system of 89,792 MW and 92,495 MW, of which approximately 82% and 81% was hydroelectric, respectively.

## Concessions

We operate under the following concessions granted by ANEEL for our generation businesses:

Concessions <sup>(1)</sup>	State	Type of Plant	Installed Capacity (MW)	End of Concession	Began Service
<b>CGTEE</b>					
São Jerônimo.....	Rio Grande do Sul	Thermal	20.00	July 7, 2015	April 1953
Presidente Médici .....	Rio Grande do Sul	Thermal	446.00	July 7, 2015	January 1974
Nutepa.....	Rio Grande do Sul	Thermal	24.00	July 7, 2015	February 1968
<b>Chesf</b>					
Funil <sup>(2)</sup> .....	Bahia	Hydroelectric	30.00	July 7, 2015	March 1962
Pedra <sup>(2)</sup> .....	Bahia	Hydroelectric	20.00	July 7, 2015	April 1978
Araras.....	Ceará	Hydroelectric	4.00	July 7, 2015	February 1967
Curemas.....	Bahia	Hydroelectric	3.52	November 25, 2024	January 1957
Paulo Afonso Complex and Moxotó (Apolônio Sales).....	Bahia	Hydroelectric	4,280.00	October 2, 2015	January 1955
Sobradinho.....	Bahia	Hydroelectric	1,050.30	February 9, 2022	April 1979
Luiz Gonzaga.....	Pernambuco	Hydroelectric	1,479.60	October 3, 2015	February 1988
Boa Esperança.....	Piauí/Maranhão	Hydroelectric	237.30	October 10, 2015	January 1970
Xingó.....	Sergipe/Alagoas	Hydroelectric	3,162.00	October 2, 2015	April 1994
Camaçari.....	Bahia	Thermal	350	August 10, 2027	February 1979
<b>Eletronorte</b>					
Rio Acre.....	Acre	Thermal	45.49	Indefinite	April 1994
Rio Branco II.....	Acre	Thermal	31.80	Indefinite	April 1981
Rio Branco I.....	Acre	Thermal	18.60	Indefinite	February 1988
Electron (TG).....	Amazonas	Thermal	120.0	Indefinite	June 2005

<b>Concessions<sup>(1)</sup></b>	<b>State</b>	<b>Type of Plant</b>	<b>Installed Capacity (MW)</b>	<b>End of Concession</b>	<b>Began Service</b>
Santana .....	Amapá	Thermal	178.10	Indefinite	January 1993
Rio Madeira .....	Rondônia	Thermal	119.35	Indefinite	April 1968
Coaracy Nunes .....	Amapá	Hydroelectric	76.95	July 8, 2015	April 1975
Tucuruí .....	Pará	Hydroelectric	8,370.00	July 11, 2024	April 1984
Samuel <sup>(3)</sup> .....	Rondônia	Hydroelectric	216.75	September 14, 2009	March 1989
Curuá-Una <sup>(4)</sup> .....	Pará	Hydroelectric	30.30	July 27, 2028	December 2005 <sup>(5)</sup>
Senador Arnon Paulo Alfonso de Mello.....	Roraima	Thermal	85.92	Indefinite	
<b>Eletronuclear<sup>(6)</sup></b>					
Angra I .....	Rio de Janeiro	Nuclear	657.00	—	January 1985
Angra II .....	Rio de Janeiro	Nuclear	1,350.00	—	September 2000
<b>Furnas</b>					
Corumbá I .....	Goiás	Hydroelectric	375.00	November 29, 2014	April 1997
Serra da Mesa <sup>(7)</sup> .....	Goiás	Hydroelectric	1,275.00	May 7, 2011	April 1998
Furnas .....	Minas Gerais	Hydroelectric	1,216.00	July 7, 2015	March 1963
Itumbiara .....	Minas Gerais	Hydroelectric	2,082.00	February 26, 2020	February 1980
Marimbondo.....	São Paulo	Hydroelectric	1,440.00	March 7, 2017	April 1975
Peixoto (Mascarenhas de Morais) .....	Minas Gerais	Hydroelectric	476.00	October 31, 2023	April 1956
Porto Colômbia .....	Minas Gerais	Hydroelectric	320.00	March 16, 2017	March 1973
Manso .....	Mato Grosso	Hydroelectric	212.00	February 9, 2035	October 2000
Funil <sup>(2)</sup> .....	Rio de Janeiro	Hydroelectric	216.00	July 7, 2015	April 1969
Estreito .....	São Paulo	Hydroelectric	1,050.00	July 7, 2015	January 1969
Campos <sup>(8)</sup> .....	Rio de Janeiro	Thermal	30.00	July 27, 2007	April 1968
Santa Cruz .....	Rio de Janeiro	Thermal	932.00	July 7, 2015	March 1967
Peixe Angical .....	Tocantins	Hydroelectric	452.00	November 6, 2036	June 2006
<b>Manaus Energia</b>					
Aparecida .....	Amazonas	Thermal	192.00	Indefinite	February 1984
Mauá .....	Amazonas	Thermal	467.60	Indefinite	April 1973
Balbina .....	Amazonas	Hydroelectric	250.00	March 1, 2027	January 1989

(1) Itaipu does not hold a concession. The Itaipu treaty is due to expire in 2023.

(2) Approval for the renovation of the environmental licences of both Funil and Pedra has been requested but the licenses have not yet been granted. Chesf will continue to operate each plant pending approval of the licenses.

(3) On July 18, 2006, Eletronorte requested the renewal of its concession for Samuel but has not yet received a response from ANEEL. Eletronorte will continue operating the plant until it has received a response from ANEEL.

(4) Eletronorte does not currently have an operating license in respect of Curuá-Una and is operating the plant under a temporary authorization granted by CEMA.

(5) This plant was transferred from Celpa to Eletronorte in December 2005 as payment for outstanding debts owed by Celpa to Eletronorte relating to sales of energy.

(6) The nuclear plants are authorized to operate for 40 years from the date on which they commenced operations. A few years prior to this due expiration date, each applicable nuclear energy company may request an extension of its respective permit from CNEN. In order to obtain an extension, CNEN may request the replacement of certain equipment. For example, in the case of Angra I, CNEN requested the replacement of a steam generator following our request to extend the permit by 20 years.

(7) On May 5, 2008, Furnas requested the renewal of its concession for Serra da Mesa but has not yet received a response from ANEEL. Furnas will continue operating the plant until it has received a response from ANEEL.

(8) This plant is not operational.

Source: Internal sources.

## Types of Plant

Hydroelectric power plants accounted for 92.1% and 93.6% of our total power generated in 2008 and the three-month period ended March 31, 2009, respectively, compared to 93.6% in 2007 and 93.2% in 2006.

We also generate electricity through our thermal and nuclear plants. Thermal plants accounted for 1.1%, 1.0%, 1.8% and 1.2% of our total power generation in 2006, 2007 and 2008 and the three-month period ended March 31, 2009, respectively. Nuclear plants accounted for 5.7%, 5.3%, 6.1% and 5.2% of our total power generation in 2006, 2007 and 2008 and three-month period ended March 31, 2009, respectively.

The following table sets out the total amount of electricity generated in the periods indicated, measured in megawatt hours, broken down by type of plant:

	Year Ended December 31,			Three Months Ended March 31,	
	2008	2007	2006	2009	2008
	<i>(MWh)</i>			<i>(MWh)</i>	
Type of plant:					
Hydroelectric <sup>(1)</sup> .....	211,485,963	218,305,510	224,961,642	57,288,748	51,553,186
Thermal .....	4,128,403	2,440,890	2,732,974	764,897	1,464,534
Nuclear .....	14,003,775	12,365,398	13,769,410	3,171,354	3,425,377
<b>Total</b> .....	<b>229,618,141</b>	<b>233,111,798</b>	<b>241,464,026</b>	<b>61,224,999</b>	<b>56,443,097</b>

(1) Including Itaipu.

### ***Hydroelectric Plants***

Hydroelectric plants are our most cost-efficient source of electricity, although efficiency is significantly dependent on meteorological factors, such as the level of rainfall. Based on our experience with both types of plant, we believe construction costs for hydroelectric plants are higher than for thermal plants; however, the average useful life of hydroelectric plants is longer. We use our hydro-powered plants to provide the bulk of our primary and back-up electricity generated during peak periods of high demand. During periods of rapid change in supply and demand, hydroelectric plants also provide greater production flexibility than our other forms of electric generation because we are able to instantly increase (or decrease) output from these sources, in contrast to thermal or nuclear facilities where there is a time lag while output is adjusted.

At March 31, 2009, we owned and operated 29 hydroelectric plants; in addition, we hold a 50% interest in Itaipu, the other 50% of which is owned by a Paraguayan governmental entity. The ONS is solely responsible for determining, in any year, how much electricity each of our plants should generate. At March 31, 2009, the total installed capacity of our hydroelectric plants was 27,332 MW (excluding our share of Itaipu but only including our share of the hydroelectric plants set out in the table below). The following table sets out information with respect to hydroelectric plants owned by us at and for the three-month period ended March 31, 2009:

	<u>Installed<sup>(1)</sup> Capacity</u>	<u>Assured Energy<sup>(2)</sup></u>	<u>Began Service</u>
	(MW)		
<b>Hydroelectric plants:</b>			
Curuá-Una <sup>(3)</sup> .....	30	24	2005
Peixoto (Mascarenhas de Morais).....	476	295	1956
Curemas.....	3,52	2	1957
Paulo Afonso complex and Moxotó.....	4,279	2,225	1955
Funil (Chesf).....	30	15.50	1962
Furnas.....	1,216	598	1963
Araras.....	4	2	1967
Funil (Furnas).....	216	121	1969
Estreito.....	1,050	495	1969
Boa Esperança.....	237.3	143	1970
Porto Colômbia.....	320	185	1973
Coaracy Nunes <sup>(3)</sup> .....	76.95	—	1975
Marimbondo.....	1,440	726	1975
Pedra.....	20	7.20	1978
Sobradinho.....	1,050	531	1979
Luiz Gonzaga.....	1,479	959	1988
Itumbiara.....	2,082	1,015	1980
Tucuruí complex.....	8,370	4,140	1984
Samuel <sup>(3)</sup> .....	216.75	—	1989
Balbina <sup>(3)</sup> .....	250	—	1989
Xingó.....	3,162	2,139	1994
Corumbá I.....	375	209	1997
Serra da Mesa <sup>(4)</sup> .....	1,275	671	1998
Manso <sup>(4)</sup> .....	212	92	2000
Peixe Angical <sup>(5)</sup> .....	452	271	2006
<b>Total</b> .....	<b>28,323</b>	<b>14,866</b>	

(1) The installed capacity of Itaipu is 14,000 MW. Itaipu is equally owned by Brazil and Paraguay.

(2) Assured energy is the maximum amount per year that each plant is permitted to sell in auctions/supply to the Interconnected power system, an amount determined by ONS. Any energy produced in excess of assured energy is sold in the Free Market.

(3) The Balbina, Curuá-Una, Samuel and Coaracy Nunes plants are part of the isolated system and do not have an assured energy restriction.

(4) We own 48.46% of the Serra Mesa plant and 70.0% of the Manso plant. Figures in this table refer to the entire capacity/utilization of each plant.

(5) We own 40.0% of the Peixe Angical plant. Figures in this table refer to the entire capacity/utilization of the plant.



The following table describes the energy generated by the hydroelectric plants owned by us, the assured energy and the actual operational utilization at and for the three-month period ended March 31, 2009. We have converted the measurement of the assured energy to MWh so that we can compare it against the energy generated.

	Assured Energy	Generated Energy <sup>(1)</sup>	Actual Operational Utilization
	(MWh)		(%)
<b>Hydroelectric plants:</b>			
Funil (Chesf) .....	135,780	72,874	53.7
Pedra .....	63,072	20,328	32.2
Araras .....	17,520	0	0
Curemas .....	17,520	8,000	45.7
Paulo Afonso complex and Moxotó .....	19,491,000	13,975,191	71.7
Sobradinho .....	4,651,560	3,120,304	67.1
Luiz Gonzaga .....	8,400,840	6,428,737	76.5
Boa Esperança .....	1,256,680	1,332,406	106.4
Xingó .....	18,737,640	15,712,603	83.9
Coaracy Nunes <sup>(2)</sup> .....	—	605,767	—
Tucuruí complex .....	36,266,400	36,724,033	101.3
Samuel <sup>(2)</sup> .....	—	851,923	—
Corumbá I .....	1,830,840	1,921,916	105.0
Curuá-Una <sup>(2)</sup> .....	210,240	253,890	120.8
Serra da Mesa <sup>(3)</sup> .....	2,848,459	2,359,814	82.8
Furnas .....	5,238,480	5,157,418	98.5
Itumbiara .....	8,891,400	8,410,304	94.6
Marimbondo .....	6,359,760	6,784,942	106.7
Peixoto (Mascarenhas de Morais) .....	2,584,200	2,891,079	111.9
Porto Colômbia .....	1,620,600	2,059,262	127.1
Manso <sup>(3)</sup> .....	564,144	601,612	106.6
Funil (Furnas) .....	1,059,960	932,187	87.9
Estreito .....	4,336,200	4,068,821	93.8
Peixe Angical <sup>(4)</sup> .....	949,584	926,773	97.6
Balbina <sup>(2)</sup> .....	—	1,580,993	—
<b>Total</b> .....	<b>125,531,879</b>	<b>116,801,177</b>	<b>93.1<sup>(5)</sup></b>

(1) Excluding Itaipu, which is owned equally by Brazil and Paraguay.

(2) The Balbina, Curuá-Una, Samuel and Coaracy Nunes plants are part of the isolated system and do not have an assured energy restriction.

(3) We own 48.46% of the Serra Mesa plant and 70.0% of the Manso plant. These quantities refer to our participation.

(4) We own 40% of the Peixe Angical plant. This quantity refers to our participation.

(5) This percentage is based on the average operational utilization.

See “— Concessions” for information on the hydroelectric power plants operated by Chesf, Eletronorte and Furnas.

Hydroelectric utilities in Brazil are required to pay royalty fees to the Brazilian states and municipalities in which a plant is located or in which land may have been flooded by a plant’s reservoir for the use of hydrological resources. Fees are established independently by each state and/or municipality as applicable and are based on the amount of energy generated by each utility and are paid directly to the states and municipalities. Fees for the states and municipalities in which we operate were R\$1,152 million, R\$1,095 million, R\$1,100 million and R\$333 million for the years ended December 31, 2006, 2007 and 2008 and the three-month period ended March 31, 2009, respectively. These fees are recorded as operating costs in our financial statements.

Within the past two years, our subsidiaries have acquired concessions for the construction of 19 new hydroelectric power plants, information on which is set out in the table below:

	<u>Installed Capacity</u> (MW)	<u>Investment</u> (R\$ millions)
<b>New plants:</b>		
Coxilha Rica .....	18	58.8
Santo Cristo .....	19.5	65.5
São Mateus .....	19	73.0
Antoninha .....	13	49.1
Malacara .....	9.2	36.1
Gamba .....	10.8	40.7
Barra do Rio Chapéu .....	15	84.0
Pinheiro .....	10	36.3
João Borges .....	19	51.1
Itararé .....	9	27.8
Passo São João .....	77.0	310
Mauá .....	362	1000
Dardanelos .....	261	760.8
Batalha .....	52.5	740
Simplicio .....	333.7	1,471.6
Baguari .....	140.0	517.0
São Domingos .....	48	227
Santo Antônio .....	3,150	12,198
Jirau <sup>(1)</sup> .....	3,300	10,000

(1) Awaiting license for construction.

HPU Baguari will be operated by Furnas and a third party. HPU Simplicio and Paulistas (Batalha) will be operated only by Furnas. Dardanelos will be operated by our subsidiaries Chesf and Eletronorte in association with partners. (See “—Equity Participations.”)

The other new plants will be operated solely by our subsidiary Eletrosul other than the Mauá plant, which will be jointly operated by our subsidiary Eletrosul and by Companhia Paranaense de Energia S.A. – Copel, a third party. We intend to finance these plants from cashflow from operations, and, if necessary, from financing obtained in the international capital markets and/or multilateral agencies.

### ***Thermal Plants***

At March 31, 2009, we owned and operated 16 thermal plants. Thermal plants include coal and oil power generation units. The total installed capacity of our thermal plants was 3,061 MW and 3,084 MW at December 31, 2008 and March 31, 2009, respectively, compared to 2,406 MW at December 31, 2007 and 2,704 MW at December 31, 2006.

The following table sets out information regarding our thermal plants at December 31, 2008:

	<b>Installed Capacity</b>	<b>Generated Energy</b>	<b>Assured Energy<sup>(1)</sup></b>
	<i>(MW)</i>	<i>(MWh)</i>	<i>(MWh)</i>
<b>Thermal plants:</b>			
P. Médici (Candiota) .....	446.00	926,079,145	2,203,140
S. Jerônimo (Candiota).....	20.00	42,713,879	110,376
Nutepa (Candiota) .....	24.00	1,330,455	53,436
Santa Cruz .....	932.00	136,845	4,344,960
Campos .....	30.00	37,696	183,960
Camaçari .....	350.00	562,521	—
Electron .....	120.00	0	—
Rio Madeira .....	119.35	24,774	—
Santana .....	178.10	446,035	—
Rio Branco I .....	18.60	239	—
Rio Branco II .....	31.80	1,898	—
Rio Acre .....	45.49	7,599	—
Senador Arnon Farias de Mello .....	85.92	—	—
Mauá .....	467.60	1,536,061	—
Aparecida.....	192.00	404,611	—
Serra do Navio .....	23.30	29,184	183,960
<b>Total</b> .....	<b>3,084.16</b>	<b>973,310,942</b>	<b>7,079,832</b>

(1) Assured Energy is only determined in respect of plants from the Interconnected power system, but not the Isolated system. Most of our thermal plants are part of the Isolated system.

In December 2005, our subsidiary CGTEE was granted authorization to begin construction on an extension of the Candiota thermal plant. This extension will increase the installed capacity of the Candiota thermal plant by 350 MW.

Each of our thermal plants operates on coal and/or oil. The fuel for the thermal plants is delivered by road, rail, pipeline or waterway, depending on the plant's location.

Although we do not have alternatives if our sources of these raw materials become unavailable or uneconomical, we have spare capacity in our hydroelectric plants and we are increasing our investment in transmission lines, which, when completed, will allow us to partially compensate for any disruption in supplies. We are not subject to price volatility with respect to these raw materials because the Brazilian Government and entities that the Brazilian Government controls regulate prices, which they set annually.

We seek to operate our thermal plants at a consistent, optimal level in order to provide a constant source of electricity production. Our thermal plants are significantly less efficient, and have significantly shorter useful lives, than our hydroelectric plants. We incurred gross expenditure for fuel purchased for energy production of R\$2,500 million, R\$2,272 million, R\$3,437 million and R\$595 million for the years ended December 31, 2006, 2007 and 2008 and the three-month period ended March 31, 2009, respectively. We record these amounts net of the CCC Account reimbursements.

We have recovered a substantial portion of the thermal plants' excess operating costs, which correspond to the difference between the cost of a thermal plant and the cost of a hydroelectric plant, through reimbursements pursuant to the CCC Account. The Brazilian Government created the CCC Account in 1973 for the purpose of building financial reserves to cover the costs of using fossil fuel thermal power plants, which are more expensive to operate than hydroelectric plants, in the Basic Network and the Interconnected power system should a power shortage create a need for increased production of thermal power plants. Consumers through electricity distributors in Brazil are required to contribute annually to the CCC Account, which in effect serves as an insurance fund against an extraordinary situation, such as a rainfall shortage, which would require increased use of thermal plants. The aggregate amount of the annual required contribution is calculated on the basis of the current year's cost of fuel estimates for all thermal plants. Each utility is then allocated a proportional contribution towards the aggregate amount based on such utility's total electricity sales during the previous year. In 1993, the scope of the CCC

Account was extended to include a portion of the costs of thermal electricity generation in isolated, non-integrated grids in remote areas of Brazil's northern region.

Each of Furnas, Chesf, CGTEE and Eletronorte receives CCC Account reimbursement for its thermal plant fuel costs, thereby reducing the operating costs of each of their plants. We administer the CCC Account. Reimbursements from the CCC Account for the fuel costs of thermal plants connected to the Basic Network are being phased out in conjunction with the development of a competitive wholesale market. In the event of a complete phase-out of the CCC Account, we will have to bear the entire operating costs of our thermal plants. For further details, see "The Brazilian Power Industry—Regulatory Changes—Fuel Consumption Account."

Reimbursements decreased to a range of 45% - 55% of fuel costs in 2008, compared to a range of 72% - 91% in 2007 and 76% - 92% in 2006. Thermal plants in the isolated, non-integrated grids are scheduled to receive reimbursements for fuel costs through 2022.

The following tables set forth information relating to the price paid and amount of fuel purchased for use in our thermal plants in the periods indicated:

Type of fuel	Year Ended December 31,			Three Months Ended
	2008	2007	2006	March 31,
	<i>(R\$ thousands)</i>			2009
Coal.....	58,335	75,914	111,481	16,455
Light oil.....	3,082,049	1,984,395	2,206,731	513,179
Heavy oil.....	57,898	25,713	4,421	6,329
Gas.....	68	40	6.0	3,032
Uranium (quantity of elements).....	239,142	185,980	177,739	55,940
<b>Total.....</b>	<b>3,437,492</b>	<b>2,272,042</b>	<b>2,500,378</b>	<b>594,935</b>

Type of fuel	Year Ended December 31,			Three Months Ended
	2008	2007	2006	March 31,
				2009
Coal (tons).....	1,221,677	1,844,381	2,078,000	330,514
Light oil (litres).....	778,940,810	586,038,884	542,502,159	125,879,434
Heavy oil (tons).....	35,785	23,425	3,086	6,395
Gas (m3).....	82,943	58,815	10,051	3,699,300
Uranium (per kilogram).....	310,058	259,379	284,691	64,944

### ***Nuclear Plants***

Nuclear power plants represent a relatively costly source of electricity for us. The Brazilian Government, however, has a special interest in the continuing existence of nuclear power plants in Brazil and is required by law to maintain ownership and control over these plants. Accordingly, we expect to continue to own 99.8% of Eletronuclear.

Through Eletronuclear, we operate two nuclear power plants, Angra I, with an installed capacity of 657 MW, representing approximately 1.7% of our total installed capacity and Angra II, with 1,350 MW, representing approximately 3.4% of our total installed capacity. In addition, Eletronuclear is planning to start construction of a new nuclear plant, called Angra III, in the second half of 2009. On March 5, 2009, IBAMA issued an installation licence to Eletronuclear with a validity of 6 years and in December, 2008 CNEN issued a partial construction licence to Eletronuclear. Once constructed, we currently estimate that Angra III would have an installed capacity of 1,350 MW and that the cost of its construction would be approximately R\$8 billion.

The following table sets out information regarding our nuclear plants at December 31, 2008:

	<u>Installed Capacity</u> (MW)	<u>Generated Energy</u> (MWh)	<u>Assured Energy<sup>(1)</sup></u> (MWh)	<u>Began Service<sup>(2)</sup></u>
<b>Nuclear plant:</b>				
Angra I.....	657	3,515,486	3,224,000	January 1, 1985
Angra II.....	1,350	10,488,289	9,733,000	September 1, 2000
<b>Total.....</b>	<b>2,007</b>	<b>14,003,775</b>	<b>12,957,000</b>	

(1) For our nuclear plants, assured energy is not limited by ONS or any other regulatory body.

(2) Commercial operation in: Angra I – January, 1985 and Angra II – September, 2000.

The installed capacity of Angra I is 657 MW. We estimate that Angra I will be operating at 85% capacity in 2009 in line with industry standards. Accordingly, the assured energy of Angra I will be 4.64 GWh/yr.

With respect to Angra II, its installed capacity is 1,350 MW. We also estimate that Angra II will be operating at 85% capacity in 2009 in line with industry standards. Accordingly, the assured energy of Angra II will be 9.54 GWh/yr.

Both Angra I and Angra II utilize uranium obtained pursuant to a contract with Indústrias Nucleares Brasileiras – INB, a Brazilian Government owned company responsible for processing uranium used in nuclear plants. The fuel elements are shipped by truck to the nuclear plant and under the terms of the contract; Eletronuclear bears responsibility for the safe delivery of that fuel. To date, Eletronuclear (and the previous owner of Angra I – Furnas) has experienced no material difficulty in the transportation of fuel to Angra I and Angra II. In addition, low level nuclear waste (such as filters and certain resins) is stored in specially designed containers in an interim storage site on the grounds of the plants. As is the case with many other countries, Brazil has not yet devised a permanent storage solution for nuclear waste. High level nuclear waste (spent nuclear fuel) is stored in the fuel cells (compact storage racks in the fuel pool) of the plants. The liability relating to the decommissioning of nuclear power plants Angra I and Angra II commenced at the same time as the operations began at these two units in 1985 and 2000, respectively. The amount of this provision is supported by a technical report of a work group by Eletronuclear created in 2001. In relation to Angra I, the estimated decommissioning cost is U.S.\$307 million and in relation to Angra II, the estimated decommissioning cost is U.S.\$426 million. The economic useful life of the plants was estimated to be 40 years. Eletronuclear makes monthly *pro rata* provisions for the estimated decommissioning costs of Angra I and Angra II.

The electricity generated by Eletronuclear is sold to our subsidiary Furnas at a regulated price, determined by the MME. This regulated price reflects Eletronuclear’s production costs. However, in on-selling this electricity to distribution companies, Furnas is required to participate in the public auction process, in which other generation companies in a pool provide bids that reflect the maximum cost of electricity each is willing to supply and the distribution companies pay a price equal to an average of all these bids. As a result of this auction process, the price that Furnas sells in the auction is higher than that it paid to Eletronuclear for the corresponding electricity. Historically, however, the reverse has been true and we recorded consolidated losses in respect of electricity generated by Eletronuclear. We are currently analyzing potential measures to reduce these losses if this situation re-occurs, including replacing Furnas in the supply chain described above with Eletrobrás itself, which is not required to sell electricity only pursuant to the auction process.

### ***Sales of Electricity Generated***

We sold approximately R\$13,543 million and R\$3,018 million of electricity generated (net of electricity purchased for resale and VAT and other taxes) in the year ended December 31, 2008 and the three-month period ended March 31, 2009, respectively, compared to R\$11,679 million at December 31, 2007 and R\$10,104 million at December 31, 2006. These sales are made only to distribution companies (which constitute the main sources of sales of electricity generated) or free consumers. We own certain distribution companies that operate in the northern and northeastern regions of Brazil and we sell a relatively small portion of the electricity we generate to these distribution companies, which does not give rise to revenues in our generation segment, as discussed in “—Distribution.”

We sell the electricity generated pursuant to both supply contracts with industrial end-users and to an auction process for sales to distribution companies. The following table sets forth, by type of sale, sales of electricity generated in the regions we served in the periods presented:

Type of sale:	Year Ended December 31,						Three Months Ended March 31,			
	2008		2007		2006		2009		2008	
	(R\$ thousands)	(MWh)	(R\$ thousands)	(MWh)	(R\$ thousands)	(MWh)	(R\$ thousands)	(MWh)	(R\$ thousands)	(MWh)
Through auctions and initial contracts (energy charge).....	8,393,914	102,031,134	7,822,678	98,004,823	6,792,152	93,894,340	2,122,097	25,444,500	2,365,417	25,699,003
Through free market agreements or bilateral contracts (energy charge) ..	4,779,554	58,983,373	3,273,962	46,026,916	3,123,405	43,959,451	1,037,310	13,748,738	780,982	10,318,397
Itaipu .....	10,927,053	94,344,524	7,555,634	90,620,003	6,276,247	92,331,000	1,269,593	22,991,801	1,994,601	23,387,398
<b>Total .....</b>	<b>24,120,521</b>	<b>255,359,032</b>	<b>18,652,274</b>	<b>234,651,742</b>	<b>16,191,804</b>	<b>230,184,791</b>	<b>4,429,000</b>	<b>62,185,039</b>	<b>5,141,000</b>	<b>59,404,798</b>

The table below shows a summary of the amount of electricity, in MW, that we have sold through auction sales:

Capacity Average (MW):	Year Ended December 31,			
	2007	2008	2009	2010
1st Auction .....	11,003	11,003	11,003	11,003
2nd Auction .....	—	644	644	644
3rd Auction .....	—	—	—	—
4th Auction .....	—	—	396	396
5th Auction .....	180	180	180	180
<b>Total .....</b>	<b>11,183</b>	<b>11,827</b>	<b>12,223</b>	<b>12,223</b>
Energy (MWh) per year .....	97,963,080	103,604,520	107,073,480	107,073,480
Average tariff (R\$/MWh) .....	58.49	63.73	64.77	64.77
Estimated revenues (R\$ thousands) .....	5,729,860	6,602,716	6,935,149	6,935,149

With respect to supply contracts, the amount that we receive from each sale is determined on the basis of a “capacity charge,” an “energy charge” (or, in some cases, both). A capacity charge is based on a guaranteed capacity amount specified in MW and is charged without regard to the amount of electricity actually delivered. The charge is for a fixed amount (and so is not dependent on the amount of electricity that is actually supplied). In contrast, an energy charge is based on the amount of electricity actually used by the recipient (and is expressed in MWh). Our purchases of Itaipu electricity, and our sales of Itaipu electricity to distributors, are paid for on the basis of a capacity charge (including a charge for transmission paid to Furnas). Our sales of electricity (through our subsidiaries Chesf and Eletronorte) to final consumers, especially to industrial customers, are billed on the basis of both a capacity charge and an energy charge. With respect to auction sales, as discussed in “The Brazilian Power Industry — Regulation under the Electricity Regulatory Law,” invitations to participate in auctions are prepared by ANEEL and, in the event that we are successful, we enter into sale and purchase contracts with the relevant distribution company for an amount of electricity that is proportionate to such company’s estimated demand over the contract period.

## Transmission

### Transmission of Electricity

Revenues in our transmission segment are fixed by ANEEL, which sets a fixed transmission revenue fee each year. Net revenues from transmission represented 14% and 14% of our total net revenues in the year ended December 31, 2008 and the three-month period ended March 31, 2009, respectively, compared to 14% in the year ended December 31, 2007 and 14.5% in the year ended December 31, 2006. The electricity that we generate is transported through Brazil’s tension transmission network, with 56,862 km and 56,862 km of transmission lines belonging to us above 138 kV at December 31, 2008, and March 31, 2009, respectively, compared to 55,942 km at December 31, 2007 and 55,658 km at December 31, 2006. Including our partnerships with private companies in SPCs/Consortia we have approximately 58,718 km and 58,718 km above 138 KV in operation at December 31, 2008 and at March 31, 2009, respectively. For further information, see “—Lending Activities Equity Participation.”

In Brazil, the majority of hydroelectric plants are located a considerable distance from the major load centers and therefore, in order to reach consumers, an extensive transmission system has been developed. Transmission is the bulk transfer of electricity, at very high voltages (from 230 kV to 750 kV), from the generation facilities to the distribution systems at the load centers by means of the transmission grid. There is one Interconnected power system in Brazil that links the northern and northeastern regions to the south and southeast regions. Coordinating the transmission systems is necessary to optimize the investments and operating costs and to ensure reliability and adequate load supply conditions throughout the Interconnected power system.

### Transmission Concessions

Our transmission operations are carried out pursuant to the following concessions granted by ANEEL:

	<b>Total length</b>	<b>Voltage Levels</b>	<b>Average age of operation</b>	<b>Average years remaining of concession</b>
	<i>(km)</i>	<i>(kV)</i>	<i>(years)</i>	
Furnas.....	19,277.50	69 – 750	30.13	6.06
Chesf.....	18,468.42	69 – 500	34.34	6.72
Eletrosul.....	9,378.80	69 – 500	25.77	6.52
Eletronorte.....	10,573.81	69 – 500	22.50	6.51
Amazonas Energia.....	575.70	69 – 230	10.90	Indefinite

Due to the development of the hydroelectric resources of the Amazon region, which requires the transmission of large amounts of energy, Brazil has developed the Interconnected power system. A national transmission grid provides generators with access to customers in all regions. Furnas and Eletronorte built the first north-south transmission system linking the northern and southern regions of Brazil, which consists of approximately 1,250 km of 500 kV transmission lines and which began operation in 1998. A second north-south transmission system, the construction of which was funded by the private sector, began operation in 2004. The following table sets forth the length of transmission lines (in km) by subsidiary and by voltage in March 31, 2009:

<b>Company:</b>	<b>750 kV</b>	<b>600 kV (DC)<sup>(1)</sup></b>	<b>500 kV</b>	<b>345 kV</b>	<b>230 kV</b>	<b>138 kV</b>	<b>132/69 kV</b>	<b>Total</b>
Chesf.....	—	—	5,121.5	—	12,537.5	383.9	425.5	18,468.4
Eletronorte <sup>(2)</sup> .....	—	—	3,236.1	—	5,439.0	1,387.1	493.9	10,556.0
Eletrosul.....	—	—	2,586.5	—	4,882.4	1,841.2	68.7	9,378.8
Furnas.....	2,698.0	1,612.0	4,549.0	6,069.5	1,949.0	2,204.0	0	19,081.5
Amazonas Energia.....	—	—	—	—	364.9	—	210.8	575.7
<b>Total</b> .....	<b>2,698.0</b>	<b>1,612.0</b>	<b>15,493.1</b>	<b>6,069.5</b>	<b>25,172.8</b>	<b>5,816.2</b>	<b>1,198.20</b>	<b>58,060.5</b>

(1) DC means direct current.

(2) The total figure does not include the 13,8kV transmission lines.

The following table sets forth, on a consolidated basis, the percentage of the total transmission grid above 230 kV in Brazil for which we were responsible in March 31, 2009:

<b>Entity:</b>	<b>750 kV</b>	<b>600 kV (DC)<sup>(1)</sup></b>	<b>500 kV</b>	<b>345 kV</b>	<b>230 kV</b>	<b>Total</b>
Eletronorte.....	100.00	100.00	49.49	67.09	70.23	59.21
Others.....	0.00	0.00	50.51	32.91	29.77	40.79
<b>Total</b> .....	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

(1) DC means direct current.

Except in relation to a small portion of transmission lines of Eletronorte located in the isolated system, the transmission lines in the Interconnected power system are totally integrated.

We currently own approximately 59.2% of all transmission lines in Brazil (230 kV and above) and, as a result, receive fees from companies that transmit electricity on these lines. Revenues from transmission were R\$4,142 million and R\$836 million in the year ended December 31, 2008 and the three-month period ended March 31, 2009, R\$4,142 million in 2008 compared to R\$3,332 million in 2007, and R\$2,904 million in 2006. As a generation company, we must also pay a tariff in respect of our transmission of electricity over those transmissions that we do not own. Taking into account all transmission lines in Brazil (230 kV and above), this means we pay a tariff in respect of 40.8% of all transmission lines in Brazil.

We believe that losses of electricity in the transmission system in Brazil have historically been, and currently are, approximately 16% of all electricity transmitted in the system, compared to approximately 8% in the international transmission systems.

We operate as part of an integrated and coordinated national electricity system for Brazil. The Concessions Law authorizes us to begin to charge fees for the use of our transmission system by other electricity companies; we will be able to charge fees once ANEEL promulgates required regulations.

Through Furnas, we charge a tariff (currently approximately R\$3,378.86 per MW/month) for the transmission of electricity generated by Itaipu and purchased for resale. The transmission charge for the power Itaipu generates is used to compensate Furnas, which owns the applicable transmission line, for making its transmission system available for the exclusive use of plant-connection installations. This system comprises the 765 kV Itaipu / Ivaiporã and the 600 kV DC Itaipu / Ibiúna transmission lines that are not part of the Basic Network.

## **Distribution**

### ***Distribution of Electricity***

Our distribution activities constitute a relatively small proportion of our overall operations. Net revenues from distribution represented 15% and 14.0% of our total net revenues in the year ended December 31, 2008 and the three-month period ended March 31, 2009, respectively, compared to 14% at December 31, 2007 and 16% at December 31, 2006.

### ***Distribution Companies***

The following companies in our group undertake distribution activities pursuant to distribution concessions granted by ANEEL:

- *Eletronorte*, which distributes power directly to industrial consumers through its wholly owned subsidiary *Boa Vista Energia S.A.* This company distributes electricity to the city of Boa Vista. *Eletronorte's* distribution concession ends on July 7, 2015;
- *Amazonas Energia*, which distributes electricity to the city of Manaus, in the state of Amazonas, pursuant to a concession that ends on July 7, 2015;
- *Ceal*, which distributes electricity in the state of Alagoas pursuant to a concession that ends on July 12, 2015;
- *Cepisa*, which distributes electricity in the state of Piauí pursuant to a concession that ends on July 12, 2015;
- *Ceron*, which distributes electricity in the state of Rondônia pursuant to a concession that ends on July 12, 2015; and
- *Eletoacre*, which distributes electricity in the state of Acre pursuant to a concession that ends on July 12, 2015.



Each of Ceal, Cepisa, Ceron and Eletroacre was previously owned by the individual Brazilian state in which each respective company operated. *Companhia Energética de Roraima*, which is owned by the state of Roraima, transferred the assets and liabilities pertaining to the city of Boa Vista to a newly formed company to be controlled by Eletronorte, Boa Vista. We first made equity investments in these companies in 1996 with the objective of improving their financial condition and preparing them for privatization. Amazonas Energia was created in 2008 as a result of the merger between Ceam and Manaus Energia S.A.; Ceam was also previously owned by the Brazilian state in which it operated and we also made an investment in Ceam in 1996 with the objective of improving its financial condition and preparing it for privatization.

Amazonas Energia, Ceal, Cepisa, Ceron, Boa Vista and Eletroacre operate in particularly challenging market conditions – the North and Northeastern regions of Brazil are among the very poorest regions in the country. One of our principal continuing challenges in respect of these companies is reducing the amount of commercial losses (principally being the theft of electricity) and customer defaults that these companies suffer from. We are attempting to address these problems by developing mechanisms that make theft of electricity more difficult and by renegotiating debts that customers of these companies currently owe.

### ***Management Structure for our Distribution Activities***

In May of 2008 we introduced a new management structure for our distribution activities. Until May 2008, we managed our investment in Amazonas Energia, Ceal, Ceam, Cepisa, Ceron, Boa Vista and Eletroacre through the *Comitê Gestor das Empresas Federais de Distribuição* (a management committee) which focused on, among other matters, proposing financial strategies and targets to improve the financial condition of these companies.

Pursuant to the new structure, this management committee no longer exists. The new structure involves one executive officer at the Eletrobrás level, currently Mr. Decat, acting as chief executive officer of each of the companies involved in distribution. Each of the companies involved in distribution will then have the same chief financial officer, engineering director, commercial director and regulatory director, in each case appointed by the chief executive officer of these distribution companies.

### ***Transmission and Distribution System***

Our transmission and distribution network consists of overhead transmission lines and sub-stations with varying voltage ranges. The clients we serve through our distribution network are classified by voltage level. With respect to our distribution to state utilities and industrial companies, we distribute electricity at higher voltage levels (up to 750 kV), while we distribute to residential and certain commercial companies at lower voltage levels (either at 230 kV, 138 kV or 69 kV).

### ***System Performance***

The following table sets forth information concerning our electricity losses for our distribution companies, and the frequency and duration of electricity outages per customer per year for the periods indicated:

	Year Ended December 31,			Three Months Ended March 31,	
	2008	2007	2006	2009	2008
Technical losses .....	9.0%	10.6%	10.1%	9.22%	10.46%
Commercial losses .....	22.9%	21.9%	22.5%	20.7%	20.11%
<b>Total electricity losses .....</b>	<b>31.9%</b>	<b>32.5%</b>	<b>32.6%</b>	<b>29.92%</b>	<b>30.57%</b>
Outages:.....					
Frequency of outages per customer per year (number of outages).....	33.9	40.4	39.8	8.08	8.89
Duration of outages per customer per year (in hours) ....	34.0	36.6	35.5	8.51	8.84
Average response time (in minutes).....	111.9	111.1	88.8	100.7	92.7

## Electricity Losses

We experience two types of electricity losses: technical losses and commercial losses. Technical losses are those that occur in the ordinary course of our distribution of electricity. Commercial losses are those that result from illegal connections, fraud or billing errors. Total electricity losses for Eletronorte were 16.26% in the three-month period ended March 31, 2009 and 16.52% in 2008, compared to 27.74% in 2007 and 29.1% in 2006. Total electricity losses for our distribution business were 29.91% and 31.9% of energy generated and bought in the three-month period ended March 31, 2009 and in the year ended December 31, 2008, respectively, compared to 32.5% of energy generated and bought in the year ended December 31, 2007 and 32.6% of energy generated and bought in the year ended December 31, 2006.

Reducing the level of commercial losses in the distribution companies presents a continuing challenge to us. Commercial losses at these companies have averaged approximately 23.5% of electricity generated and sold over recent periods. We are attempting to address these problems by developing mechanisms that make theft of electricity more difficult and by renegotiating debts that customers of these companies currently owe.

The following table sets out information regarding total losses in our distribution segment recorded by distribution company:

	Year Ended December 31,			Three Months Ended March 31,	
	2008	2007	2006	2009	2008
	<i>(percentages)</i>				
<b>Company:</b>					
Ceal.....	30.00	30.76	31.20	30.7	30.1
Ceam.....	—	41.60	43.50	-	37.2
Cepisa.....	36.14	38.46	35.00	32.3	32.8
Ceron.....	43.54	34.68	34.60	32.26	33.1
Eletoacre.....	26.19	26.42	25.80	27.05	26.4
Amazonas Energia.....	38.70	37.20	35.30	40.9	36.8
Boa Vista Energia.....	16.52	18.28	22.90	16.26	17.6

## Power Outages

With respect to the Interconnected power system, we aim to respond to repair requests within one and a half to two and a half hours, depending on the scale and nature of the problem. Our average response time in the Interconnected power system in 2008 was 2.12 hours. The following table sets forth our average response time, in hours, to repair requests in the Interconnected power system:

	Year Ended December 31,		Three Months Ended March 31,	
	2008	2007	2009	2008
	<i>(number of hours)</i>			
<b>Company:</b>				
Ceal.....	1.88	1.77	0.48	1.63
Cepisa.....	2.35	2.65	2.95	2.80
Average.....	2.12	2.21	1.72	2.22

With respect to distribution operations in the Isolated system, we aim to respond to repair requests within half an hour to two hours, depending on the scale and nature of the problem. Our average response time in the Isolated system in 2008 was 1.74 hours. The following table sets forth our average response time, in hours, to repair requests in the Isolated system:

	Year Ended December 31,		Three Months Ended March 31,	
	2008	2007	2009	2008
<b>Company:</b>	<i>(number of hours)</i>			
Eletoacre.....	1.24	2.21	2.09	1.04
Ceron .....	1.10	1.13	0.94	1.46
Ceam.....	—	1.00	—	0.17
Amazonas Energia.....	3.94	3.32	2.51	3.66
Boa Vista Energia.....	0.68	0.88	0.58	0.57
<b>Total</b> .....	<b>6.96</b>	<b>8.54</b>	<b>6.12</b>	<b>6.90</b>
<b>Average</b> .....	<b>1.74</b>	<b>1.71</b>	<b>1.22</b>	<b>1.38</b>

### Customers

The following table sets forth our total distribution of electricity in terms of MWh and gross revenues, by type of user, for the periods indicated:

	Year Ended December 31,						Three Months Ended March 31,			
	2008		2007		2006		2009		2008	
	<i>(R\$ millions)</i>	<i>(MWh)</i>	<i>(R\$ millions)</i>	<i>(MWh)</i>	<i>(R\$ millions)</i>	<i>(MWh)</i>	<i>(R\$ millions)</i>	<i>(MWh)</i>	<i>(R\$ millions)</i>	<i>(MWh)</i>
<b>Distribution to:</b>										
State utilities.....	311	1,197,321	301	1,257,567	484	987,027	95	323,901	119	330,115
Industrial.....	769	2,615,189	698	2,480,276	744	2,397,704	195	553,228	259	622,844
Residential.....	1,376	3,680,389	1,213	3,507,657	1,264	3,303,990	427	949,215	456	906,535
Commercial.....	849	2,203,290	736	2,092,267	806	1,970,130	246	553,180	294	529,874
Other.....	375	1,212,918	340	1,339,216	150	1,378,528	105	302,261	113	281,920
<b>Total</b> .....	<b>3,680</b>	<b>10,909,107</b>	<b>3,288</b>	<b>10,676,983</b>	<b>3,448</b>	<b>10,037,379</b>	<b>1,069</b>	<b>2,681,785</b>	<b>1,240</b>	<b>2,671,288</b>

### Tariffs

We classify our customers into two different groups, Group A and Group B, based on the voltage level at which we supply the electricity to our customers. Each customer is placed in a certain tariff level defined by law and based on its respective classification, although some volume-based discounts are available. Group B customers pay higher tariffs, compensating the aggregated costs in all sub-systems in which electricity flows to supply them. There are differentiated tariffs in Group B by types of customer (such as residential, commercial, rural and industrial). Customers in Group A pay lower tariffs, decreasing from A4 to A1, because they demand electricity at higher voltages, which requires a lower level of use of the energy distribution system. Tariffs we charge for sales of electricity to final customers are determined pursuant to our concession agreements and regulations established by ANEEL. These concession agreements and related regulations establish a cap on tariffs that provides for annual, periodic and extraordinary adjustments. For a discussion of the regulatory regime applicable to our tariffs and their adjustment, see “The Brazilian Power Industry.”

Group A customers receive electricity at 2.3 kV or higher. Tariffs for Group A customers are based on the voltage level at which electricity is supplied, and the time of year and the time of day electricity is supplied, although customers may opt for a differentiated tariff in peak periods. Tariffs for Group A customers are composed of two components: a “capacity charge” and an “energy charge.”

The capacity charge, expressed in *reais* per MW, is based on the higher of: (i) contracted firm capacity or (ii) power capacity actually used. The energy charge, expressed in *reais* per MWh, is based on the amount of electricity actually consumed. Tariffs charged to Group A customers are lower than those for Group B customers because Group A customers consume electricity at higher voltage ranges, and therefore avoid the costs associated with lowering the electricity voltage as is required for consumption by our Group B customers.

Group B customers receive electricity at less than 2.3 kV (220V and 127V). Tariffs for Group B customers consist solely of an energy consumption charge and are based on the classification of the customer.

### ***Billing Procedures***

The procedure we use for billing and payment for electricity supplied to our customers is determined by customer category. Meter readings and invoicing take place on a monthly basis for low voltage consumers, with the exception of rural consumers whose meters are read in intervals varying from one to three months, as authorized by relevant regulation. Bills are prepared from meter readings or on the basis of estimated usage. Low voltage customers are billed within five business days after the invoice date. In case of nonpayment, a notification of nonpayment accompanied by the next month's invoice, is sent to the customer and a period of 15 days is provided to satisfy the amount owed to us. If payment is not received within three business days after the 15-day period, the customer's electricity supply is suspended. High voltage customers are billed on a monthly basis with payment required within five business days after the invoice date. In the event of non-payment, a notice is sent to the customer two business days after the due date, giving a deadline of 15 days to make payment. If payment is not made within three business days after the notice, the customer is subject to discontinuation of service.

At December 31, 2006, 2007 and 2008 customers in default represented an average of 17.1%, 21.4% and 20.6% of annual revenues, respectively. These default rates have generally remained stable over recent years and we do not expect to see material changes in these default rates in the foreseeable future.

### ***Purchase of Electricity for Distribution***

We purchased 12,789 GWh and 4,213 GWh of electricity for distribution in 2008 and in three-month period ended March 31, 2009, respectively, compared to 14,681 GWh in 2007 and 12,644 GWh in 2006. Our distribution companies purchase electricity in the public auction process from a pool of generation companies that provide bids setting out the maximum price at which they will supply electricity. After all bids are received, the average price of all bids is calculated and this is the price that we pay for the electricity. The purchase is made from all generation companies that provided bids.

### ***Lending and Financing Activities***

#### ***Loans Made by Us***

Currently, Brazilian law allows us to only lend to our subsidiaries. Historically, Brazilian law allowed us to act as lender to our subsidiaries and to public energy utilities under our control. While certain of those subsidiaries are no longer in our group, the majority of our loans are to related parties. See "Related Party Transactions." Prior to the privatization of the Brazilian electricity industry that began in 1996, this was a particularly widespread part of our operations because most companies in the industry were state-owned, allowing us to engage in lending activities to them. However, as the result of privatization, the number of companies to whom we may lend has diminished and lending is no longer a significant aspect of our business. We still have some loans outstanding with distribution companies that have now been privatized. We had outstanding loans in relation to these companies of R\$5,753 million and R\$5,528 million at December 31, 2008 and March 31, 2009, respectively, compared to R\$5,905 million at December 31, 2007, and R\$7,162 million at December 31, 2006. We had interest income of R\$1,199 million and R\$277 million on such loans in 2008 and the three-month period ended March 31, 2009, respectively, compared to R\$1,958 million in 2007 and R\$1,709 million in 2006. Our biggest debtors from our lending activities were Duke Energy Brasil and AES Tiete S.A., with R\$580 million and R\$1,149 million outstanding at March 31, 2009, R\$610 million and R\$1,212 million outstanding at December 31, 2008, R\$1,013 million and R\$1,293 million outstanding at December 31, 2007 and R\$1,067 million and R\$1,363 million outstanding at December 31, 2006, respectively.

#### ***Sources of Funds***

We obtain funding for our lending activities from loans from financial institutions and offerings in the international capital markets. Long-term debt on an unconsolidated basis was R\$3,966 million and R\$3,944 million

at December 31, 2008 and March 31, 2009, respectively, compared to R\$1,576.9 million at December 31, 2007 and R\$2,007.5 million at December 31, 2006, with the majority of our foreign currency debt (approximately 81% in the year ended 2008) denominated in U.S. dollars. Further details of our borrowings are set out in “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Indebtedness.”

The average interest expense with respect to our financing activities for the years ended December 31, 2006, 2007, 2008 and the three-month period ended March 31, 2009 was 6.83%, 7.03%, 6.40% and 5.50%, respectively.

In addition, we utilize borrowings from the RGR Fund, which we administer, to on-lend to our subsidiaries and other electricity companies. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Certain Factors Affecting our Financial Performance — Our role in administering Brazilian Government Programs.” At December 31, 2006, December 31, 2007, December 31, 2008 and the three months ended March 31, 2009, we incurred interest at 5.0% in respect of borrowings from the RGR Fund and charge an average administrative fee of 1.0% to 2.0% on funds which we on-lend to subsidiaries and other entities.

### ***Equity Participations***

We act as a minority participant in private sector generation and transmission companies and joint ventures. We are also authorized to issue guarantees for those companies in which we participate as an equity investor. We are currently considering investments in a number of such companies, focusing primarily on those in line with our strategy of building on our core businesses of generation and transmission. See “Related Party Transactions.”

The current participations that we have are in private sector generation and transmission companies and joint ventures. Participation is determined primarily on merit and profitability criteria. The table below shows our current participation in transmission and generation companies:

<b>Special Purpose Company/Consortium</b>	<b>Object of investment</b>	<b>Eletrobrás Participation</b>
<b>Transmission</b>		
Spe Interligação Elétrica do Madeira S.A.	600 kV transmission line of 2,375 km: Porto Velho	Chesf (24.5%) Furnas (24.5%)
Norte Brasil Transmissora de Energia S.A.	600kV Transmission Line of 2,375 km: SE Coletora – Araraquara 2, Porto Velho	Eletronorte (24.5%) Eletrosul (24.5%)
Estação Transmissora de Energia S.A.	500/±600 kV Conversion and Inversion Station 01	Eletronorte (24.5%) Eletrosul (24.5%)
Manaus Transmissora de Energia S.A.	500 kV Transmission Line of 375km: Oriximiná/Itacoatiara; 500 kV Transmission Line of 212km: Itacoatiara/Cariri	Chesf (19.5%) Eletronorte (30%)
STW – Sistema de Transmissão Nordeste S.A.	500 kV Transmission Line of 546 km: Teresina-Sobral-Fortaleza	Chesf (49%)
Intesa – Integração de Energia S/A	500 kV Transmission Line of 695 km: Colinas-Miracema-Gurupí-Peixe Nova-Serra da Mesa 2	Chesf (12%) Eletronorte (37%)
Porto Velho Transmissora de Energia S.A.	230 kV transmission lines of 17 km: 500/230 kV SE Coletora Porto Velho	Eletronorte (24.5%) Eletrosul (24.5%)
Sc Energia – Empresa de Transmissão de Energia de Santa Catarina S.A.	525 kV Transmission Line of 475 km: Campos Novos-Blumenau	Eletrosul (49%)
Ártemis – Transmissora de Energia S.A.	525 kV Transmission Line of 376 km: S. Santiago-Ivaporã-Cascavel	Eletrosul (46.5%)
Spe Transenergia Renovável	230 kV Transmission Line of 125 Km: Jataí – Mineiros Mineiros – Morro Velho	Furnas (49%)
Brasnorte Transmissora de Energia S.A.	230kV Transmission Lines of 402 km: Jauru-Juba-C2; LT Maggi-Nova Mutum	Eletronorte (45%)
Rs Energia – Empresa de Transmissão de Energia do Rio Grande do Sul S.A.	525 kV Transmission Line of 274 km: Campos Novos-Pólo	Eletrosul (49%)
Spe Companhia Transleste de Transmissão S.A.	345 kV Transmission Line of 139 km: Montes	Furnas (24%)

<b>Special Purpose Company/Consortium</b>	<b>Object of investment</b>	<b>Eletrobrás Participation</b>
Amazônia Eletronorte Transmissora de Energia S.A. – Aete	Claros-Irapé 230 kV Transmission Line of 193 km: Coxipó-Cuiabá-Rondonópolis SE <i>Seccionadora</i> Cuiabá	Eletronorte (49%)
Etau – Empresa de Transmissão do Alto Uruguai S.A.	240 kV Transmission Line of 174 km: Campos Novos-Barra Grande-Lagoa Vermelha-Santa Marta	Eletrosul (27.4%)
Uirapuru Transmissora de Energia S.A.	525 kV Transmission Line of 122 km: Ivaiporã-Londrina	Eletrosul (49%)
Spe Companhia Transudeste de Transmissão S.A.	345 kV Transmission Line of 144 km: Itutinga-Juiz de Fora	Furnas (25%)
Spe Companhia Transirapé de Transmissão S.A.	345 kV Transmission Line of 61 Km: Irapé-Araçuaí	Furnas (24.5%)
Spe Companhia Centroeste de Minas S.A.	345 kV Transmission Line of 75 Km: Furnas-Pimenta II	Furnas (49%)
<b>Generation</b>		
Spe Madeira S.A.	HPU Santo Antonio	Furnas (39%)
Energia Sustentável do Brasil	HPU Jirau with 3300MW	Chesf (20%) Eletrosul (20%)
Spe Foz do Chapecó S.A. <sup>(1)</sup>	HPU Foz do Chapecó with 855 MW	Furnas (20%)
Spe Enerpeixe S.A.	HPU Peixe Angical with 452 MW	Furnas (40%)
Consórcio Energético Cruzeiro do Sul S.A.	HPU Mauá with 361 MW	Eletrosul (49%)
Spe Serra de Facão Participação S.A.	HPU Serra do Facão with 210 MW	Furnas (40%)
Energetica Águas da Pedra S.A.–EAPSA (Aripuanã; Água Das Pedras)	HPU Dardanelos with 261 MW	Chesf (24.5%) Eletronorte (24.5%)
Baguari I Geração de Energia Elétrica S.A.	HPU Baguari with 140 MW	Furnas (15%)
Spe Retiro Baixo Energética S.A.	HPU Retiro Baixo 49%	Furnas (49%)
AMAPARI Energia S.A.	TPU Serra do Navio and Small HPU Capivara	Eletronorte (49%)

(1) Furnas' participation in Spe Foz do Chapecó S.A. is held indirectly via its investment in Spe Chapecoense Geração S.A. in which Furnas holds 49%.

### **Brazilian Government Programs**

In addition to the Proinfa program created by the Brazilian Government in 2002 to create certain incentives for the development of alternative sources of energy (discussed more fully in “The Brazilian Power Industry — Incentive Programs for Alternative Sources of Electricity — Proinfa”), we also participate in four additional Brazilian Government programs:

- the *Programa Reluz* (Relighting Program), a program introduced in order to bring basic lighting to the main public areas of certain municipalities in Brazil;
- the *Programa Procel* (Conservation Program), a program that aims to promote energy conservation and efficiency;
- *Luz Para Todos* (Light for All), a program that aims to bring electricity to an additional 12 million people in Brazil; and
- *Programa de Desenvolvimento Tecnológico e Industrial* (Program of Technological and Industrial Development), a program to coordinate research and development activities in the Brazilian electricity sector and promote the development and manufacture of equipment required to ensure the development of the sector.

Any funds used by us in respect of these programs come from the Brazilian Government itself, in the form of funds allocated for the sector, and accordingly we do not use our own funds for these programs.

We also participate in other initiatives using our own funds, one of which is the Projeto Ribeirinhas, or Riverbank Communities Project. Through this initiative, we aim to evaluate the applicability and sustainability of technologies based on renewable resources of energy in certain small communities living in the Amazon region.

### **Property, Plant and Equipment**

Our principal properties consist of hydroelectric generation plants and transmission networks which are located all over Brazil. The book value of our total property, plant and equipment at March 31, 2009 and December 31, 2008 was R\$80,511 million and R\$80,638 million, respectively, compared to R\$75,784 million and R\$78,153 million at December 31, 2007 and December 13, 2006, respectively. The generation of energy from our generation plants is responsible for approximately 50.5% of energy generated in Brazil and the operation of our transmission network represents approximately 59.2% of the transmission capacity of Brazil. As a result of the existing large hydroelectric power capacity still available in Brazil, we believe hydroelectric energy will continue to have a prominent role in providing for the growth in consumption of electrical energy.

### **Research and Development**

Our research and planning activities are carried out by Cepel, a non-profit entity created in 1974 with the objective of supporting the technological development of the Brazilian electricity sector. We are the primary sponsor of Cepel and participate in coordinating environmental planning and energy conservation programs. Cepel's clients are our operating subsidiaries (including Itaipu and Eletronuclear) and other Brazilian and foreign electric utilities. Cepel's activities aim to achieve high quality standards and productivity in the electricity sector through technological research and development. Cepel has a network of laboratories to undertake its activities, and maintains technical co-operation agreements with several international electric energy research and development institutions. Cepel prioritizes strategic and structuring projects, with its activities concentrated in five departments:

- *Systems Automation Department:* this department focuses on the development of tools to obtain data, *real time* operation of electric systems and analysis of disturbances;
- *Electric Systems Department:* this department focuses on the development of methodologies and computer programs that provide conditions for expansion, supervision, control and operation of core systems;
- *Special Technologies Department:* this department surveys the application of technologies relating to the use of materials for electric installations, energy efficiency and renewable sources, including the analysis of sustainability and economic viability;
- *Installation and Equipment Department:* this department focuses on the development of technologies to refine equipment used in generation, transmission and distribution of electric energy (computer models, testing and measuring techniques, monitoring and diagnosis systems); and
- *Energy Optimization and Environment Department:* this department focuses on the development of methodologies and computer programs for the planning of expansion and operation of interconnected hydrothermal systems and on integrated evaluation of environmental issues.

We have a central group survey center that performs scientific studies, measurements, specialist analyses and other tests and analyses that are relevant to our core operations. This center has a certification from the *Instituto Nacional de Metrologia* (the Brazilian National Metrology Institute) that allows it to certify electrical equipment. Cepel also focuses on the development of energy efficiency projects including those relating to the generation of electricity from renewable sources such as solar and wind power. As part of this focus, Cepel's structure includes the following projects: (i) the *Centro de Referência para Energia Solar e Eólica Sérgio de Salvo Brito* (National Reference Center for Solar and Wind Powered Energy of Salvo Brito), (ii) the *Casa Solar Eficiente* (Solar Efficient House), and (iii) the *Centro de Aplicação de Tecnologias Eficientes* (Center for the Application of Efficient Technologies).

## **Patents and Licenses**

Among others, we have registered “Eletrobrás” as a trademark with the Instituto Nacional de Propriedade Industrial – INPI. Further, Cepel has nineteen patents registered with the INPI relating to equipment and manufacturing processes.

## **Insurance**

We maintain insurance for, fire, natural disasters, accidents involving third parties, certain other risks associated with the transportation and assembly of equipment, construction of plants, and multirisks. Our subsidiaries and Itaipu have similar insurance coverage. We do not have insurance coverage for business interruption risk because we do not believe that the high premiums are justified by the low risks of a major disruption, considering the energy available in the Interconnected power system. We believe that we maintain insurance that is both customary in Brazil and adequate for the business in which we engage.

## **Profit Sharing and Pension Plans**

Our collective bargaining agreement establishes a profit-sharing plan based on the achievement of targets. Such targets are established annually in May of each year following negotiation with the labor unions and the approval of the Brazilian Government. For 2008, 2007 and 2006, we paid R\$177 million, R\$160 million and R\$138 million, respectively, to our employees by way of profit-sharing (on holding company level only, we paid R\$23 million in 2008, compared to R\$18 million in 2007 and R\$17 million in 2006).

Eletrobrás has established a pension fund, *Fundação Eletrobrás de Seguridade Social* — ELETROS (or Eletros), a private, not-for-profit, legal entity with the intention of providing pension benefits to employees to supplement the Brazilian Government retirement benefits. Currently, the ONS and Cepel are also participants of Eletros. Each of the other companies within the Eletrobrás system have their own pension fund. In 2008 we made contributions to Eletros of R\$19.9 million, compared to R\$12 million in 2007 and R\$11.9 million in 2006.

## **International Activities**

Currently, we do not operate internationally. However, our strategy continues to be to explore certain international electricity markets and selectively identify opportunities in these markets for the future. Our aim is to generate new energy that can be added to the Brazilian Interconnected power system and to integrate certain electrical power systems in the Americas. As part of our internationalization plan, we have established a representative office in Lima, Peru in order to comply with Peruvian rules, which provide that concessions may only be granted to companies that maintain a local representative office. This office will also provide a permanent connection between us and partners in Peru.

## **Environmental**

### ***General***

Environmental issues can significantly impact our operations. For example, large hydroelectric plants can cause the flooding of large areas of land and the relocation of large numbers of people. The Brazilian Constitution gives both the Brazilian Government and state and local governments power to enact laws designed to protect the environment and to issue regulations under such laws. While the Brazilian Government has the power to promulgate general environmental regulations, state and local governments have the power to enact more stringent environmental regulations. Accordingly, most of the environmental regulations in Brazil are state and local rather than federal.

Any failure to comply with environmental laws and regulations may result in criminal liability, irrespective of the strict liability to perform environmental remediation and to indemnify third parties for environmental damages. These failures may also subject us to administrative penalties such as fines, suspension of public agency subsidies or injunctions requiring us to discontinue, temporarily or permanently, the prohibited activities.



In order to build a hydroelectric plant, Brazilian electricity companies must comply with a number of environmental safeguards. For projects for which the environment impact is considered significant, such as generation projects with an output above 10 MW, as well as transmission lines above 230 kV, together with certain other environmentally sensitive projects, first, a basic environmental impact study must be prepared by outside experts who make recommendations as to how to minimize the impact of the plant on the environment. The study, together with a special environmental report on the project prepared by the company, is then submitted to federal, state or local governmental authorities, depending on the projected impact, for analysis and approval. Once approved, the project goes through a three stage licensing process, which comprises a license to attest the viability of the project, a license to begin work, and a license to operate the project. In addition, the company is required by law to devote 0.5% of the total cost of any investment in new projects with a significant environmental impact to environmental preservation. Since the early 1980's, the Brazilian electricity sector has endeavored to improve its treatment of the social and environmental aspects of power project planning, implementation and operation. In general, our generation subsidiaries are in compliance with applicable environmental regulations in Brazil, and the environmental policies and guidelines of the electricity sector. Our generation and transmission facilities benefit from certain exemptions to licensing requirements because their operations commenced before the applicable environmental legislation, some environmental authorities have issued notices of infringement alleging the absence of environmental licenses. See “— Litigation — Environmental Proceedings.”

Our subsidiary Eletronuclear currently operates two nuclear power plants in the State of Rio de Janeiro, Angra I and Angra II. Because Eletronuclear initiated its activities before the enactment of an environmental legislation, Angra I was licensed by CNEN under the nuclear and environmental regulations in effect at that time. A study group formed by the Federal Public Attorney's Office, CNEN, the *Instituto Brasileiro do Meio Ambiente e Recursos Naturais Renováveis* (or IBAMA), the *Fundação Estadual de Engenharia do Meio Ambiente* (or FEEMA), Eletronuclear and Eletrobrás was established to prepare a *Termo de Ajustamento de Conduta* (Term of Adjustment or TAC) according to which the guidelines for the environmental licensing update procedure should be established. Angra II has obtained all the environmental licenses necessary for its operations, but the Federal Public Attorney's Office challenged its renewal, which it conditioned upon the compliance with a TAC and according to which Eletronuclear should implement a program in order to improve emergency plans, environmental monitoring programs and effluents treatment systems. Until these obligations are accomplished, IBAMA, ANEEL and CNEN should abstain from issuing any definitive licenses or authorizations for the operation of Angra II. An assessment comprising the accomplishments of the TAC was issued by IBAMA to the Public Attorney in June 2006. Eletronuclear is strictly liable for nuclear accidents as an operator of nuclear plants in Brazil. See “Risk Factors — Risks Relating to Our Company — We may be liable if there is a nuclear accident involving our subsidiary Eletronuclear.”

### ***Energy Conservation***

Over the past 20 years, the Brazilian Government has implemented a number of actions directed to energy conservation on the electricity sector. The Brazilian Government normally finances these actions and we administer them. The most important project in this area is the Procel.

The *Programa de Conservação de Energia Elétrica* – Procel (the national electric conservation program) was created in 1985 to improve energy efficiency and rationalization of the use of natural resources throughout Brazil. MME coordinates the program and we are responsible for its execution. The main objective of Procel is to encourage cooperation among various sectors of Brazilian society to improve energy conservation both on the production and consumer sides.

### ***Alternative Electricity Sources***

In 2002 the Brazilian Government created the *Programa de Incentivo às Fontes Alternativas de Energia Elétrica* – Proinfa (the program for the development of alternative electricity sources), with the objective of diversifying the Brazilian energy matrix by searching for regional solutions with the use of renewable energy sources.

## Employees

At December 31, 2008 and at March 31, 2009, we had a total of 27,075 and 27,488 employees, respectively (including 50% of those employed by Itaipu) compared to 21,899 employees as at December 31, 2007. Eletrobrás itself, excluding Itaipu and other subsidiaries, had 1,002 and 1,038 employees as at December 31, 2008 and at March 31, 2009, respectively. For the past five years we have not experienced any strikes or other form of work stoppage that have affected our operations or had a significant impact on our results.

As a mixed capital company, we cannot hire employees without a public contest. A public contest involves us placing advertisements in the Brazilian press for open positions and inviting applicants to sit an examination.

The following table sets out the number of employees, by department:

<b>Department</b>	<b>Number of Employees at December 31, 2007</b>	<b>Number of Employees at December 31, 2008</b>	<b>Number of Employees at March 31, 2009</b>
Field.....	13,845	16,271	16,134
Administrative.....	8,054	10,804	11,354
<b>Total.....</b>	<b>21,899</b>	<b>27,075</b>	<b>27,488</b>

The difference between the number of employees at December 31, 2008 and December 31, 2007 is due to the inclusion of our distribution companies in Eletrobrás' core business.

Although we are not allowed to hire outsourced employees, at March 31, 2009, our subsidiaries Eletronorte, Eletronuclear and Furnas employ 2,423 outsourced employees in order to comply with the rules established by the Brazilian Government during the national privatization plan.

The following table sets out the number of outsourced employees at Eletronorte, Eletronuclear and Furnas:

<b>Subsidiary</b>	<b>Number of Outsourced Employees at December 31, 2007</b>	<b>Number of Outsourced Employees at December 31, 2008</b>	<b>Number of Outsourced Employees at March 31, 2009</b>
Eletronorte.....	2,451	678	686
Eletronuclear.....	21	—	14
Furnas.....	1,857	1,723	1,723
<b>Total.....</b>	<b>4,329</b>	<b>2,401</b>	<b>2,423</b>

The majority of our employees are members of unions. The main unions that represent our employees are *Federação Nacional dos Urbanitários*, *Federação Nacional dos Engenheiros*, *Federação Interestadual de Sindicatos de Engenheiros*, *Federação Nacional de Secretárias e Secretários*, *Federação Brasileira dos Administradores*, *Sindicato dos Trabalhadores nas Indústrias de Energia Elétrica de São Paulo*, *Sindicato dos Eletricitários de Furnas e DME* and *Sindicato dos Eletricitários do Norte e Noroeste Fluminense*. Our relationship with our employees is regulated by collective bargaining agreements executed with these unions and the *Associação dos Empregados da Eletrobrás* and renegotiated in May each year. This agreement is applicable only to employees of Eletrobrás itself. Each of our subsidiaries negotiate their own collective bargaining agreement, on an annual basis, with their respective unions.

We and our subsidiaries establish voluntary dismissal programs from time to time. These programs allow employees that have been with the company for a certain number of years to retire with a predetermined benefit package. We currently have a voluntary dismissal program in place which will expire in 2009 and which has been fully provisioned. Chesf started a voluntary dismissal program this year, which will terminate in 2011. It is not yet possible to quantify the liability arising from this program.

## **Litigation**

We are currently a party to numerous legal proceedings relating to civil, administrative, environmental, labor and tax claims filed against us. These claims involve substantial amounts of money and other remedies. Several individual disputes account for a significant part of the total amount of claims against us. We have established provisions for all amounts in dispute that represent a probable loss in the view of our legal advisors and in relation to those disputes that are covered by laws, administrative decrees, decrees or our court rulings that have proven to be unfavorable. As of March 31, 2009, we provisioned a total aggregate amount of approximately R\$3,017 million in respect of our legal proceedings (plus judicial deposits of R\$1,054 million), of which R\$237 million related to tax claims, R\$2,683 million related to civil claims and R\$968 million related to labor claims.

### ***Environmental Proceedings***

We are involved in administrative proceedings regarding infractions of environmental legislation. Usually, these proceedings consist of notices of infringement imposing fines for non-accomplishment of environmental guidelines, damage to wildlife or the operation of power plants without environmental licenses. The most significant cases are the proceedings involving the Furnas generation plants of Itumbiara and Corumbá. The penalties applied total approximately R\$20 million without considering daily fines, monetary adjustments and the terms of embargo. Furnas presented a defense challenging such penalties and is currently awaiting a decision from the environmental authorities. We have not established a provision in respect of this matter, because we do not make provisions for administrative proceedings.

We are also involved in judicial claims of an environmental nature. Ordinarily these constitute challenges to the environmental license proceedings of our facilities or requests for indemnification for damages arising from the installation or operation of hydroelectric plants.

In 2001, ten municipalities of the State of Minas Gerais and a local commerce association brought a class action regarding environmental damages caused by Furnas' hydroelectric plant São José da Barra. The claim alleges that the level of the reservoir is decreasing because of the excessive and irregular use of water for energy production purposes. The claim also alleges that the low levels of water in the reservoir are detrimental to tourism in the area and that as a result the regional economy has been adversely affected. The claim is for financial compensation of approximately R\$1 billion, although the majority of the municipalities originally involved have already withdrawn from the claim. Proceedings are currently in progress to determine the court in which the claim will be heard. We have not made any provision in respect of this litigation as we consider the risk of an unfavorable decision on these lawsuits to be remote.

In 2002 and 2003, two associations of the community of Cabeço brought independent class actions regarding environmental damages caused by Chesf. The Cabeço community is located in a river island in the estuary of the São Francisco River. Both alleged that the hydroelectric plants disturbed the normal flow of the river and resulted in a decline in fishing activity and the gradual disappearance of the river island. Both class actions are still in a preliminary phase and the monetary compensation requested is R\$100 million in each case. Because the risk of loss was deemed only reasonably possible, no provision has been set up.

### ***Labor Proceedings***

We are party to a number of labor proceedings brought by our employees against us. Most of those proceedings relate to overtime compensation, pension readjustments, salary increases established through collective bargaining agreements, risk premiums, benefits and inflationary impacts, as described below. The majority of the labor claims filed against us consist of claims for non-observance of the policy regarding salary increases established via the collective bargaining agreements. There are also significant claims related to risk premium payments.

In connection with successive attempts by the Brazilian Government to curb Brazil's high inflation rates, Brazilian companies have in the past been required by law to disregard in each year part of the inflation for that year when calculating wage increases for its employees. Like most other Brazilian companies, we have been defendants

in lawsuits brought before labor courts by labor unions or individual employees seeking compensation for lost wages resulting from the implementation of the Brazilian Government's anti-inflationary plans.

In particular, we have been involved in lawsuits concerning three plans: (i) the plan implemented in 1987 by the then Minister of Finance, Luiz Carlos Bresser Pereira (the Bresser Plan), (ii) the plan implemented in early 1989 (the Summer Plan) and (iii) the plan implemented in 1990 by the then President, Fernando Collor de Melo (the Collor Plan). Substantially all the collective lawsuits brought against us in respect to such plans have been definitively decided by the Federal Supreme Court in our favor. There are still individual lawsuits in process pending judgment, which, however, we do not view as material. There are no material labor contingencies, and the possibility of loss on the lawsuits is considered remote by our legal advisors.

### ***Compulsory Loans***

Pursuant to Law No. 4,156 of November 28, 1962 certain end-users of electricity were required to make "compulsory loans" to us (through collections by distributors) in order to provide funds for the development of the electricity sector. Industrial customers consuming over 2,000 kWh of electricity per month were required to pay an amount equivalent to 32.5% of each electricity invoice to us in the form of a compulsory loan, which was repayable by us within 20 years of draw-down. Interest on the compulsory loans accrues at IPCA – E plus 6.0% per annum. Law No. 7,181 of December 20, 1983, extended the compulsory loan program until December 31, 1993 and provided that such loans may, subject to shareholder approval, be repaid by us in the form of an issue of preferred shares at book value, in lieu of cash.

We made available to eligible customers upon the first and second conversion of credits from the compulsory loan approximately 42.5 billion class "B" preferred shares and upon the third conversion of credits from the compulsory loan, about 27.2 billion class "B" preferred shares. In addition, our shareholders approved on April 30, 2008 the issuance of additional preferred shares to eligible customers at book value in repayment of our remaining compulsory loans. If additional shares are issued in the future and the book value of such shares is less than their market value, the value of existing shareholders' shares may be subject to dilution. At March 31, 2009, we recorded approximately R\$217 million for debts of the compulsory loan that had not yet been converted, which, at any time, by decision of our shareholders, may be refunded to industrial consumers, through issuing class "B" preferred shares, in accordance with the proceedings described above.

Currently, consumers have filed 4,005 lawsuits against us questioning the monetary adjustments, understated inflation and interest calculations related to the repayment of the compulsory loans. Of those lawsuits, 22 have been decided against us and are currently at the execution phase. The total amount involved in these lawsuits is unadjusted for monetary correction and required expert assessment to be estimated with accuracy. The lawsuits already decided against us amount to approximately R\$719 million. In the course of execution proceedings, we have been required to pledge some of our assets, consisting mainly of preferred shares held by us in other electricity sector companies. We have currently provisioned R\$1.3 billion to cover losses arising from unfavorable decisions on these lawsuits.

We are also involved in approximately 2,773 lawsuits related to the repayment of the compulsory loans, in which consumers seek to exercise the option to convert their credits presented by bonds payable to the bearer. These bonds are called "*obrigações da Eletrobrás*." However, we believe we have no further liability in respect of these bonds because they have an expiration date for presentation and this date has now passed.

### ***Furnas / COFINS – PASEP – FINSOCIAL***

In 2001, we received notifications of infringement related to FINSOCIAL, COFINS and PASEP taxes as a result of the exclusion from the calculation basis of certain on lendings and transport of energy from Itaipu, over a period of ten years. The amount of the claims was R\$1,099 million (adjusted for inflation from an original figure of R\$792 million). On June 12, 2008, with the issuance of precedent No. 8 by the Federal Supreme Court, the period to challenge the payment of such taxes were reduced from ten to five years and, consequently, the amount of the claims decreased to R\$228.6 million.

We have made a provision of R\$83.4 million following the recommendations of our legal advisors. We have not provisioned the remaining R\$145.2 million because we consider the chances of a decision favorable to us possible.

### ***Furnas/ITR***

Furnas is a defendant in a number of tax administrative proceedings brought by the SRF related to the collection of *Imposto Territorial Rural* – ITR which is a federal tax that is levied on owners of rural real estate properties.

The SRF has assessed Furnas and demanded the collection of the ITR levied on the real estate properties of Usina de Serra da Mesa, Itumbiara, Marechal Mascarenhas de Morais, Furnas, Luiz Carlos Barreto de Carvalho, Porto Colômbia, Estreito, Peixoto, Corumbá, Manso and Usina de Marimbondo Hydroelectric Power Plants.

Furnas has calculated the amounts due by excluding reservoir areas. The Brazilian federal tax authorities questioned the exclusions, alleging that Furnas should calculate the tax amount by including such areas. The proceedings are ongoing at the administrative level and the total amount involved at March 31, 2009 is R\$352 million. We have not made any provision in respect of this amount following the recommendations of the company's legal advisers, because we consider the risk of an unfavorable decision to be remote.

### ***Furnas/VAT***

Furnas is a defendant in 11 tax foreclosures filed by the State of Paraná Revenue Service in order to collect the VAT due on the transfer of energy from Itaipu to Eletrosul. The tax authorities of the State of Paraná allege that the transfer of such energy is taxable by the VAT and Furnas has failed to collect it.

Furnas has already obtained favorable decisions (from 1st and 2nd degree courts) on fifteen tax foreclosures. Most of these lawsuits are currently taking place in a 3rd degree court and the total amount involved at March 31, 2009 is R\$61.8 million. Furnas has made judicial deposits of the disputed tax amounts following the recommendations of the company's legal advisers. However, we consider the risk of an unfavorable decision to be remote.

### ***Arbitration – EPE – Empresa Produtora de Energia Ltda.***

On November 26, 2007, Empresa Produtora de Energia Ltda. (or EPE) started an arbitration procedure against Furnas at the *Câmara de Mediação e Arbitragem de São Paulo* (the Mediation and Arbitration Tribunal of São Paulo) as a result of the termination by Furnas of an energy purchase agreement, due to the inability of EPE to deliver the volume of electricity contracted. The amount of the claim is R\$541 million and a final decision from the arbitration tribunal is still pending. We have not made any provision in respect of this amount because we consider the risk of a favorable decision to be possible.

### ***Expropriation of Lands***

Our subsidiaries are normally involved in a number of legal proceedings related to the expropriation of land used for the construction of hydroelectric plants, particularly in the northern and northeastern regions. Most of those proceedings are related to the indemnification paid to the populations affected by the construction of the reservoirs and environmental or economic damages inflicted on the affected populations and neighboring cities. The main lawsuits related to expropriation involving our subsidiaries are described below.

In northern Brazil, Eletronorte is involved in several proceedings related to the expropriation of lands for the construction of the hydroelectric plants of Balbina, in the state of Amazonas, and Tucuruí, in the state of Pará. The 28 lawsuits related to the Balbina expropriation involve the value to be paid for the expropriated land and the legality of the ownership of the affected land claimed by alleged landowners. The total amount involved, which is fully provisioned, is approximately R\$331 million. Recently, however, the Ministério Público Federal found new evidence that the lands belonged to the Federal Republic, not to the State of Amazonas, which is the main argument

being made by the plaintiff in these proceedings. Eletronorte has requested that the court order the Federal Republic to participate in the Balbina proceedings.

From the 228 original lawsuits related to the Tucuruí expropriation, only 33 are still active. Eletronorte has been awarded the other 195 lawsuits and expects the same result to the proceedings still in course. We have not established any provision in respect of these legal proceedings.

### ***Mendes Jr.***

Chesf is involved in significant litigation proceedings with Mendes Jr., a Brazilian construction contractor. Chesf and Mendes Jr. entered into an agreement in 1981 providing for certain construction work to be performed by Mendes Jr. in relation to the hydroelectric plant of Itaparica, owned by Chesf. The agreement, as amended, further provided that, in the event of delays in payments due by Chesf to Mendes Jr., Mendes Jr. would be entitled to default interest at the rate of 1.0% per month, plus indexation to take account of inflation. During the performance of the work, payments by Chesf were delayed and Chesf subsequently paid default interest at the rate of 1.0%, plus indexation, on such delayed payments. Mendes Jr. alleged that as it had been required to fund itself in the market in order not to interrupt the construction work, it was entitled to be reimbursed in respect of such funding at market interest rates, which were much higher than the contractual default interest rate.

The lower court judge dismissed Mendes Jr.'s claims and Mendes Jr. appealed to the Appellate Court of the State of Pernambuco (or the Appellate Court). The Appellate Court reinstated Mendes Jr.'s claims and ultimately declared Chesf liable to reimburse Mendes Jr.'s funding costs in respect of the delayed payments at market rates, plus legal fees of 20.0% of the amount of the dispute, with the total being indexed at market rates until the actual payment date. Chesf's appeal from the Appellate Court's order to the Federal Supreme Court was dismissed on jurisdictional grounds. Mendes Jr. then filed a second lawsuit in a state court in Pernambuco to order Chesf to pay for the actual losses incurred by Mendes Jr., and to determine the amount payable. In the enforcement proceedings, the lower court ruled in favor of Mendes Jr., but the Appellate Court ruled in favor of Chesf, annulling the lower court's judgment in the enforcement proceedings. Mendes Jr. appealed this ruling of the Appellate Court to the STJ. At the same time, the Brazilian Government also requested the STJ to permit the Brazilian Government to participate in the proceedings as Chesf's assistant. In December 1997, the STJ decided that: (i) the second proceedings should be recommenced from the trial court phase, (ii) the Brazilian Government should participate in the proceedings as Chesf's assistant, and (iii) the second proceedings should be heard before the Federal Courts instead of the State Courts to which it was originally submitted. The second proceedings were restarted in the Federal Courts to determine the final amount to be paid by Chesf to Mendes Jr. The expert's finding was challenged by Chesf and on March 8, 2008, the court partially decided in favor of Chesf. Mendes Jr.'s original claim was in the amount of R\$7 billion, before being adjusted to reflect inflation.

Chesf has made no provision in its balance sheet at March 31, 2009 because it considered the risk of loss in this lawsuit to be remote. Accordingly, a final judgment against Chesf would have a material adverse effect on our financial position, results of operations, cash flow and liquidity.

### ***Xingó Plant "K Factor" Litigation***

Chesf also is involved in litigation with the consortium responsible for building the Xingó plant (or the Xingó Consortium). In connection with building the Xingó plant, Chesf and the Xingó Consortium entered into a construction agreement that was amended in 1988 to provide that an additional inflation adjustment (referred to as the "K factor") be added to certain monetary correction payments required to be made by Chesf to the Xingó Consortium under the agreement. This amendment resulted in payments by Chesf to the Xingó Consortium that were higher than the payments that the original Request For Proposal (or RFP) for this project indicated would be paid to the successful bidder.

In 1994, Chesf unilaterally ceased applying the K factor to its payments to the Xingó Consortium (and consequently reduced its payments to the Xingó Consortium to the amount that Chesf would have had to pay if the K factor had not been applied to such payments) and filed a lawsuit against the Xingó Consortium seeking reimbursement for the additional amounts paid pursuant to the K factor adjustment, claiming that the use of an indexation system more favorable to the Xingó Consortium than the one originally provided for by the RFP was

illegal under public bidding rules. Chesf's lawsuit seeks reimbursement of the difference between amounts paid to the Xingó Consortium that include the K factor calculation and amounts that would have been due pursuant to the original RFP, an amount which Chesf estimates to equal R\$700 million. On December 17, 1997, the trial court upheld the legality of the K factor adjustment. On March 23, 2009, the court ordered Chesf to pay R\$843 million to the Xingó Consortium. Chesf has appealed to the STJ and is awaiting its decision. Our management, based on the opinion of our legal advisors and on calculations that considered the suspension of the payment of the portions related to the K Factor and their respective monetary updates, continue to record a provision under Non-current Liabilities, which for March 31, 2009 was R\$362 million. This provision corresponds to the partial reduction of the K Factor between July 1990 and December 1993, in compliance with Law No. 8.030/1990, and the full suspension of payment of the K Factor, from January 1994 to January 1996, in accordance with the company's opinion.

In addition to the legal proceedings discussed above, we and our subsidiaries are involved in a number of other lawsuits relating to labor, tax and other matters arising from time to time in the ordinary course of their business. On March 31, 2009, management was not aware of any other litigation that could have a material adverse effect on our financial position, although we cannot assure you that this type of litigation could not have such an effect in the future.

#### ***Eletronorte/ VAT***

Eletronorte is a defendant in a number of tax administrative proceedings brought mainly by the tax authorities of the state of Rondônia (*Secretaria de Estado da Fazenda de Rondônia*) as Eletronorte has recorded VAT credits for the purchase of fuel for the operation of its thermal plants. The tax authorities have applied a fine of 200% over the amount of tax credits recorded by Eletronorte. Eletronorte is questioning the administrative proceedings in the courts, as based on the opinion of its legal advisers, Eletronorte understands that it acted correctly in recording these VAT credits. The total amount of the claim at March 31, 2009, is approximately R\$1.3 billion. The judicial proceedings are at an early stage and Eletronorte has not yet made any provision in respect of this amount as its legal advisers considers the chances of a favorable decision possible.

#### ***Eletronorte/ STIU-DF***

Eletronorte is a defendant in a labor claim filed by the trade unions demanding salary increases for Eletronorte's employees based on the approval of the management of the company of a study recommending salary increase. The judicial court has found against Eletronorte and has ordered Eletronorte to increase the salaries of its employees. The proceedings are currently suspended to allow the parties to negotiate the amount of the increase. Eletronorte has provisioned R\$113.3 million as at March 31, 2009, as it understands that this is the amount it will likely have to pay.

#### ***ITAMON***

Itaipu is involved in three lawsuits with ITAMON - Construções Industriais Ltda., a partnership created by a consortium of construction companies. Itaipu and ITAMON entered into an agreement in 1980 providing for construction work to be performed by ITAMON in relation to Itaipu's hydroelectric plant. ITAMON brought three lawsuits alleging breach of contract by Itaipu, which have purportedly caused an unreasonable economic burden to ITAMON.

ITAMON is asking for: (i) Itaipu to bear the costs of an increase in the income tax incurred during that period, which negatively impacted the amount to be received by ITAMON under the contract; (ii) adjustments in the price of the contract to reflect inflation for the period that Itaipu was in delay of payments; and (iii) the payment of certain amounts in addition to the contract price as a result of the performance of extraordinary services outside the scope of the contract. The estimated amount for the Claims is R\$60 million, R\$60 million and R\$128 million, respectively. Itaipu has fully provisioned the amounts in relation to the three proceedings as of March 31, 2009, as it considered the risk of an unfavorable decision probable.

## **Certain Information in Relation to Subsidiaries that Represent More Than Ten Per Cent of our Consolidated Net Profit**

We set out below certain information relating to subsidiaries that represent more than ten per cent of our consolidated net profit.

### ***Furnas***

FURNAS - CENTRAIS ELÉTRICAS S.A. is a generation and transmission company operating in the Central and Southeast regions of Brazil. Its registered office is at Rua Real Grandeza, 219, Botafogo, Rio de Janeiro, 22281-900, Rio de Janeiro. We hold 99.54% of Furnas' share capital. At March 31, 2009, the aggregate amount of Furnas' outstanding capital stock was R\$6 billion, consisting of 50,710,649 outstanding common shares and 14,293,398 outstanding preferred shares. At March 31, 2009, Furnas' share capital was fully paid-up and the aggregate amount of reserves was R\$7.6 billion. Furnas' net income was R\$454 million and R\$165 million at and for the year ended December 31, 2008 and the three-month period ended March 31, 2009, respectively. In April 2009, we received R\$253.7 million as dividends paid by Furnas in relation to their 2008 results.

### ***Chesf***

COMPANHIA HIDRO ELETRICA DO SAO FRANCISCO is a generation and transmission company operating in the Northeast region of Brazil. Its registered office is at Rua Delmiro Gouveia, 333, Bonji, Recife, 50761-901, Pernambuco. We hold 99.45% of Chesf's share capital. The aggregate amount of Chesf's outstanding capital stock is R\$4.2 billion, consisting of 40,477,564 outstanding common shares and 1,232,089 outstanding preferred shares. At March 31, 2009, Chesf's share capital was fully paid-up and the aggregate amount of reserves was R\$11.6 billion. Chesf's net income was R\$1,427 million and R\$264 million at and for the year ended December 31, 2008 and the three-month period ended March 31, 2009, respectively.

### ***Itaipu***

Itaipu Binacional is a generation company operating in Paraguay and Brazil. Its registered office is at Rua Comendador Araújo, 551, 4<sup>th</sup> floor, Curitiba, 80420-000, Paraná. We hold 50% of Itaipu's share capital and ANDE hold the remaining 50%. At March 31, 2009, the aggregate amount of Itaipu's outstanding capital stock was U.S.\$100 million. At March 31, 2009, Itaipu's share capital was fully paid-up and Itaipu had no reserves. Itaipu's net income was U.S.\$882 million and U.S.\$335 million at and for the year ended December 31, 2008 and the three-month period ended March 31, 2009, respectively.

### ***Eletronorte***

Centrais Elétricas do Norte do Brasil S.A. – Eletronorte, is a generation, transmission and distribution company operating in the north and part of the Midwest regions of Brazil. Its registered office is at SCN, Quadra 06, Conjunto A, Blocos B e C, Norte 2, Asa Norte, Brasília, 70716-9001, Federal District. We hold 98.66% of Eletronorte's share capital. At March 31, 2009, the aggregate amount of Eletronorte's outstanding capital stock was R\$4.2 billion, consisting of 82,353,465 outstanding common shares. At March 31, 2009, Eletronorte's capital was fully paid-up and the aggregate amount of reserves was R\$1,853 billion. Eletronorte's net loss was R\$2,424 million and R\$158 million at and for the year ended December 31, 2008 and the three-month period ended March 31, 2009, respectively.



## THE BRAZILIAN POWER INDUSTRY

### General

According to ANEEL, the total installed electricity generation capacity in Brazil in December 2008 was 102,579 MW. The *Ministério de Minas e Energia*, (Ministry of Mines and Energy or MME) approved a ten year expansion plan, the latest version being for the period from 2008-2017, under which Brazil's total installed power generation capacity is projected to increase to 154.8 GW by 2017, of which 117.5 GW (75.9%) is projected to be hydroelectric and 37.3 GW (24.1%) to be thermoelectric and from other sources.

We currently control approximately 38.4% of the installed power generating capacity within Brazil and are responsible for approximately 59.2% of the installed transmission capacity above 230 kV. In addition, some Brazilian states control entities involved in the generation, transmission and distribution of electricity. In 2008, non-Eletróbrás system companies had approximately 62% and 2.78% of the market for generation and distribution activities, in terms of total capacity and demand, respectively, and approximately 40.8% of the transmission market, in terms of length of transmission lines. The remainder of the market is held by several companies including Cemig, Copel, Tractbel, CPFL, Duke and Brasil Energia.

In net revenue terms, we believe we are the largest generation and transmission company in Brazil. We principally compete for generation and transmission businesses through a competitive auction process.

In 2008, according to the *Empresa de Pesquisa Energética* (the Energetic Research Company or EPE) total electricity consumption in Brazil reached 392,764 GWh, exceeding total consumption in 2007 by 3.67% and representing slower growth than Brazil's GDP growth rate of 5.1% for the same period. Electricity consumption in Brazil in 2007 was 378,362 GWh according to EPE, which represented a 5.8% increase compared to the total consumption of 357,529 GWh in 2006.

### Historical Background

The Brazilian Constitution provides that the development, use and sale of energy may be undertaken directly by the Brazilian Government or indirectly through the granting of concessions, permissions or authorizations. Historically, the Brazilian power industry has been dominated by generation, transmission and distribution concessionaires controlled by the Brazilian Government. In recent years, the Brazilian Government has taken a number of measures to remodel the power industry. In general, these measures were aimed at increasing the role of private investment and eliminating foreign investment restrictions, thus increasing overall competition in the power industry.

In particular, the Brazilian Government has taken the following measures:

- the Brazilian Constitution was amended in 1995 to authorize foreign investment in power generation. Prior to this amendment, all generation concessions were held either by a Brazilian individual or an entity controlled by Brazilian individuals or by the Brazilian Government;
- the Brazilian Government enacted Law No. 8,987 on February 13, 1995 as amended by Law No. 11,196 of November 21, 2005 and Law No. 11,445 of January 5, 2007 (or the Concessions Law) and Law No. 9,074 on July 7, 1995, as amended (or the Power Concessions Law) that together: (i) required that all concessions for the provision of energy related services be granted through public bidding processes; (ii) gradually allowed certain electricity consumers with significant demand, designated "free consumers," to purchase electricity directly from suppliers holding a concession, permission or authorization; (iii) provided for the creation of generation entities (or Independent Power Producers) which, by means of a concession, permission or authorization, may generate and sell, for their own account and at their own risk, all or part of their electricity to free consumers, distribution concessionaires and trading agents, among others; (iv) granted free consumers and electricity suppliers open access to all distribution and transmission systems; and (v) eliminated the need for a concession to construct and operate power

projects with capacity from 1 MW to 30 MW although an authorization or permission from ANEEL or MME is required, as the case may be;

- beginning in 1995, a portion of the controlling interests held by us and various states in certain generation and distribution companies were sold to private investors. At the same time, certain state governments also sold their stakes in major distribution companies;
- in 1998, the Brazilian Government enacted Law No. 9,648 (or the Power Industry Law) to overhaul the basic structure of the electricity industry. The Power Industry Law provided for the following:
  - the establishment of a self-regulated body responsible for the operation of the short-term electricity market (or the Wholesale Energy Market) which replaced the prior system of regulated generation prices and supply contracts;
  - a requirement that distribution and generation companies enter into initial energy supply agreements (or the Initial Supply Contracts) generally “take or pay” commitments, at prices and volumes approved by ANEEL. The main purpose of the Initial Supply Contracts was to ensure distribution companies access to a stable electricity supply at prices that guaranteed a fixed rate of return for the electricity generation companies during the transition period leading to the establishment of a free and competitive electricity market;
  - the creation of the National Electricity System Operator (*Operador Nacional do Sistema Elétrico*), or a non-profit, private entity responsible for the operational management of the generation and transmission activities of the Interconnected power system; and
  - the establishment of public bidding processes for concessions for the construction and operation of power plants and transmission facilities.
- in 2001, Brazil faced a serious energy crisis that lasted until the end of February 2002. As a result, the Brazilian Government implemented measures that included:
  - a program for the rationing of electricity consumption in the most adversely affected regions, namely the southeast, central-west and northeast regions of Brazil; and
  - the creation of the CGE, which passed a series of emergency measures that provided for reduced electricity consumption targets for residential, commercial and industrial consumers in the affected regions by introducing special tariff regimes that encouraged the reduction of electricity consumption.
- in March 2002, the CGE suspended the emergency measures and electricity rationing as a result of large increases in supply (due to a significant rise in reservoir levels) and a moderate reduction in demand, and accordingly, the Brazilian Government enacted new measures in April 2002 that, among other things, stipulated an extraordinary tariff readjustment to compensate financial losses incurred by the electricity suppliers as a result of the mandatory electricity rationing; and
- on March 15, 2004, through Law No. 10,848, the Brazilian Government enacted the Electricity Regulatory Law in an effort to further restructure the power industry with the ultimate goal of providing consumers with secure electricity supplies combined with low tariffs, which law was regulated by a number of decrees enacted by the Brazilian Government in July and August of 2004, and is still subject to further regulation to be issued in the future. See “ — Challenges to the Constitutionality of the Electricity Regulatory Law.”

## Concessions

The companies or consortia that wish to build or operate facilities for generation, transmission or distribution of electricity in Brazil must apply to MME or to ANEEL, as representatives of the Brazilian Government, for a concession, permission or authorization, as the case may be. Concessions grant rights to generate, transmit or distribute electricity in the relevant concession area for a specified period. This period is usually 35 years for new generation concessions, and 30 years for new transmission or distribution concessions. An existing concession may be renewed at the granting authority's discretion. Accordingly, we cannot provide any assurances that the concessions will be extended.

The Concession Law establishes, among other things, the conditions that the concessionaire must comply with when providing electricity services, the rights of the consumers, and the obligations of the concessionaire and the granting authority. Furthermore, the concessionaire must comply with regulations governing the electricity sector. The main provisions of the Concession Law are as follows:

- *Adequate service.* The concessionaire must render adequate service equally with respect to regularity, continuity, efficiency, safety and accessibility.
- *Use of land.* The concessionaire may use public land or request the granting authority to expropriate necessary private land for the benefit of the concessionaire. In that case, the concessionaire must compensate the private landowners affected.
- *Strict liability.* The concessionaire is strictly liable for all damages arising from the provision of its services.
- *Changes in controlling interest.* The granting authority must approve any direct or indirect change in the concessionaire's controlling interest.
- *Intervention by the granting authority.* The granting authority may intervene in the concession, by means of an administrative proceeding, to ensure the adequate performance of services, as well as full compliance with applicable contractual and regulatory provisions.
- *Termination of the concession.* The termination of the concession agreement may be accelerated by means of expropriation and/or forfeiture. Expropriation is the early termination of a concession for reasons related to the public interest that must be expressly declared by law. Forfeiture must be declared by the granting authority after ANEEL or MME has made a final administrative ruling that the concessionaire, among other things: (i) has failed to render adequate service or to comply with applicable law or regulation; (ii) no longer has the technical, financial or economic capacity to provide adequate service; or (iii) has not complied with penalties assessed by the granting authority. The concessionaire may contest any expropriation or forfeiture in the courts. The concessionaire is entitled to indemnification for its investments in expropriated assets that have not been fully amortized or depreciated, after deduction of any amounts for fines and damages due by the concessionaire.
- *Expiration.* When the concession expires, all assets, rights and privileges that are materially related to the rendering of the electricity services revert to the Brazilian Government. Following the expiration, the concessionaire is entitled to indemnification for its investments in assets that have not been fully amortized or depreciated at the time of expiration.

## Penalties

Law No. 9,427 of December 26, 1996, as amended, enacted by the Brazilian Government and ANEEL's regulation govern the imposition of sanctions against the agents of the electricity sector and classify the appropriate penalties based on the nature and importance of the breach (including warnings, fines, temporary suspension from the right to participate in bidding procedures for new concessions, licenses or authorizations and forfeiture). For

each breach, the fines can be up to 2% of the revenue (net of value-added tax and services tax) of the concessionaire in the 12-month period preceding any assessment notice. Infractions that may result in fines relate to the failure of the agent to request ANEEL's approval including the following:

- breach of contracts with third parties;
- sale or assignment of the assets related to services rendered as well as the imposition of any encumbrance (including any security, bond, guarantee, pledge and mortgage) on them or any other assets related to the concession or the revenues of the electricity services; and
- changes in controlling interest of the holder of the authorization or concession.

With respect to contracts executed between related parties that are submitted for ANEEL's approval, ANEEL may seek to impose restrictions on the terms and conditions of these contracts and, in extreme circumstances, determine that the contract be rescinded.

## **Principal Authorities**

### ***Ministry of Mines and Energy***

The MME is the Brazilian Government's primary regulator of the power industry acting as the granting authority on behalf of the Brazilian Government, and empowered with policy-making, regulatory and supervising capacities. The Brazilian Government, acting primarily through the MME, will undertake certain duties that were previously under the responsibility of ANEEL, including drafting guidelines governing the granting of concessions and the issuance of directives governing the bidding process for concessions relating to public services and public assets.

### ***ANEEL***

The Brazilian power industry is regulated by ANEEL, an independent federal regulatory agency. ANEEL's primary responsibility is to regulate and supervise the power industry in line with the policy dictated by the MME and to respond to matters which are delegated to it by the Brazilian Government and by the MME. ANEEL's current responsibilities include, among others: (i) administering concessions for electricity generation, transmission and distribution activities, including the approval of electricity tariffs; (ii) enacting regulations for the electricity industry; (iii) implementing and regulating the exploitation of energy sources, including the use of hydroelectric energy; (iv) promoting the public bidding process for new concessions; (v) settling administrative disputes among electricity generation entities and electricity purchasers; and (vi) defining the criteria and methodology for the determination of transmission tariffs.

### ***National Energy Policy Council***

On August 6, 1997, pursuant to Article 2 of Law No. 9,478, the *Conselho Nacional de Política Energética* (the National Energy Policy Council or CNPE) was created to advise the Brazilian president with respect to the development and creation of national energy policy. The CNPE is presided over by the Minister of Mines and Energy, and the majority of its members are ministers of the Brazilian Government. The CNPE was created to optimize the use of Brazil's energy resources and to assure the supply of electricity to the country.

### ***National Electricity System Operator***

The ONS was created in 1998. The ONS is a non-profit private entity comprising free consumers and energy utilities engaged in the generation, transmission and distribution of electricity, in addition to other private participants such as importers and exporters. The Electricity Regulatory Law granted the Brazilian Government the power to nominate three executive officers to ONS's board of executive officers. The primary role of the ONS is to coordinate and control the generation and transmission operations in the Interconnected power system, subject to ANEEL's regulation and supervision. The objectives and principal responsibilities of the ONS include: operational

planning for the generation industry, organizing the use of the domestic Interconnected power system and international interconnections, guaranteeing that all parties in the industry have access to the transmission network in a non-discriminatory manner, assisting in the expansion of the energy system, proposing plans to the MME for extensions of the Basic Network (which proposals must be taken into account in planning expansion of the transmission system) and submitting rules for the operation of the transmission system for ANEEL's approval. Generators must declare their availability to ONS, which then attempts to establish an optimal electricity dispatch program.

### ***Energy Trading Chamber***

On August 12, 2004, the Brazilian Government enacted a decree setting forth the regulations applicable to the new *Câmara de Comercialização de Energia Elétrica* (Energy Trading Chamber or CCEE). On November 10, 2004 the CCEE succeeded the *Mercado Atacadista de Energia Elétrica* (Wholesale Energy Market), the market in which all large electricity generation companies, energy traders and importers and exporters of electricity had participated and on which the spot price of electricity was determined. The CCEE assumed all of the assets and operations of the Wholesale Energy Market (which had previously been regulated by ANEEL).

One of the principal roles of the CCEE is to conduct public auctions on the Regulated Market, see “— The Regulated Market.” In addition, the CCEE is responsible, among other things, for: (i) registering all the energy purchase agreements in the *Contratos de Comercialização de Energia no Ambiente Regulado* (Regulated Market or CCEAR), and the agreements resulting from market adjustments and the volume of electricity contracted in the Free Market, see “— The Free Market”; and (ii) accounting and clearing of short-term transactions.

The CCEE's members include generation, distribution and trading companies, as well as free consumers. Its board of directors is made up of four directors appointed by its members and one director, who serves as chairman of the board of directors, appointed by the MME.

According to Decree No. 5,163 of 2004, the calculation of the price of the energy sold in the spot market is the responsibility of CCEE.

### ***Energy Research Company***

On August 16, 2004 the Brazilian Government enacted a decree creating the *Empresa de Pesquisa Energética* (Energy Research Company or EPE), a state-owned company which is responsible for conducting strategic research on the energy industry, including with respect to electric energy, oil, gas, coal and renewable energy sources. The research carried out by EPE is subsidized by the MME as part of its policymaking role in the energy industry.

### ***Energy Industry Monitoring Committee***

The Electricity Regulatory Law authorized the creation, under Federal Decree No. 5,175 of August 9, 2004, of the *Comitê de Monitoramento do Setor Elétrico* (Energy Industry Monitoring Committee or CMSE), which acts under the direction of the MME. The CMSE is responsible for the monitoring of the supply conditions of the system and for proposing preventive action (including demand-related action and contracting for a supply-side reserve) to restore service conditions where applicable.

### ***Electric Power Transmission in Brazil***

Transportation of large volumes of electricity over long distances is made by way of a grid of transmissions lines and substations with voltages equal to or higher than 230 kV, known as the Basic Network.

Transmission lines in Brazil are usually very long, since most hydroelectric plants are usually located away from the large centers of power consumption. Today, the country's system is almost entirely interconnected. Only the states of Amazonas, Roraima, Acre, Amapá, Rondônia and a part of Pará are still not linked up to the

Interconnected power system. In these states, supply is made by small thermal plants or hydroelectric plants located close to their respective capital cities.

The Interconnected power system provides for the exchange of power among the different regions when any one region faces problems generating hydroelectric power due to a drop in their reservoir levels. As the rainy seasons are different in the south, southeast, north and northeast of Brazil, the higher voltage transmission lines (500 kV or 750 kV) make it possible for locations with insufficient power output to be supplied by generating centers that are in a more favorable location.

We operate approximately 59.2% of the high-voltage transmission networks in Brazil, at December 31, 2008.

Any electric power market agent that produces or consumes power is entitled to use the Basic Network. Free consumers also have this right, provided that they comply with certain technical and legal requirements. This is called free access and is guaranteed in law and by ANEEL.

The operation and management of the Basic Network is the responsibility of ONS, which is also responsible for managing power dispatching from plants on optimized conditions, involving use of the Interconnected power system hydroelectric reservoirs and thermal plants fuel.

In the transitional environment (2002-2005), there was a gradual decline in the amounts of power contracted under Initial Supply Contracts, the generating companies paid for the use of the transmission line grid, whereas distributors were required to pay two types of transmission tariffs: (i) nodal tariffs, associated with each connection point from where these distributors demand voltage; and (ii) the transmission tariff, associated with the Initial Supply Contracts, which was applied to part of the demand contracted in that environment. Once the amounts under the Initial Supply Contracts dropped to zero, the power generating, distributing and selling companies and free consumers had free access agreements governing their use of transmission lines on equivalent terms with those of agents that entered the market after free access became compulsory. In this free market environment, transmission tariffs are determined based on the effective use that each party that accesses the Basic Network makes of it.

### **The Electricity Regulatory Law; the Free Market and the Regulated Market**

The Electricity Regulatory Law introduced material changes to the regulation of the power industry with a view: (i) to providing incentives to private and public entities to build and maintain generation capacity; and (ii) to assuring the supply of electricity within Brazil at low tariffs through competitive electricity public bidding processes. The key features of the Electricity Regulatory Law included:

- creation of a parallel environment for the trading of electricity, with: (i) a more stable market in terms of supply of electricity, so as to provide additional security in supply to captive consumers, called the Regulated Market; and (ii) a market specifically addressed to certain participants (e.g., free consumers and commercialization companies), that will permit a certain degree of competition with respect to the Regulated Market, called the *Ambiente de Contratação Livre* (the Free Market);
- restrictions on certain activities of distributors, so as to ensure that they focus only on their core business to guarantee more efficient and reliable services to captive consumers;
- elimination of self-dealing, to provide an incentive to distributors to purchase electricity at the lowest available prices rather than buying electricity from related parties; and
- respect for contracts executed prior to the Electricity Regulatory Law, in order to provide stability to transactions carried out before its enactment.

The Electricity Regulatory Law also excludes us and our subsidiaries from the National Privatization Program, which is a program created by the Brazilian Government in 1990 with a view to promote the privatization process of state-owned companies.

### **Challenges to the Constitutionality of the Electricity Regulatory Law**

The Electricity Regulatory Law is currently being challenged on constitutional grounds before the Brazilian Supreme Court. The Brazilian Government moved to dismiss the lawsuits arguing that the constitutional challenges were moot because they related to a provisional measure that had already been converted into law. However, on August 4, 2004, the Brazilian Supreme Court denied the Brazilian Government's motion and decided to hear the lawsuits and rule on their merits. A final decision on this matter is subject to majority vote of the 11 justices, provided that a quorum of at least eight justices must be present. To date, the Brazilian Supreme Court has not reached a final decision and we do not know when such a decision may be reached. The Brazilian Supreme Court ruled by six votes to four to deny the provisional measure requested to suspend the effects of the Electricity Regulatory Law until the final decision on the case has been made; however, a final decision remains pending. Therefore, the Electricity Regulatory Law is currently in force. Regardless of the Supreme Court's final decision, certain portions of the Electricity Regulatory Law relating to restrictions on distributors performing activities unrelated to the distribution of electricity, including sales of energy by distributors to free consumers and the elimination of self-dealing are expected to remain in full force and effect.

If all or a relevant portion of the Electricity Regulatory Law is determined unconstitutional by the Brazilian Supreme Court, the regulatory scheme introduced by the Electricity Regulatory Law may lose its effectiveness, generating uncertainty as to how the Brazilian Government will define the rules for the electric energy sector. Considering that we have already purchased virtually all of our electricity needs through 2008 and that the pass through to tariffs of such electricity is expected to continue to be regulated by the regime preceding the Electricity Regulatory Law, irrespective of the outcome of the Supreme Court's decision, we believe that in the short term, the effects of any such decision on our activities should be relatively limited. The exact effect of an unfavorable outcome of the legal proceedings on us and the electricity industry as a whole is difficult to predict, and it could have an adverse impact on our business and results of operations even in the short term (see "Risk Factors — Risks Relating to the Brazilian Power Industry").

### **Parallel Environment for the Trading of Electricity**

Under the Electricity Regulatory Law, electricity purchase and sale transactions are carried out in two different market segments: (i) the Regulated Market, which contemplates the purchase by distribution companies through public bids of all electricity necessary to supply their captive customers; and (ii) the Free Market, which encompasses purchase of electricity by non-regulated entities (such as free consumers and energy traders).

The electricity generated by: (i) low capacity generation projects located near the consumption points (such as certain co-generation plants and the Small Hydroelectric Power Plants); (ii) plants qualified under the Proinfa program, as defined below; and (iii) Itaipu, is not subject to the public bidding process for the supply of electricity to the Regulated Market. The electricity generated by Itaipu and sold to us is traded by us and the volumes that are to be purchased by each distribution concessionaire are mandated by the Brazilian Government through ANEEL. The rates at which the Itaipu-generated electricity is traded are denominated in U.S. dollars and established pursuant to a treaty between Brazil and Paraguay. As a consequence, Itaipu rates rise or fall in accordance with the variation of the U.S. dollar/*real* exchange rate. Changes in the price of Itaipu-generated electricity are, however, subject to the Parcel A cost recovery mechanism discussed below under "— Distribution Tariffs."

### **The Regulated Market**

In the Regulated Market, distribution companies purchase electricity for captive customers through public auctions managed by ANEEL, either directly or indirectly through the CCEE. Electricity purchases are made through two types of bilateral agreements: (i) *Contratos de Quantidade de Energia* (Energy Agreements); and (ii) *Contratos de Disponibilidade de Energia* (Capacity Agreements).

Under an Energy Agreement, a generator commits to supply a certain amount of electricity and assumes the risk that electricity supply could be adversely affected by hydrological conditions and low reservoir levels, among other conditions, that could interrupt the supply of electricity, in which case the generator will be required to purchase the electricity elsewhere in order to comply with its supply commitments. Under a Capacity Agreement, a generator commits to make a specified amount of capacity available to the Regulated Market. In this case, the revenue of the generator is guaranteed and the distributors face the risk of a supply shortage. However, the increased prices of electricity due to a supply shortage are passed on by the distributors to consumers. Together, these agreements comprise the energy purchase agreements in the *Contratos de Comercialização de Energia no Ambiente Regulado* (Regulated Market or CCEAR).

Under the Electricity Regulatory Law, the estimate of demand from distributors is the principal factor in determining how much electricity the system as a whole will contract. Under the new system, distributors are obligated to contract 100.0% of their projected electricity needs, as opposed to 95.0% under the previous regime. A deviation in actual demand from projected demand could result in penalties to distributors.

According to the Electricity Regulatory Law, electricity distribution entities are entitled to pass on to their customers the costs related to electricity purchased through public auctions as well as any taxes and industry charges related to the public bids, subject to certain limitations related to the inability of distribution companies to accurately forecast demand.

### **The Free Market**

The Free Market covers freely negotiated electricity sales between generation concessionaires, Independent Power Producers, self-generators, energy traders, importers of energy and free consumers. The Free Market also includes existing bilateral contracts between generators and distributors until they expire. Upon expiration, new contracts must be entered into in accordance with the Electricity Regulatory Law guidelines. Most of our existing contracts have now expired although CGTEE has some that will continue until 2012.

Once a consumer has opted for the Free Market, it may only return to the Regulated Market once it has given the relevant distributor five years' notice, provided that the distributor may reduce that term at its discretion. Such an extended period of notice seeks to assure that, if necessary, the construction of cost-efficient new generation could be finalized in order to supply the re-entry of free consumers into the Regulated Market. State-owned generators may sell electricity to free consumers, but as opposed to private generators, they are obligated to do so through a public process that guarantees transparency and equal access to all interested parties.

### **Consumer Market Forecast**

The new institutional model also establishes that electric power distribution concessionaires are responsible for providing a five year projection of demand, the basis for their retail supply agreements.

To encourage companies to make estimates that are closer to reality and establish a tolerance for estimated load deviations, MME fixes penalties in cases where the distributors contract for less power than they actually sell.

However, the new institutional model also provides that distributors in Brazil may offset power requirements against another distributor's surplus, because of the mandatory five year projection.

According to the new model, there is a single tariff for pooled supply that stems from the mix of power generated from different sources that make up the pool. A distributing company that estimates a larger consumer market than it actually has would be prompting an overload and, consequently, a higher single pool tariff, placing an extra burden on other distributors with more efficient projections. On the other hand, if their estimated power needs that are lower than they actually require, this could subject the system to the risk of power rationing that could require costlier corrective measures, especially for distributors.



## **Free Consumers**

According to the new model, a free consumer may elect to: (i) continue to procure power from a local distributor; (ii) buy electric power directly from an independent producer or from self-producers with surplus power; or (iii) buy electric power from a power trade agent.

The Electricity Regulatory Law does not permit distribution concessionaires to sell electric power to free consumers directly (except under certain regulatory conditions).

The Electricity Regulatory Law further establishes that the option to become a free consumer has to be made five years in advance. This time frame was established in view of the ruling that distributors must contract electric power volumes based on their own estimates made five years in advance. If a consumer desires to become a free consumer, all agreements in force must be complied with. In the case of agreements made for indeterminate periods of time, the time frame notice within which notice is to be given is yet to be established, but shall in no case exceed three years. The Electricity Regulatory Law allows, but does not compel distributors to lend greater flexibility to these time frames. In accordance with Article 8 of the Electricity Regulatory Law, those free consumers are allowed to return to the Regulated Market by notifying the local distributor at least five years in advance.

The Electricity Regulatory Law has, in principle, established some conditions and power and consumption thresholds that define which consumers could qualify as “free consumers.” These thresholds have been gradually reduced over the years so as to allow an increasingly greater number of consumers to make this election, until such time as all consumers from all the different classes can choose which supplier they want to procure power from.

The law assures suppliers and their respective free consumers free access to public distribution and transmission systems operated by concessionaires and permission holders on refunding charges paid for use of the electric power grids and connection costs.

With these steps, the authorities are attempting to protect both captive consumers and distributors by avoiding the exit of free consumers thereby increasing the tariffs paid by captive consumers, by suppliers taking advantage of the “threshold package.” The authorities are opposed to opportunistic moves consisting of distributors taking advantage of a power surplus to flood the regulated market and buy electric power at lower rates and then returning to the regulated market as soon as there is a power shortage in the market that increases power market rates.

## **Restricted Activities of Distributors**

Distributors in the Interconnected power system are not permitted to: (i) develop activities related to the generation or transmission of electricity; (ii) sell electricity to free consumers, except for those in their concession area and under the same conditions and tariffs maintained with respect to captive customers in the Regulated Market; (iii) hold, directly or indirectly, any interest in any other company, corporation or partnership; or (iv) develop activities that are unrelated to their respective concessions, except for those permitted by law or in the relevant concession agreement. Generators are not allowed to hold equity interests in excess of 10.0% in distributors. The Electricity Regulatory Law has granted a transition period of eighteen months for companies to adjust to these rules, and ANEEL can extend such term for another eighteen months in the event that companies are unable to comply with such requirements within the prescribed timeframe. On an extraordinary basis, distribution companies that are in the process of complying with the above mentioned rules were allowed to execute new contracts, in violation of the restricted activities mentioned above, until December 2004.

## **Elimination of Self-Dealing**

Since the purchase of electricity for captive consumers will be performed through the Regulated Market, so-called self-dealing, pursuant to which distributors were permitted to meet up to 30% of their electricity needs through electricity that was acquired from affiliated companies, is no longer permitted, except in the context of agreements that were duly approved by ANEEL before the enactment of the Electricity Regulatory Law.

Distributors may, however, make purchases from affiliated companies if the distributor participates in the public bidding process through the Regulated Market, and the generator that offers the lowest price is an affiliated party.

### **Contracts Executed Prior to the Electricity Regulatory Law**

The Electricity Regulatory Law provides that the contracts executed by distribution companies and approved by ANEEL before the enactment of the Electricity Regulatory Law will not be amended to reflect any extension in their terms or modification in prices or volumes of electricity already contracted, with the exception of Initial Supply Contracts, as described below.

During the transition period to a free and competitive energy market (1998-2005) that was established by the Power Industry Law, purchases and sales of electricity between generation and distribution concessionaires occurred pursuant to Initial Supply Contracts. The purpose of the transition period was to permit the gradual introduction of competition in the industry and to protect market participants against exposure to potentially volatile spot market prices.

Under the Power Industry Law, electricity committed under Initial Supply Contracts was reduced by 25% each year from 2003 through 2005. Generation companies were allowed to trade their excess, uncontracted electricity in the Regulated Market or in the Free Market and could conduct public auctions to trade any uncontracted volumes with free consumers or energy traders. After the Initial Supply Contracts expired at the end of 2005, all electricity had to be purchased in the Regulated Market or in the Free Market. However, the Electricity Regulatory Law allows generation companies to amend the Initial Supply Contracts that were in full force and effect as of August 2002, pursuant to Article 25 of the Electricity Regulatory Law. Public generation companies that have amended their Initial Supply Contracts are not required to reduce by 25% the amount of electricity committed under such contracts.

### **Regulation under the Electricity Regulatory Law**

On July 30, 2004, the Brazilian Government enacted regulations governing the purchase and sale of electricity in the Regulated Market and the Free Market, as well as the granting of authorizations and concessions for electricity generation projects. These include rules relating to auction procedures, the form of power purchase agreements and the method of passing costs through to final consumers, among other things.

The regulations provide that all *agente consumidor* (electricity-purchasing agents) must contract all of their electricity demand under the guidelines of the new model. *Agente vendedor* (electricity-selling agents) must provide evidentiary support linking the allotted energy to be sold to existing or planned power generation facilities. Agents that do not comply with such requirements are subject to penalties imposed by ANEEL.

The new regulations provide for electricity distribution companies to fulfill their electricity supply obligations primarily through public auctions. In addition to these auctions, distribution companies will be able to purchase electricity from: (i) generation companies that are connected directly to such distribution company, except for hydro generation companies with capacity higher than 30 MW and certain thermo generation companies; (ii) electricity generation projects participating in the initial phase of the Proinfa program, a program designed to diversify Brazil's energy sources; (iii) power purchase agreements entered into before the Electricity Regulatory Law was enacted and (iv) the Itaipu hydroelectric plant.

The MME establishes the total amount of energy to be contracted in the Regulated Market and the list of generation projects that will be allowed to participate in the auctions in each year.

Since 2005, all electricity generation, distribution and trading companies, independent power producers and free consumers have been required to notify ANEEL, by August 1 of each year, of their estimated electricity demand or estimated electricity generation, as the case may be, for each of the subsequent five years. Each distribution company is required to notify ANEEL, within the 60-day period preceding each electricity auction, of the amounts of electricity that it intends to contract in the auction. In addition, distribution companies are required to specify the portion of the contracted amount they intend to use to supply potentially free customers.

Electricity auctions for new generation projects in process are held: (i) five years before the initial delivery date (referred to as “A-5” auctions); and (ii) three years before the initial delivery date (referred to as “A-3” auctions). There are electricity auctions from existing power generation facilities: (i) held one year before the initial delivery date (referred to as “A-1” auctions); and (ii) held approximately four months before the delivery date (referred to as “market adjustments”). The invitations to bid in the auctions are prepared by ANEEL, in compliance with guidelines established by the MME, including the requirement to use the lowest bid as the criteria to determine the winner of the auction.

Each generation company that participates in the auction executes a contract for purchase and sale of electricity with each distribution company, in proportion to the distribution companies’ respective estimated demand for electricity. The only exception to these rules relates to the market adjustment auction, where the contracts are between specific selling and distribution companies. The CCEARs for both “A-5” and “A-3” auctions have a term of between 15 and 30 years, and the CCEARs for “A-1” auctions have a term between five and 15 years. Contracts arising from market adjustment auctions are limited to a two-year term.

As regards CCEARs for electricity generated by existing generation facilities, there are three options for the reduction of contracted electricity: (i) compensation for the exit of potentially free consumers from the Regulated Market; (ii) reduction, at the distribution companies’ discretion, of up to 4% per year of the annual contracted amount due to market deviations from estimated market projections, beginning two years after the initial electricity demand was declared; and (iii) adjustments to the amount of electricity established in energy acquisition contracts entered into up to and including March 16, 2004, pursuant to Article 29 of Decree No. 5,163/04 of July 30, 2004.

The new regulations also establish a mechanism, the Annual Reference Value, which limits the amounts of costs that can be passed through to final consumers. Such Annual Reference Value corresponds to the weighted average of the electricity prices in the “A-5” and “A-3” auctions, calculated for all distribution companies.

The Annual Reference Value creates an incentive for distribution companies to contract for their expected electricity demands in the “A-5” auctions, where the prices are expected to be lower than in “A-3” auctions. The Annual Reference Value will be applied in the first three years of the power purchase agreements from new power generation projects. After the fourth year, the electricity acquisition costs from these projects will be allowed to be fully passed-through. The decree establishes the following limitations on the ability of distribution companies to pass through costs to consumers:

- no pass-through of costs for electricity purchases that exceed 103% of actual demand;
- limited pass-through of costs for electricity purchases made in an “A-3” auction, if the volume of the acquired electricity exceeds 2% of the demand for electricity purchased in the “A-5” auctions;
- limited pass-through of electricity acquisition costs from new electricity generation projects if the volume contracted under the new contracts related to existing generation facilities is lower than 96% of the volume of electricity provided for in the expiring contract;
- the MME will establish the maximum acquisition price for electricity generated by existing projects; and
- if distributors do not comply with the obligation to fully contract their demand, the pass-through of the costs from energy acquired in the short-term market will be the lower of the Price of Liquidation of Differences (PLD) and the Annual Reference Value.

In addition, the Electricity Regulatory Law and related regulations allow for an argument that consumers with demand equal or higher than 3 MW supplied at any voltage may be entitled to choose their electricity supplier.

From October 2004, on the date of their subsequent tariff readjustment or tariff revision, whichever occurs earlier, distribution companies must execute separate contracts for the connection and use of the distribution system and for the sale of electricity to their potentially free consumers.

With respect to the granting of new concessions, the newly enacted regulations require bids for new hydroelectric generation facilities to include, among other things, the minimum percentage of electricity to be supplied to the Regulated Market.

### **Electric Energy Trading Convention**

ANEEL Resolutions No. 109, of October 26, 2004 and No. 210, of February 13, 2006, govern the *Convenção de Comercialização de Energia Elétrica* (the Electric Energy Trading Convention) which regulates the organization and functioning of the CCEE and the electric energy trading conditions and defines, among others: (i) the rights and obligations of CCEE Agents; (ii) the penalties to be imposed on defaulting agents; (iii) the means of dispute resolution; (iv) trading rules in the Regulated and Free Markets; and (v) the accounting and clearing process for short-term transactions.

### **National Electrical System Operator**

Resolution No. 173 of November 28, 2005 established a provision for the system service charge, *Encargo de Serviço do Sistema* (or ESS), which began in January 2006 and includes price and fee readjustments for distribution concessionaires that are part of the Sistema Interligado Nacional (the National Interconnected Grid). This charge is based on the estimates made by the ONS, up to October 31 of each year.

### **Ownership Limitations**

In 2000, ANEEL established new limits on the concentration of certain services and activities within the power industry. Under these limits, with the exception of companies participating in the National Privatization Program (which need only comply with such limits once their final corporate restructuring is accomplished) no power company (including both its controlling and controlled companies) may: (i) own more than 20% of Brazil's installed capacity, 25% of the installed capacity of the southern/southeastern/mid-western region of Brazil or 35% of the installed capacity of the northern/northeastern region of Brazil, except if such percentage corresponds to the installed capacity of a single generation plant; (ii) own more than 20% of Brazil's distribution market, 25% of the southern/southeastern/mid-western distribution market or 35% of the northern/northeastern distribution market, except in the event of an increase in the distribution of electricity exceeding the national or regional growth rates; or (iii) own more than 20% of Brazil's trading market with final consumers, 20% of Brazil's trading market with non-final consumers or 25% of the sum of the above percentages.

In accordance with paragraph one, Article 31 of the Electricity Regulatory Law, we and our subsidiaries Furnas, Chesf, Eletronorte, Eletrosul and CGTEE were excluded from the National Privatization Program. Accordingly, we are subject to the limits and conditions imposed on the participation of agents in the activities of the electricity sector, in accordance with ANEEL Resolution No. 278/2000, which is aimed at achieving effective competition between agents and preventing a concentration in the services and activities undertaken by agents within the electricity sector.

This resolution provides that an agent that does not comply with these limits will not be able to acquire additional shareholdings or acquire assets in any company within the electricity sector which enlarges its share of installed capacity, energy distribution or final and intermediary commercialization activities. Accordingly, any future participation in new projects within the power industry (such as acquisitions of new concessions to operate generation, transmission and distribution assets) would always ultimately be subject to ANEEL's approval.

All companies in the electricity sector must send ANEEL updated information relating to their shareholders', disclosing their controlling shareholder(s) or controlling group(s) and any direct or indirect participation of such shareholders and groups, in addition to any other information required by ANEEL. Resolution

No. 278/2000 also establishes limits on the trading of electricity between related companies in the Interconnected power system.

### **Tariffs for the Use of the Distribution and Transmission Systems**

ANEEL oversees tariff regulations that govern access to the distribution and transmission systems and establish tariffs for the use of and access to said systems. The tariffs are: (i) network usage charges, which are charges for the use of the proprietary local grid of distribution companies (or TUSD) and (ii) a tariff for the use of the transmission system, which is the Basic Network and its ancillary facilities (or TUST). Additionally, distribution companies in the Southern/Southeastern Interconnected power system pay specific charges for the transmission of electricity generated at Itaipu and for access to the transmission system.

#### ***TUSD***

The TUSD is paid by generators and free consumers for the use of the distribution system of the distribution company to which the relevant generator or free consumer is connected and are revised annually according to an inflation index. The amount to be paid is calculated by multiplying the amount of electricity contracted with the distribution company for each connection point, in kW, by the tariff in R\$/kW which is set by ANEEL. Our distribution companies receive the TUSD paid by free consumers in their concession areas and by some other distribution companies which are connected to our distribution system.

#### ***TUST***

The TUST is paid by distribution companies, generators and free consumers for the use of the Basic Network and is revised annually according to: (i) an inflation index and (ii) the annual revenue of the transmission companies. According to criteria established by ANEEL, owners of the different parts of the transmission grid have transferred the coordination of their facilities to the ONS in return for receiving regulated payments from users of the transmission system. Network users, including generation companies, distribution companies and free consumers, have signed contracts with the ONS entitling them to use the transmission grid in return for the payment of published tariffs. Other parts of the grid that are owned by transmission companies but which are not considered part of the transmission grid are made available directly to the interested users who pay a specified fee to the relevant transmission company.

#### ***Contract for Access to the Intermediary Connection System — Access Charge***

Some distribution companies, especially in the State of São Paulo, access the Basic Network through an intermediary connection system located between their respective distribution lines and the Basic Network. This connection is formalized by means of a Contract for the Access to the Intermediary Connection System entered into with transmission concessionaires that own such facilities. Compensation for the transmission companies is regulated by ANEEL and is defined in accordance with the cost of the assets used, whether they are their exclusive property or shared among the electricity industry agents. The correspondent compensation incidental to the use of the intermediary connection system is revised annually by ANEEL according to an inflation index and to the costs relating to the assets.

#### ***Itaipu Transportation Charge***

The Itaipu plant has an exclusive transmission grid operated in alternating and continuous current, which is not considered to be part of the Basic Network or of the intermediary connection system. The use of such system is compensated by a specific charge, denominated the Itaipu transportation charge, paid by those companies entitled to quotas of the electricity from Itaipu, in proportion to their quotas.

#### ***Distribution Tariffs***

Distribution tariff rates are subject to review by ANEEL, which has the authority to adjust and review tariffs in response to changes in electricity purchase costs and market conditions. When adjusting distribution tariffs

ANEEL divides the costs of distribution companies between: (i) costs that are beyond the control of the distributor (or Parcel A costs); and (ii) costs that are under the control of distributors (or Parcel B costs). The readjustment of tariffs is based on a formula that takes into account the division of costs between the two categories.

Parcel A costs include, among others, the following:

- costs of electricity purchased for resale pursuant to Initial Supply Contracts;
- costs of electricity purchased from Itaipu;
- costs of electricity purchased pursuant to bilateral agreements that are freely negotiated between parties; and
- certain other connection and usage charges for the transmission and distribution systems.

Parcel B costs are determined by subtracting all the Parcel A costs from the distribution company's revenues.

Each distribution company's concession agreement provides for an annual tariff adjustment (reajuste anual). In general, Parcel A costs are fully passed through to consumers. Parcel B costs, however, are adjusted for inflation in accordance with the IGP-M index.

Electricity distribution companies are also entitled to *revisão periódica* (revisions) every four or five years. These revisions are aimed at: (i) assuring revenues are sufficient to cover Parcel B operating costs and that adequate compensation for essential investments for the services within the scope of each such company's concession; and (ii) determining the "X factor," which is based on three components: (a) expected gains of productivity from increase in scale; (b) evaluations by consumers (verified by ANEEL); and (c) labor costs.

The X factor is used to adjust the proportion of the change in the IGP-M index that is used in the annual adjustments. Accordingly, upon the completion of each periodic revision, application of the X factor requires distribution companies to share their productivity gains with final consumers.

The pass-through of electricity purchase costs under supply agreements negotiated before the enactment of the Electricity Regulatory Law is subject to a ceiling based on a value established by ANEEL for each different source of energy (such as hydroelectric, thermoelectric and alternative sources of energy). This ceiling is adjusted annually in order to reflect increases in costs incurred by generators. That adjustment takes into account: (i) inflation; (ii) costs incurred in hard currency; and (iii) fuel related costs (such supply of natural gas). Costs incurred correspond to at least 25% of all costs incurred by generators.

In addition, concessionaires of electricity distribution are entitled to *revisão extraordinária* (extraordinary review) of tariffs, on a case by case basis, to ensure their financial equilibrium and compensate them for unpredictable costs, including taxes, that significantly change their cost structure.

## **Incentive Programs for Alternative Sources of Electricity**

### ***Thermoelectric Priority Program***

In 2000, a federal decree created the *Programa Prioritário de Termelétricidade* (the Thermoelectric Priority Program or PPT), for purposes of diversifying the Brazilian energy matrix and decreasing its strong dependency on hydroelectric plants. The benefits granted to thermoelectric plants under the PPT include: (i) guaranteed gas supply for 20 years; (ii) assurance that costs related to the acquisition of the electricity produced by thermoelectric plants will be transferred to tariffs up to a normative value determined by ANEEL; and (iii) guaranteed access to a BNDES special financing program for the power industry. However, this program has not yet been fully implemented due to several factors, including the price of gas.

## ***Proinfa***

In 2002, the Proinfa program was established by the Brazilian Government to create certain incentives for the development of alternative sources of energy, such as wind energy projects, Small Hydroelectric Power Plants and biomass projects. As with some other social programs, we are involved in the administration of the Proinfa program.

Under the Proinfa program, we purchase electricity generated by these alternative sources for a period of up to 20 years and transfer it to free consumers and certain electricity distribution companies (which are responsible for including the costs of the program in the tariffs for all final consumers in their respective concession area, except for low-income consumers). In its initial phase, the Proinfa program is limited to a total contracted capacity of 3,300 MW (1,100 MW for each of the three alternative energy sources). Projects seeking to qualify for the benefits of the Proinfa program must be fully operational by December 31, 2008.

While the Proinfa program was intended to include a second phase, plans for the second stage have been discontinued.

## **Research and Development – R & D**

Concessionaires and companies authorized to engage in public power distribution, generation and transmission businesses are required to invest annually at least 1.0% of their net operating income in electric power research and development. Companies that only generate power from wind, biomass and Small Hydroelectric Power Plants are not subject to this requirement.

## **Regulatory Charges**

### ***Global Reversion Reserve Fund***

In certain circumstances, power companies are compensated for assets used in connection with a concession if the concession is eventually revoked or is not renewed. In 1971, the Brazilian Congress created a *Reserva Global de Reversão* (Global Reversion Reserve Fund or RGR Fund) designed to provide funds for such compensation. In February 1999, ANEEL revised the assessment of a fee requiring all distributors and certain generators operating under public service regimes to make monthly contributions to the RGR Fund at an annual rate equal to 2.5% of the company's fixed assets in service, but not to exceed 3.0% of total operating revenues in any year. In recent years, no concessions have been revoked or have failed to be renewed, and in recent years the RGR Fund has been used principally to finance generation and distribution projects. The RGR Fund is scheduled to be phased out by 2010, and ANEEL is required to revise the tariff so that the consumer will receive some benefit from the termination of the RGR Fund.

### ***Public Use Fund***

The Brazilian Government has imposed a fee on Independent Power Producers reliant on hydrological resources, except for Small Hydroelectric Power Plants, similar to the fee levied on public industry companies in connection with the RGR Fund. Independent Power Producers are required to make contributions to the *Fundo de Uso de Bem Público* (the Public Use Fund or UBP Fund) according to the rules of the corresponding public bidding process for the granting of concessions. We received the UBP Fund payments until December 31, 2002. All payments to the UBP Fund since December 31, 2002 are paid directly to the Brazilian Government.

### ***Fuel Consumption Account***

Distribution companies, and generation companies that sell directly to final consumers, must contribute to the *Conta de Consumo de Combustível* (the Fuel Consumption Account or CCC Account). The CCC Account was created in 1973 to generate financial reserves to cover elevated costs associated with the increased use of thermoelectric energy plants, in the event of a rainfall shortage, given the higher marginal operating costs of thermoelectric energy plants compared to hydroelectric energy plants. In February 1998, the Brazilian Government

provided for the phasing out of the CCC Account for thermoelectric energy plants constructed prior to February 1998 and currently belonging to the Interconnected power system. Thermoelectric plants constructed after that date will not be entitled to subsidies from the CCC Account. In April 2002, the Brazilian Government established that subsidies from the CCC Account would continue to be paid to those thermoelectric plants located in isolated regions for a period of 20 years in order to promote generation of electricity in those regions, which ended in December 2005.

### ***Financial Compensation for the Use of Hydrological Resources***

Holders of concessions and authorizations for the exploration of hydroelectric resources in Brazil must pay fees to Brazilian states and municipalities for the use of hydrological resources. Such amounts are based on the amount of electricity generated by each utility and are paid to the states and municipalities where the plant or the plant's reservoir is located pursuant to Resolution 67 of February 22, 2001.

### ***ANEEL Inspection Fee***

The ANEEL Inspection Fee is an annual fee payable by the holders of concessions, permissions or authorizations in proportion to their dimension and activities. The ANEEL Inspection Fee amounts to up to 0.5% of the economic benefit realized by the holders of concessions, permissions or authorizations and is collected by ANEEL in twelve monthly installments.

### ***Energy Development Account***

In 2002, the Brazilian Government instituted the *Conta de Desenvolvimento Energético* (Energy Development Account or CDE Account), which is funded through annual payments made by concessionaires for the use of public assets, penalties and fines imposed by ANEEL and, since 2003, the annual fees to be paid by agents offering electricity to final consumers, by means of a charge to be added to the tariffs for the use of the transmission and distribution systems. These fees are adjusted annually. The CDE Account was created to support the: (i) development of electricity production throughout the country; (ii) production of electricity by alternative energy sources; and (iii) universalisation of energy services throughout Brazil. The CDE Account will be in effect for 25 years and is regulated by ANEEL and managed by us.

The Electricity Regulatory Law establishes that the failure to pay the contribution to the RGR Fund, Proinfra program, the CDE Account, the CCC Account, or payments due by virtue of purchase of electricity in the Regulated Market or from Itaipu prevents the non-paying party from receiving a tariff readjustment (except for an extraordinary review) or receiving resources arising from the RGR Fund, CDE Account or CCC Accounts.

### ***Electricity Reallocation Mechanism***

The *Mecanismo do Realocação de Energia* (energy reallocation mechanism) provides financial protection against hydrological risks for hydro-generators according to energy commercialization rules in effect, to mitigate the shared hydrological risks that affect the generators and assure the optimal use of the hydroelectric resources of the Interconnected power system.

The mechanism guarantees that all the generators that participate in it will be able to sell the amount of electricity which they have contracted to sell under long-term contracts as determined by ANEEL, which we refer to as "assured electricity," irrespective of their actual electricity production, provided that the power plants participating in the mechanism, as a whole, have generated sufficient electricity. In other words, the mechanism reallocates electricity, transferring surplus electricity from those generators whose generation was in excess of their assured electricity, to those whose generation was less than assured electricity. The effective generation dispatch is determined by the National Electricity System Operator, which takes into account nationwide electricity demand, the hydrological conditions of the Interconnected power system and transmission limitations.

Reimbursement of the generation costs of the relocated electricity is provided to compensate generators that relocate electricity to the system in excess of their assured electricity. Generators are reimbursed for their



variable operational costs (except fuel) and costs for the use of water. The total costs of the relocated electricity (from all generators that provided electricity to the energy reallocation mechanism) are then combined and paid by the generators that receive electricity from the mechanism.

The mechanism includes all hydroelectric power plants subject to the centralized dispatching of the National Electricity System Operator, small hydroelectric stations that opt to participate in the mechanism and thermal power plants with centralized dispatching, included in the Initial Supply Contracts and whose fuel costs are subsidized by the Fuel Consumption Account. Since 2003, the Fuel Consumption Account power plants only partially participated in the mechanism, due to the gradual reduction of the subsidy.

#### ***Electric Power Services Supervision Fee – TFSEE***

ANEEL also charges a supervision fee from electric power services agents and concessionaires. This fee is called the Electric Power Services Supervision Fee (or TFSEE) and was created under Law No. 9,427 of December 26, 1996, and is charged at the rate of 0.5% of the annual economic benefit posted by the agent or concessionaire. The economic benefit is determined based on the installed capacity of authorized generating and transmitting concessionaires or on annual sales income posted by distribution concessionaires.

#### ***Financial Compensation For Use Of Water Resources (CFURH)***

The states, the Federal District, and municipalities, as well as direct public federal administration bodies all receive financial compensation from generating companies for use of water resources to generate electric power. CFURH is based on power output and paid to the states and municipalities in which the plant or reservoir is situated. This charge is not assessed on Small Hydroelectric Power Plants, as they are exempt from this requirement.

#### ***Emergency Capacity Charge (ECE)***

ECE was created as provided for in Article 1 of Law No. 10,438 of April 26, 2002. It is assessed proportionally to the final individual total consumption of all consumers served by the Interconnected power system and classified as a specific tariff charge. ANEEL ruled that its basis would be the cost of contracting generating capacity or voltage estimated by Comercializadora Brasileira de Energia Emergencial (or CBEE) in any given year.

#### ***Rationing***

The Electricity Regulatory Law establishes that, in a situation where the Brazilian Government decrees a compulsory reduction in the consumption of electricity in a certain region, all energy amount agreements in the Regulated Market, registered within the CCEE in which the buyer is located, must have their volumes adjusted in the same proportion to the consumption reduction.

#### ***The Effects of the New Bankruptcy Law on Us***

On February 9, 2005, the Brazilian Government enacted Law No. 11,101, or the New Bankruptcy Law. The New Bankruptcy Law, which came into effect on June 9, 2005, governs judicial recovery, extrajudicial recovery and liquidation proceedings and replaces the debt reorganization judicial proceeding known as *concordata* (reorganization) for judicial recovery and extrajudicial recovery. The New Bankruptcy Law provides that its provisions do not apply to government owned and mixed capital companies. However, the Brazilian Federal Constitution establishes that mixed capital companies, such as Eletrobrás, which operate a commercial business, will be subject to the legal regime applicable to private corporations in respect of civil, commercial, labour and tax matters. Therefore it is unclear whether or not the provisions in connection with judicial and extrajudicial recovery and liquidation proceedings of the New Bankruptcy Law would apply to us.

#### ***Judicial Recovery***

In order to request judicial recovery, a debtor must fulfill the following requirements: (i) conduct its business in a regular manner for more than two years; (ii) not be bankrupt (or, in the event that the debtor was

bankrupt in the past, then all obligations arising therefrom must have been declared extinguished by a judgment not subject to appeal); (iii) not have been granted a judicial recovery or special judicial recovery in the five or eight years prior to its request, respectively; and (iv) not have been convicted of (or not have a controlling partner or manager who has been convicted of) a bankruptcy crime. All claims in existence at the time of the request for judicial recovery are subject to such procedure (including potential claims), except for claims of tax authorities, creditors acting as fiduciary owners of real or personal properties, lessors, owners or committed sellers of real estate, including for real estate developments, or owners under sale agreements with a title retention clause (paragraph 3 of Article 49 of the New Bankruptcy Law). The judicial recovery can be implemented by means of one or more of the following transactions, amongst others (i) the granting of special terms and conditions for the payment of the debtor's obligations; (ii) spin-off, merger, transformation of the company, incorporation of a wholly-owned subsidiary or the assignment of quotas or shares; (iii) transfer of corporate control; (iv) partial or total replacement of the debtor's management, as well as the granting to its creditors the right to independently appoint management and the power of veto; (v) capital increase; (vi) leasing of its premises; (vii) reduction in wages, compensation of hours and reduction of the workday, by means of collective bargaining; (viii) payment in kind or the renewal of the debtor's debts; (ix) creation of a company composed of creditors; (x) partial sale of assets; (xi) equalisation of the debtor's financial charges; (xii) constitution of an *usufruct* on the company; (xiii) shared management of the company; (xiv) issuance of securities; and (xv) creation of a special purpose company for purposes of receiving the debtor's assets.

### ***Extrajudicial Recovery***

The New Bankruptcy Law also created the extrajudicial recovery mechanism, by means of which a debtor who meets the requirements for the judicial recovery (as outlined above) may propose and negotiate with its creditors an extrajudicial recovery plan, which must be submitted to the court for approval. Once approved, such a plan will constitute a valid means of enforcement. The extrajudicial recovery is not applicable, however, to any claims relating to labour- or workplace related accidents, as well as to any claims excluded from judicial recovery. In addition, the request for court approval of an extrajudicial recovery plan will not impose a moratorium on the rights, suits and enforcement proceedings of creditors not subject to such plan, and those creditors will still be able to request the debtor's bankruptcy.

### ***Liquidation***

The New Bankruptcy Law changed the order in which claims are classified in the context of liquidation proceedings to the following order, which is set out in order of priority: (i) labour claims in general (limited to a maximum amount of 150 times the minimum monthly Brazilian wage per creditor) and labour claims related to indemnification for workplace accidents; (ii) claims of secured creditors (limited to the amount of the guarantee); (iii) tax claims (except for tax fines); (iv) personal claims enjoying special privileges (as defined in other statutes); (v) personal claims enjoying general privileges (among others, unsecured creditors who have provided goods or services to the debtor during its judicial recovery and creditors who are so defined in other statutes); (vi) unsecured debts (creditors not provided for in the preceding items, labour creditors whose claims exceed the 150-minimum monthly wages limitation, and creditors whose claims exceed the amount of their respective guarantees); (vii) contractual fines and monetary fines arising from the disobedience of statutes; and (viii) subordinated debts (as provided for by law or in an agreement, and creditors who are partners or managers of the debtor company but not in the context of a labour relationship). The New Bankruptcy Law establishes that only a creditor claiming for an amount in excess of 40 times the minimum monthly Brazilian wage can commence liquidation proceedings. However, it is permitted for creditors to commence a class action in order to comply with the minimum amount mentioned above. The New Bankruptcy Law also extended (i) the time period in which a debtor must present its defense in connection with a request for its bankruptcy from 24 hours to ten days, and (ii) the suspension period during which no assets may be sold or liquidated from 60 to 90 days (from either the date of filing the bankruptcy petition, the request for judicial recovery or from the date of the first protest of a note due to its non-payment by the company).

## MANAGEMENT

We are managed by our *Conselho de Administração* (or Board of Directors) composed of up to 10 members, and by our *Diretoria* (or Board of Executive Officers) which currently consists of six members. Our by-laws also provide for a permanent *Conselho Fiscal* (or Fiscal Council), which is made up of five members. Pursuant to our by-laws, all members of our Board of Directors, Board of Executive Officers and Fiscal Council must be Brazilian citizens.

### Board of Directors

The members of our Board of Directors are elected at the general shareholders meeting for a renewable term of three years. However, on April 28, 2005, our shareholders approved an amendment to our by-laws pursuant to which the term of office of each member of our Board of Directors will decrease from three years to one year. In accordance with Law No. 3,890 – A of April 25, 1961, this amendment is subject to approval in the form of a Presidential decree, which is pending at the date of this listing circular. Pursuant to Brazilian corporate law, the members of our Board of Directors must be shareholders of the company. As our majority shareholder, the Brazilian Government has the right to appoint eight members of our Board of Directors, of which seven are appointed by the MME and one by the *Ministério do Estado do Planejamento, Orçamento e Gestão* (the Planning, Budget and Management Ministry). The minority shareholders have the right to elect one member, and the holders of preferred shares without voting rights representing at least ten percent of our total capital have the right to elect one member. Currently, our Board of Directors is composed of eight members since our preferred shareholders did not elect a director at the last Ordinary Shareholders’ Meeting in April 2009. One of the members of the Board of Directors is appointed as Chairman.

Our Board of Directors ordinarily meets once a month and when called by a majority of the directors or the Chairman. Among other duties, our Board of Directors is responsible for: (i) establishing our business guidelines; (ii) determining the corporate organization of our subsidiaries or any equity participation by us in other legal entities; (iii) approving our entering into any loan agreement and determining our financing policy; and (iv) approving any guarantee in favor of any of our subsidiaries in connection with any financial agreement.

The table below sets out the current members of our Board of Directors and their respective positions. The mandate of each member of our Board of Directors expires at the next Ordinary Shareholders’ Meeting. Each member was elected by the Brazilian Government except for Arlindo Magno de Oliveira who was elected by our minority shareholders.

Name	Position
Márcio Pereira Zimmermann.....	Chairman
Luiz Soares Dulci.....	Director
Arlindo Magno de Oliveira (Minority).....	Director
Miriam Aparecida Belchior.....	Director
Lindemberg de Lima Bezerra.....	Director
Wagner Bittencourt de Oliveira.....	Director
José Antonio Muniz Lopes.....	Director
José Antonio Corrêa Coimbra.....	Director

*Márcio Pereira Zimmermann – Chairman and Board Member:* Mr. Zimmermann has been Chairman and a member of the Board of Directors since February 2008. Mr. Zimmermann has a degree in electrical engineering from the *Universidade Católica of the State of Rio Grande do Sul* and a masters degree in Electrical Engineering from the *Pontifícia Universidade Católica of Rio de Janeiro*. Mr. Zimmermann was Engineering Director of Eletrobrás and Research and Development Director of *Cepel*. Mr. Zimmermann is currently Executive Secretary of the Ministry of Mines and Energy, having previously been the Secretary of Energy Planning and Development of the Ministry of Mines and Energy.

*Luiz Soares Dulci – Board Member:* Mr. Dulci has been a member of the Board of Directors since July 2007. Mr. Dulci has been a teacher of Portuguese Language and Portuguese Literature since 1974, specializing in education for adults. He taught in public and private schools in the States of Minas Gerais, Pará and Rio de Janeiro, such as *Colégio Santo Inácio de Loyola*. Mr. Dulci represents the Brazilian Government as part of the United

Nations University of Peace Council. Currently he serves as a director of the Economic and Political Chamber, the Industrial Politics Council and the Federal Council for Social and Economic Development. In the period from 1996 to March 2003, Mr. Dulci was President of the Abramo Perseu Foundation for Cultural, Social, Political and Economic Studies. From 1997 to 1998 he was the Municipal Secretary of Culture of Belo Horizonte and from 1993 to 1996 the Government Secretary of Belo Horizonte City Hall. He participated, in 1982, in the Permanent Commission for Education and Culture of the House of Representatives.

*Arlindo Magno de Oliveira – Board Member:* Mr. Oliveira has been a member of the Board of Directors since April 2007. Mr. Oliveira holds a degree in economics from *Universidade Federal Fluminense* and several specialization courses in finance and capital markets. He began his professional career as a *Banco do Brasil* employee, where he was manager. He also works as Director of the Pension Fund of Banco do Brasil – Previ. Mr. Oliveira is presently retired but has extensive experience as a member of the board of directors in several important Brazilian companies such as Vale S.A. and Valepar S.A., and companies of the Brazilian electricity sector, where he was member of the board of Coelba, Cosern and CPFL.

*Miriam Aparecida Belchior – Board Member:* Ms. Belchior has been a member of the Board of Directors since 30 April 2009. Ms. Belchior, a food engineer, graduated from *University of Campinas* (UNICAMP) and has a masters degree in Public and Governmental Administration from the São Paulo Business Administration School of the *Fundação Getúlio Vargas* - FGV. She served as Secretary of Administration and Administrative Modernization for the Santo André City Hall from January 1997 to December 2000. Ms. Belchior also coordinated the Administrative Modernization Program, chosen by the United Nations (UN) as one of the top 100 public development initiatives in the world in the year 2000. Ms. Belchior acted as Social Inclusion and Housing Secretary for the City of Santo André from January 2001 to November 2002. She coordinated the Mais Igual program in Santo André, which aimed to promote social inclusion for those in need. The UN chose that program as one of the ten best public development initiatives in the world in 2002. More recently, Ms. Belchior was part of the transition staff for the current administration. From January 2003 to June 2004 she served as Special Agent of the President of the Republic of Brazil. Ms. Belchior currently serves as Intelligence and Monitoring Sub-Chief for the State Secretary of the Presidency. Since 2001, she has been a professor at the Foundation for Research and Development of Administration, Accounting and Economics and at the Department of Economic Administration and Accounting at *Universidade de São Paulo*.

*Wagner Bittencourt de Oliveira – Board Member:* Mr. Oliveira has been a member of the Board of Directors since April 2007. Mr. Oliveira is a metallurgical engineer with an engineering degree from *Pontifícia Universidade Católica de Rio de Janeiro* who has completed a specialized course in finance and capital markets. In 1975, he undertook a public contest and was admitted to the *Banco Nacional de Desenvolvimento Social* – BNDES (National Bank of Social and Economical Development). Throughout his career at BNDES he acted in many positions: head of division, head of department, superintendent and, since December 2004, he has been Superintendent of Basic Inputs, which includes mining, metallurgy, cement, paper and cellulose, chemicals, petrochemicals and fertilizers. He has accumulated 20 years of executive experience: he was the Secretary of Ministry of National Integration (2001), Superintendent of SUDENE (2000 to 2001), CEO of *Companhia Ferroviária do Nordeste* (1998 to 2000) and Superintendent of the Industrial Area (1996 to 1998).

*José Antonio Muniz Lopes – Board Member:* Mr. Lopes has been a member of the Board of Directors since March 2008. Mr. Lopes holds a degree in Electrical Engineering from the *Universidade Federal de Pernambuco*. He is an expert in the Brazilian electricity sector in which he has worked for more than 30 years. Mr. Lopes was appointed Chief Executive Officer of Eletrobrás on March 6, 2008. At the March 4, 2008 Extraordinary General Stockholders Meeting of Eletrobrás he was elected member of the Board of Directors. Mr. Lopes has held several executive positions in companies in the Eletrobrás group, such as Chief Executive Officer and Director of Planning and Engineering at Eletronorte and Chief Executive Officer, Managing Director and Chief Financial Officer at Chesf. Mr. Lopes was also Deputy Director of the National Department of Energy Development – DNDE of the Ministry of Mines and Energy, where he also served at the Executive Secretary.

*José Antonio Corrêa Coimbra – Board Member:* Mr. Coimbra has been a member of the Board of Directors since April 2009. Mr. Coimbra holds a degree in Civil Engineering from *Universidade Federal do Pará* with a Master Degree in Engineering Production from *Universidade Federal de Santa Catarina*. Mr. Coimbra is currently Head of Office of the Minister of Mines and Energy and has several papers published in Brazil and abroad.

In the Eletrobrás group Mr. Coimbra was Director of Engineering of Eletronorte, having worked at that company from 1977 until 2005. Mr. Coimbra is also a member of the Board of Directors of Eletronorte and already had the same position in Cepel.

*Lindemberg de Lima Bezerra – Board Member:* Mr. Bezerra has been a member of the Board of Directors since April 2009. Mr. Bezerra holds a degree in economics from *Universidade Federal do Rio Grande do Sul* with a masters degree in economics from *Universidade de São Paulo*. Mr. Bezerra has held the position of Chief of Staff of the Secretary of the National Treasury since July 2007. From 1997 to June 2007, Mr. Bezerra was a tax and economics assistant at the Brazilian National Treasury.

## Board of Executive Officers

Our Board of Executive Officers is currently made up of six members appointed by our Board of Directors for an indefinite term. Our Board of Executive Officers ordinarily meets every week, or when called by a majority of the officers or by the Chief Executive Officer. Our Board of Executive Officers determines our general business policy, is responsible for all matters related to our day-to-day management and operations, and is the highest controlling body with regards to the execution of our guidelines. We have no control over appointments of our chief executive and chief financial officers because all such appointments are made by our controlling shareholder, which is the Brazilian Government. Our chief administrative officer is responsible for coordinating the general management of our business including supplies, employment-related issues, training insurance policies and management of our assets.

The members of our current Board of Executive Officers were appointed by our Board of Directors and their names and titles are set out below:

Name	Position
Astrogildo Fraguaglia Quental.....	Chief Financial Officer and Investor Relations Officer
José Antonio Muniz Lopes.....	Chief Executive Officer
Valter Luiz Cardeal de Souza.....	Engineering Officer
Miguel Colasuonno.....	Chief Administrative Officer
Ubirajara Rocha Meira.....	Technology Officer
Flávio Decat de Moura.....	Distribution Officer

*Mr. Astrogildo Fraguaglia Quental – Chief Financial Officer and Investor Relations Officer:* Mr. Quental has been a member of our Board of Executive Officers since March 2008. Mr. Quental holds a degree in Civil Engineering from the *Escola Politécnica da Universidade de São Paulo* and a specialization course in Business Administration from *Fundação Getulio Vargas*. On March 6, 2008 Mr. Astrogildo was appointed Chief Financial Officer and Investor Relations Officer, after serving since October 1995 as Economic-Financial Director of Eletronorte. Before joining us, from March 1991 to December 1994, Mr. Astrogildo was Secretary of State for Infrastructure of the state of Maranhão, where he was responsible for the conduct and implementation of the strategy of the infrastructure system of that state, covering the following state agencies: *Secretaria de Estado da Infra-Estrutura – Sinfra; Companhia Energética do Maranhão – Cemar; Companhia de Águas e Esgotos do Maranhão – Caema; Companhia de Habitação Popular do Maranhão – Cohab; Departamento de Estradas de Rodagem do Maranhão – DER/MA and Companhia de Desenvolvimento Rodoviário do Maranhão – Coderma.*

*Mr. José Antonio Muniz Lopes – Chief Executive Officer:* See “—Board of Directors.” Mr Lopes has been Chief Executive Officer and a member of our Board of Executive Officers since March 2008.

*Mr. Valter Luiz Cardeal de Souza – Engineering Officer:* Mr. Souza has been a member of our Board of Executive Officers since April 2006. Mr. Souza is an electrical and electronic engineer, with a degree from the *Pontifícia Universidade Católica* of Rio Grande do Sul, specializing in energy engineering as well as in production engineering. Mr. Souza has been Engineering Director of Eletrobrás since January 14, 2003. He has been active in the electricity sector for over thirty two years as an employee of *Companhia Estadual de Energia Elétrica S.A. (CEEE)* where, since 1971, he has undertaken important technical and management functions as director in the areas of generation, transmission and distribution. At the *Departamento Nacional de Águas e Energia Elétrica (DNAEE)*, he was Assistant Executive to the General Manager, Coordinator for the Department of Construction and

Application of Electric Energy and Coordinator and Substitute Director for the Department of Finance and Economics. Mr. Souza also holds the position of President of the board of directors of Eletronorte and CGTEE.

*Mr. Miguel Colasuonno – Chief Administrative Officer:* Mr. Colasuonno has been a member of our Board of Executive Officers since March 2008. Mr. Colasuonno has a PhD in International Relations from Vanderbilt University in the United States and has a post-graduate degree in economics, specializing in International Trade and Exchange, from the *Universidade de São Paulo*. Mr. Colasuonno was mayor of Sao Paulo from 1973 to 1975, president of the *Empresa Brasileira de Turismo - Embratur* (1980-1985) and president of the *Sindicato dos Economistas do Estado de São Paulo* (1986-1995). He has also acted as a São Paulo councilman from 1992 to 2001, where he was appointed council president. Mr. Colasuonno has acted as a professor at the University of São Paulo for the past seven years. Mr. Colasuonno was appointed Administrative Officer on March 6, 2008.

*Mr. Ubirajara Rocha Meira – Technology Officer:* Mr. Meira has been a member of our Board of Executive Officers since March 2008. Mr. Meira holds a degree in Electrical Engineering from the *Universidade Federal da Paraíba*, with a master's degree in Electrical Engineering from the *Universidade Federal da Paraíba*. On March 6, 2008 Mr. Meira was appointed Technology Officer. Mr. Meira is professor at the *Universidade Federal de Campina Grande – UFCG*, where, in the Graduate Program, he teaches courses in Energy Management, Electrical Installations, Power Distribution, Electrical Equipment and General Electrotechniques. In the post-graduate program Mr. Meira teaches: Energy Transmission in High Voltage; Laboratory of High Voltage I and Energy Transmission in High Voltage; and Coordination of Isolation. From 1976 to 1978, Mr. Ubirajara was an engineer at Chesf.

*Mr. Flávio Decat de Moura – Distribution Officer:* Mr. Moura has been a member of our Board of Executive Officers since April 2009. Mr. Moura holds a degree in Electric and Electronic Engineering from *Universidade Federal de Minas Gerais*. He was CEO of Eletronuclear from 2001 to 2003, and of Companhia de Gás de Minas Gerais – Gasmig from 2004 to 2007. He was Chief Financial, Participations and Investor Relations Officer of Cemig from 2003 to 2007 and Vice President and Chief Distribution Officer of Empresa Energética do Mato Grosso do Sul S.A. – Enersul from 1996 to 1997.

## **Compensation**

The compensation of our Board of Directors, Board of Executive Officers and Fiscal Council is determined by our shareholders at the Ordinary Shareholders' Meeting held within the first four months of the financial year. That compensation may also include a profit sharing amount at the discretion of our shareholders.

For 2008, 2007 and 2006 the aggregate compensation paid to our Directors, Officers and members of the Fiscal Council (including that paid by our subsidiaries and Itaipu) was R\$17,790,523.59, R\$22,216,802.54 and R\$16,542,772.70, respectively. The total aggregate profit-share paid to our officers (including that paid by our subsidiaries and Itaipu) was R\$1,693,096.97 for 2008, R\$1,762,341.27 for 2007, and R\$1,965,252.83 for 2006. The Board of Executive Officers is responsible for apportioning the compensation among its members, the members of the Board of Directors and the Fiscal Council. We have not set aside or accrued any amounts to provide pension, retirement or similar benefits.

## **Board Practices**

We do not have service contracts with any member of our Board of Directors, Board of Executive Officers or Fiscal Council.

## **Fiscal Council**

Our Fiscal Council is established on a permanent basis and consists of five members and five alternates elected at the annual shareholders meeting for renewable one year terms. The Brazilian Government has the right to appoint three of the members of our Fiscal Council, and both the minority shareholders and the holders of our preferred shares without voting rights, representing at least ten percent of our total capital, have the right to appoint one member each.

The current members of our Fiscal Council, set out in the table below, and respective alternates were elected at the general shareholders meeting held on April 30, 2008. Their terms of office are due to end at the ordinary shareholder meeting scheduled for April 2010.

**Member**

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Hailton Madureira de Almeida  
Danilo de Jesus Vieira Furtado  
Edison Freitas de Oliveira  
Ana Lucia de Paiva Lorena Freitas

**Alternate**

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Ricardo de Paula Monteiro  
Luciana de Almeida Toldo  
Rodrigo Magela Pereira  
Jairez Elói de Sousa Paulista

## PRINCIPAL SHAREHOLDERS

At March 31, 2009, the aggregate amount of our outstanding capital stock was R\$26,156,567,211.64, consisting of 905,023,527 outstanding common shares, together with 146,920 outstanding class “A” preferred shares and 227,186,643 outstanding class “B” preferred shares. This represented 79.92%, 0.01% and 20.07% of our aggregate outstanding capital stock, respectively and reflects the reverse 500:1 stock split we effected on August 20, 2007.

At January 20, 2009, we had 7,939 beneficial and four registered holders of ADSs representing common shares and 2,784 beneficial and three registered holders of ADSs representing preferred shares.

The following table shows information relating to beneficial ownership in our common and preferred shares at March 31, 2009:

**At March 31, 2009:**

Shareholder	Common Shares		Class A Preferred Shares		Class B Preferred Shares		Total
	(number)	(%)	(number)	(%)	(number)	(%)	
Brazilian Government .....	488,656,241	53.99	—	—	35,191,714	15.49	523,847,955
BNDES Participações S.A. ....	133,757,950	14.78	—	—	712,600	0.31	134,470,550
Fundo Nacional de Desenvolvimento .....	45,621,589	5.04	—	—	—	—	45,621,589
Fundo Garantidor de Parcerias Público-Privadas .....	40,000,000	4.42	—	—	—	—	40,000,000
Cleared through CBLC:.....							
Depository Receipt Program ...	66,740,367	7.37	—	—	33,010,949	14.53	99,751,316
Other shares cleared through CBLC held by foreign shareholders .....	64,755,075	7.16	—	—	77,335,830	34.04	142,090,905
Other shares cleared through CBLC held by local shareholders .....	65,423,961	7.23	84,741	57.68	40,238,726	17.71	105,747,428
Others:.....							
Held by foreign shareholders ..	27,729	0.00	27	0.02	4,002	0.00	31,758
Held by local shareholders .....	40,615	0.00	62,152	42.30	40,692,822	17.92	40,795,589
<b>Total .....</b>	<b>905,023,527</b>	<b>100.00</b>	<b>146,920</b>	<b>100.00</b>	<b>227,186,643</b>	<b>100.00</b>	<b>1,132,357,090</b>



## RELATED PARTY TRANSACTIONS

We administer certain funds, including the RGR fund, CCC Account and CDE Account, on behalf of the Brazilian Government, our controlling shareholder.

We sometimes act together with other Brazilian state-owned companies or governmental entities. These activities are mainly in the areas of technical cooperation and research and development. In 2000 our Board of Directors approved the execution of a Technical and Financial Cooperation Agreement between ourselves and the MME, for us to perform viability studies in relation to the Brazilian hydrographic base, with the purpose of identifying potential sites for the future construction of hydroelectric plants. The estimate value of this contract is R\$25 million, to be paid to us by the MME.

Our subsidiary Eletronorte has entered into preliminary discussions with a number of parties, including Petrobrás Energia S.A. (which is also partly owned by the Brazilian Government), in relation to the potential construction of a thermoelectric plant in Manaus.

In addition, we have also made a number of loans to our subsidiaries and public energy utilities previously under our control, details of which are set out in the table below:

	At March 31, 2009				At December 31, 2008			
	Current Charges		Principal Amount		Current Charges		Principal Amount	
	Average Interest Rate	Value	Current	Non Current	Average Interest Rate	Value	Current	Non Current
<i>(R\$ thousands, except percentages)</i>								
<b>Controlled Companies</b>								
FURNAS .....	8.48%	11,052	228,548	883,768	10.00%	8,082	78,073	1,091,846
CHESF .....	11.32%	-	417,487	2,881,834	11.47%	31,575	440,873	2,988,359
ELETROSUL .....	7.83%	-	97,565	499,996	7.56%	1,168	77,274	513,719
ELETRONORTE .....	15.73%	27,185	181,520	7,090,028	13.57%	15,500	231,349	7,342,566
ELETRONUCLEAR.....	12.45%	20,578	65,350	2,843,680	12.69%	2,176	64,870	2,835,655
CGTEE .....	4.72%	7,799	4,416	661,360	6.39%	816	-	574,138
CEAL .....	12.51%	249	32,981	321,256	12.57%	3,435	39,874	303,656
CERON .....	11.40%	-	41,037	415,162	11.43%	1,472	53,617	396,735
CEPISA .....	11.27%	-	67,656	378,844	12.03%	984	84,663	348,331
ELETROACRE .....	11.07%	-	7,263	32,519	11.02%	351	9,557	30,161
MANAUS .....	10.86%	-	131,509	1,171,038	10.49%	-	140,254	589,101
ITAIPU .....	7.08%	-	60,375	17,941,105	7.07%	-	60,944	18,355,581
		<u>66,863</u>	<u>1,335,707</u>	<u>35,120,590</u>		<u>65,559</u>	<u>1,281,348</u>	<u>35,369,848</u>
<b>Others</b>								
CEMIG .....	6.15%	268	54,649	359,850	6.76%	2,457	63,022	403,565
COPEL .....	8.39%	15	4,209	66,090	10.21%	429	4,548	67,142
CEEE .....	8.95%	100	57,098	29,564	9.33%	172	66,693	30,085
DUKE .....	10.00%	2,267	171,843	405,364	10.00%	2,375	168,691	439,233
AES TIETÊ .....	10.00%	4,599	231,367	913,136	10.00%	4,819	224,659	982,694
AES								
ELETROPAULO .....	10.29%	277,458	113,968	-	10.01%	274,406	117,931	-
TRACTBEL .....	12.00%	-	28,137	33,815	12.00%	707	29,611	41,114
CELPE .....	6.00%	434	15,670	74,039	6.00%	867	17,173	77,957
CEMAR .....	5.91%	-	20,066	320,908	5.09%	1,154	26,352	317,532
CESP .....	9.36%	820	28,395	226,201	9.36%	1,165	28,121	235,273
OUTRAS .....		93,226	326,191	1,604,284	-	100,658	331,872	1,572,714
(-) PCLD .....		(66,406)	(68,542)	-	-	(58,221)	(59,454)	-
		<u>312,781</u>	<u>983,051</u>	<u>4,033,251</u>		<u>330,988</u>	<u>1,019,219</u>	<u>4,167,309</u>
<b>TOTAL .....</b>		<b><u>379,644</u></b>	<b><u>2,318,758</u></b>	<b><u>39,153,841</u></b>		<b><u>396,547</u></b>	<b><u>2,300,567</u></b>	<b><u>39,537,157</u></b>

For further details please see the description in “Business—Overview—Lending and Financing Activities—Loans Made by Us.”

There are also certain contractual arrangements in place between Eletronuclear and Furnas for the sale and purchase of energy produced by Eletronuclear, which are more closely described in “Business—Overview—Nuclear Plants.”

We believe our transactions with related parties are conducted on market terms.

## TERMS AND CONDITIONS OF THE NOTES

*The following (subject to completion and amendment) is the text of the Terms and Conditions of the Notes, which (except for the text in italics) will appear on the reverse of each of the Definitive Notes representing the notes:*

The issue of the notes was authorised by a resolution of the Board of Directors of the Issuer passed April 27, 2009. The notes are constituted by a Trust Deed (as amended from time to time, the “Trust Deed”) dated July 30, 2009 between the Issuer and Deutsche Bank Trust Company Americas (the “Trustee,” which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined in Condition 1(b)). These Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the definitive notes. Copies of the Trust Deed, and of the Agency Agreement (as amended from time to time, the “Agency Agreement”) dated July 30, 2009 relating to the notes between the Issuer, the Trustee and the Agents (as defined below), are available for inspection during usual business hours at the registered office of the Trustee (presently at 60 Wall Street, MS NYC60-2710, New York, New York 10005) and at the specified offices of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (the “Principal Paying Agent”), Deutsche Bank Trust Company Americas (the “New York Paying Agent”), Deutsche Bank Luxembourg S.A. (the “Luxembourg Paying Agent” and together with the New York Paying Agent, the “Paying Agents”), Deutsche Bank Trust Company Americas (the “Registrar”), and Deutsche Bank Trust Company Americas and Deutsche Bank Luxembourg S.A. (collectively, the “Transfer Agents” and together with the “Principal Paying Agent,” the “New York Paying Agent,” the “Luxembourg Paying Agent” and the “Registrar,” the “Agents”) for the time being. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those applicable to them of the Agency Agreement.

### 1. Form, Denomination and Title

(a) *Form and Denomination:* The notes are in registered form in amounts of U.S.\$100,000 and higher integral multiples of U.S.\$1,000 (each an “Authorised Denomination”). The notes will initially be represented by a permanent global note or notes in fully registered form without interest coupons and will be registered in the name of a nominee of DTC and deposited with a custodian for DTC. Interests in the permanent global note or notes shall be exchangeable, in accordance with their terms and the Agency Agreement, for definitive notes. A definitive note (each a “Definitive Note”) will be issued to each Noteholder in respect of its registered holding or holdings of notes. Each Definitive Note will be numbered serially with an identifying number which will be recorded in the register (the “Register”) which the Issuer shall procure to be kept by the Registrar.

(b) *Title:* Title to the notes passes by and upon registration in the Register. In these Conditions, “Noteholder” and “holder” means the person in whose name a note is registered in the Register. The holder of any note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or theft or loss of, the Definitive Note issued in respect of it) and no person will be liable for so treating the holder.

### 2. Transfers of Notes and Issue of Definitive Notes

(a) *Transfer, Issue and Delivery:* A note may be transferred in whole or in part in an Authorised Denomination upon the surrender of the Definitive Note issued in respect of that note, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar or any Transfer Agent; provided that the principal amount of the balance of the notes are Authorized Denominations. In the case of a transfer of part only of a note which is an Authorised Denomination, a new Definitive Note in respect of the balance not transferred will be issued to the transferor within three business days of receipt of such form of transfer, by uninsured post (airmail if overseas) at the risk and request of the holder to the address of the holder appearing in the Register. Each new Definitive Note to be issued upon a transfer of notes will, within three business days of receipt of such form of transfer, be sent by uninsured post (airmail if overseas) at the risk and request of the holder entitled to the note in respect of which the relevant Definitive Note is issued to such address as may be specified in such form of transfer.

(b) *Transfer Free of Charge:* Registration of transfer of notes will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment (or the giving of such indemnity as

the Registrar or the relevant Transfer Agent may require) in respect of any tax or other governmental charges which may be imposed in relation to it.

(c) *Closed Periods*: No Noteholder may require the transfer of a note to be registered (i) during the period of 15 days ending on the due date for any payment of principal on that note or (ii) after any such note has been called for redemption pursuant to Condition 6.

(d) *Regulations*: All transfers of notes and entries on the Register will be made subject to the detailed regulations concerning transfer of notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

### **3. Status**

The notes constitute (subject to Condition 4) direct, unconditional, unsecured and unsubordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equal in right of payment with all its other present and future unsecured and unsubordinated obligations.

### **4. Negative Pledge and Covenants**

(a) *Negative Pledge*: So long as any note remains outstanding (as defined in the Trust Deed):

- (i) the Issuer will not create or permit to subsist any Security, except for Permitted Security, upon the whole or any part of its undertaking, assets or revenues present or future to secure (x) any of its Indebtedness, (y) any of its Guarantees or (z) the Indebtedness or Guarantees of any other person; and
- (ii) the Issuer will procure that none of its Material Subsidiaries creates or permits to subsist any Security, except for Permitted Security, upon the whole or any part of such Material Subsidiary's undertaking, assets or revenues, present or future (including any uncalled capital), to secure (x) any of the Issuer's Indebtedness or Guarantees, (y) any of its own Indebtedness or Guarantees or (z) the Indebtedness or Guarantees of any other person.

unless, at the same time or prior thereto, the Issuer's obligations under the notes and the Trust Deed (aa) are secured at least equally and rateably therewith to the satisfaction of the Trustee, or (bb) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders or (cc) in the case of any statutory lien created on any of the assets or income of the Issuer or any Material Subsidiary as security for any Indebtedness, are secured by at least an equivalent lien.

(b) *Covenants*: So long as any note remains outstanding:

- (i) the Issuer will not permit any Material Subsidiary to create or permit to exist any contractual or other restriction on the ability of that Material Subsidiary to pay dividends or make any other distributions on its capital stock (except as may be required as a matter of law);
- (ii) the Issuer will, and will cause each of its Material Subsidiaries to, maintain insurance with financially sound and reputable insurance companies in such amounts and covering such risks as is usually carried by Brazilian companies engaged in similar businesses and owning and/or operating properties or facilities similar to those owned and/or operated by the Issuer or such Material Subsidiary, as the case may be;

- (iii) the Issuer will, and will cause each of its Subsidiaries to, (x) maintain in effect its corporate existence and all registrations necessary therefor, (y) take all actions to maintain until the expiration date set forth in or pursuant to the terms thereof (and renew, if permitted by applicable law, and thereafter maintain until the expiration date set forth in or pursuant to the terms thereof) all rights, privileges, titles to property, franchises, concessions and the like necessary in the normal conduct of their respective businesses, activities or operations and (z) keep their respective property in reasonably good working order or condition; provided, however, that this covenant shall not require the Issuer to maintain any such right, privilege, title to property, franchise or concession or to preserve the corporate existence of any Subsidiary if the Board of Directors of the Issuer shall determine that the maintenance or preservation thereof is unnecessary to the business of the Issuer, determined on a consolidated basis, as conducted as of the date of determination; provided further that, to the extent the Issuer or any of its Subsidiaries is unable to renew any concession due to restrictions imposed by applicable law, the Issuer will, and will cause each of its Subsidiaries to use all reasonable commercial efforts to participate in any new bidding process for any such concession;
- (iv) the Issuer will not merge, consolidate or otherwise combine with any other person or dispose of substantially all of its undertaking, assets or revenues, present or future, determined on a consolidated basis whether by a series of transactions completed during the period since the date of the Trust Deed or otherwise unless (x) the corporation (if other than the Issuer) formed by or resulting from any such consolidation or merger or the corporation or corporations which shall have received such undertaking, assets or revenues shall be a corporation or corporations organised and existing under the laws of Brazil and shall assume (jointly and severally with the Issuer unless the Issuer shall have ceased to exist as part of the merger, consolidation or combination), on terms and subject to conditions previously approved in writing by the Trustee, payment of the principal of and interest on the notes and the performance and observance of all of the covenants and conditions of the Trust Deed to be performed and observed by the Issuer and (y) the Issuer or such successor corporation or corporations, as the case may be, shall not immediately thereafter be in default under the notes or the Trust Deed; and
- (v) the Issuer will not dispose of any material part of its undertaking, assets or revenues, present or future, determined on a consolidated basis, unless such disposal is made on arm's length terms and there is, as a result of such disposal, no substantial change in the nature of the business of the Issuer, determined on a consolidated basis.

The Trustee shall be entitled to call for and rely on certificates of two Directors of the Issuer with respect to the non-maintenance of any right, privilege, title to property, franchise or concession or the non-preservation of the corporate existence of any Subsidiary as referred to in Condition 4(b)(iii), as to whether the maintenance or preservation thereof is necessary to the business of the Issuer, determined on a consolidated basis, as conducted as of the date of determination.

- (c) *Definitions:* For the purposes of these Conditions:
  - (i) "Guarantee" means any obligation of a person to pay the Indebtedness of another person including, without limitation:
    - (a) an obligation to pay or purchase such Indebtedness;
    - (b) an obligation to lend money or to purchase or subscribe for shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
    - (c) an indemnity against the consequences of a default in the payment of such Indebtedness; or

- (d) any other agreement to be responsible for such Indebtedness;
- (ii) “Indebtedness” means any obligation (whether present or future, actual or contingent) for the payment or repayment of money which has been borrowed or raised (including money raised by acceptances and leasing if such leasing, according to Brazilian generally accepted accounting principles, would be classified as a capital lease obligation);
- (iii) “Material Subsidiary” means any Subsidiary of the Issuer which at the time of determination either (1) had assets which, as of the date of the Issuer’s most recent quarterly consolidated balance sheet, constituted at least 5.0% of the Issuer’s total assets on a consolidated basis as of such date, or (2) had operating revenues for the 12-month period ending on the date of the Issuer’s most recent quarterly consolidated statement of income which constituted at least 5.0% of the Issuer’s total operating revenues on a consolidated basis for such period;
- (iv) “Permitted Security” means:
  - (a) Security granted in respect of Indebtedness which is exchangeable into shares of the Issuer or any of its Material Subsidiaries, provided that Security is only granted over the shares into which such Indebtedness is exchangeable;
  - (b) Security granted by the pledge or assignment of current or future accounts receivable due to the Issuer or any of its Material Subsidiaries and created to secure Indebtedness incurred, in the ordinary course of business, by the Issuer or any of its Material Subsidiaries;
  - (c) Security over all or part of any property, assets (without limitation, equity interests) or revenues to secure Indebtedness incurred solely for purposes of financing the acquisition, construction or installation thereof incurred concurrently with or within 120 days after the completion of such acquisition, construction or installation, or Security on any property, assets (including without limitation, equity interests) or revenues existing on the day of acquisition thereof;
  - (d) Security granted in respect of a project and securing Indebtedness incurred in connection with the project financing of such project by the Issuer, any of the Issuer’s Material Subsidiaries or any consortium or other venture in which the Issuer or any Material Subsidiary of the Issuer has any ownership or other similar interest provided that the Security for such Indebtedness consists principally of the assets and/or revenues directly connected to such project;
  - (e) Any extension, renewal or replacement, in whole or in part, of any Security described in Condition 4(c) (iv) (a), (b), (c) or (d) above, provided that (x) such extension, renewal or replacement does not extend to any property other than that originally subject to the Security being extended, renewed and replaced and (y) the principal amount of the Indebtedness secured by such Security is not increased;
  - (f) Security granted in respect of Indebtedness owed to the Federal Government of Brazil, Banco Nacional de Desenvolvimento Econômico e Social – BNDES or any official developmental bank or official developmental government agency, in each case, of (x) Brazil or of any state or region thereof, or (y) any other country (or political subdivision thereof) in which the Issuer or any of its Material Subsidiaries is then operating;

- (g) Security securing repayment or indemnification obligations of the Issuer or any of its Material Subsidiaries to the Federal Government of Brazil in respect of any Guarantees the Federal Government of Brazil may provide of Indebtedness of the Issuer or any of its Material Subsidiaries to any multilateral organisation or international development bank or similar agency;
- (h) Security arising by operation of law and in the ordinary course of business of the Issuer or any of its Material Subsidiaries in connection with any Indebtedness, provided that such Security does not arise by exercise of rights of the holder or beneficiary as a result of any default or omission under such Indebtedness by the Issuer or any Material Subsidiary;
- (i) Security existing on the Issue Date; or
- (h) Security in respect of Indebtedness the principal amount of which in the aggregate, together with all Security not otherwise qualifying as Permitted Security pursuant to another part of this definition, does not exceed 7.5% of the Issuer's shareholders' equity;
- (v) "person" means any individual, company, corporation, firm, partnership, joint venture or organisation, state or agency of a state, or other entity, whether or not having a separate legal identity;
- (vi) A "project financing" of any project means the incurrence of Indebtedness relating to the development, expansion, renovation, upgrade or other modification or construction of such project;
- (vii) "Security" means any mortgage, pledge, lien, hypothecation, security interest or other charge or encumbrance including, without limitation, any equivalent created or arising under the laws of Brazil;
- (viii) "Subsidiary" means, at any particular time, any person over which the Issuer has direct or indirect control (as defined in the Trust Deed), whether by ownership of share capital or by shareholders' agreement, provided that any person whose accounts either the Brazilian Securities and Exchange Commission (*Comissão de Valores Mobiliários*, the CVM) or Brazilian accounting principles do not require to be consolidated with those of the Issuer shall be excluded from this definition and or the purpose of certifying which companies are or are not Subsidiaries, the Trustee may rely without liability on a certificate signed by any two Directors of the Issuer.

## 5. Interest

Each note bears interest from July 30, 2009 (the "Issue Date") at the rate of 6.875 per cent. per annum (the "Rate of Interest"), payable semi-annually in arrear on January 30 and July 30 and in each year (each, an "Interest Payment Date"), commencing on January 30, 2010, subject as provided in Condition 7. Each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called and "Interest Period."

Each note will cease to bear interest from the due date for redemption unless, after surrender of the Definitive Note, payment of principal is improperly withheld or refused. In such event interest will continue to accrue at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such note up to that day are received by or on behalf of the relevant holder and (b) the day seven days after the Trustee, the Principal Paying Agent or any Paying Agent has notified Noteholders of receipt of all sums due in respect of all the notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

The amount of interest payable in respect of each note for any Interest Period shall be calculated by applying the Rate of Interest to the principal amount of such note, dividing the product by two and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

If interest is required to be calculated for any period other than an Interest Period, it will be calculated on the basis of a 360 day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

## **6. Redemption and Purchase**

(a) *Final Redemption:* Unless previously redeemed, or purchased and cancelled, the notes will be redeemed at their principal amount on July 30, 2019. The notes may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

(b) *Redemption for Taxation Reasons:* The notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to Noteholders (which notice shall be irrevocable) in accordance with Condition 16, at their principal amount (together with interest accrued to the date fixed for redemption), if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that it has or will become obliged to pay additional amounts as provided or referred to in Condition 8 in excess of the additional amounts the Issuer would be obliged to pay if payments were subject to withholding or deduction at a rate of 15 per cent. (the "Withholding Level") as a result of any change in, or amendment to, the laws or regulations of Brazil or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, provided that any such change, amendment or change in application or official interpretation is applicable to all public sector and private sector issuers in Brazil generally, in either case which change or amendment becomes effective on or after July 30, 2009 and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(b), the Issuer shall deliver to the Trustee an officer's certificate stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above in which event it shall be conclusive and binding on the Noteholders. The Issuer shall not have the right to redeem the notes in the event it is or becomes obliged to pay additional amounts which are less than the additional amounts payable at the Withholding Level.

(c) *Purchase:* The Issuer and any of its Subsidiaries may at any time purchase notes in the open market or otherwise at any price.

(d) *Cancellation:* All notes so redeemed or purchased by the Issuer will be cancelled and may not be re-issued or resold.

## **7. Payments**

(a) *Payment to Principal Paying Agent or Paying Agent:* The Issuer will by 10:00 a.m. (New York City time) on the Business Day prior to each date on which any payment in respect of the notes becomes due, transfer to the Principal Paying Agent or any Paying Agent such amount as may be required for the purposes of such payment. The Issuer will procure that the bank through which such payment is to be made will supply to the Principal Paying Agent or the Paying Agent by 10:00 a.m. (New York City time) on two Business Days prior to the due date for any such payment an irrevocable confirmation (by facsimile transmission or authenticated Swift MT 100 Message) of its intention to make such payment.

(b) *Method of Payment to Noteholders:* Payments of principal and interest in respect of notes will be made or procured to be made by the Principal Paying Agent or any Paying Agent to the person shown on the Register at the close of business on the fifteenth DTC business day before the due date for payment thereof (the "Record Date") by U.S. dollar cheque drawn on, or by transfer to a U.S. dollar account maintained by the payee



with, a bank in New York City. Payments of principal in respect of such notes will be made conditional upon surrender of the relevant Definitive Note at the specified office of any Transfer Agent. Payments will be made by U.S. dollar cheque drawn on a bank in New York City and mailed to the holder (or to the first-named of joint holders) of such note at his address appearing in the Register. Upon application by the holder to the specified office of any Transfer Agent not later than the Record Date preceding the due date for any payment in respect of a note, such payment may be made by transfer to a U.S. dollar account maintained by the payee with a bank in New York City. Details of the account to which a holder's payments will be made should be notified by the holder to the specified office of the Principal Paying Agent or any Paying Agent before the Record Date preceding the relevant date for payment. For the purposes of this Condition 7 (b), "DTC business day" means any day on which The Depository Trust Company is open for business.

(c) *Payments Subject to Law, etc.:* All payments are subject in all cases to any applicable laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) *Payment Initiation:* Where payment is to be made by transfer to a U.S. dollar account, payment instructions (for value on the due date, or if that is not a business day, for value the first following day which is a business day) will be initiated, and, where payment is to be made by cheque, the cheque will be mailed on the due date for payment or, in the case of payments of principal, if later, on the business day on which the relevant Definitive Note is surrendered at the specified office of any Transfer Agent. For the purposes of this Condition 7, "business day" means a day on which commercial banks in London and New York City and, in the case of a surrender of a Definitive Note, in the place the Definitive Note is surrendered, are open.

(e) *Delay in Payment:* Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due as a result of the due date not being a business day, if the Noteholder is late in surrendering or cannot surrender its Definitive Note (if required to do so) or if a cheque mailed in accordance with this Condition 7 arrives after the due date for payment.

(f) *Payment not Made in Full:* If the amount of principal or interest which is due on the notes is not paid in full, the Registrar will annotate the Register with a record of the amount of principal or interest, if any, in fact paid and will (if so requested by the Issuer or a Noteholder) issue a new Definitive Note with a principal amount equal to the remaining unpaid principal amount.

(g) *Agents:* The initial Agents and their initial specified offices are listed below. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of any Agent and appoint additional or other Agents, provided that the Issuer will at all times maintain (i) a Principal Paying Agent, (ii) the Paying Agents, (iii) a Registrar maintaining the Register in New York City, (iv) a Transfer Agent having a specified office in New York City, and (v) a Transfer Agent having a specified office in a European city, which, so long as the notes are listed on the Luxembourg Stock Exchange shall be in Luxembourg. Notice of any change in the Agents or their specified offices will promptly be given by the Issuer to the Noteholders in accordance with Condition 16.

(h) *Payments to Principal Paying Agent and Paying Agents:* Every payment of any sum due in respect of the notes made to the Principal Paying Agent or any Paying Agent as provided in the Agency Agreement shall, to such extent, be a good discharge to the Issuer. The Issuer will indemnify each Noteholder against any failure on the part of the Principal Paying Agent or any Paying Agent to pay any sum due in respect of the notes and will pay such sum to the Trustee on demand. The Trustee will hold the benefit of such indemnity on trust for the Noteholders. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by the Trustee and/or any Noteholder and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under any note or any judgment or order.

## **8. Taxation**

*Gross up:* All payments of principal and interest in respect of the notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for any taxes, duties, assessments or governmental

charges (together, “Taxes”) of whatsoever nature imposed, levied, collected, withheld or assessed by or within Brazil, Japan or the United Kingdom or any political subdivision thereof or taxing authority therein, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any note:

(a) to a holder (or to a third party on behalf of a holder) who is liable to such Taxes in respect of such note by reason of his having some connection with Brazil, Japan or the United Kingdom other than the mere holding of the note or the receipt of the relevant payment in respect thereof; or

(b) the Definitive Note in respect of which is surrendered (where required to be surrendered) more than 30 days after the Relevant Date, except to the extent that the holder of it would have been entitled to such additional amounts on surrender of such Definitive Note for payment on the last day of such period of 30 days; or

(c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) where (in the case of a payment of principal or interest on redemption) the relevant Definitive Note is surrendered for payment by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by surrendering the relevant Definitive Note to another Paying or Transfer Agent in a Member State of the European Union.

If the Issuer becomes subject at any time to any taxing jurisdiction other than Brazil on a net income basis, references in this Condition 8 to Brazil shall be construed as references to Brazil and/or such other jurisdiction.

“Relevant Date” means whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received in New York City by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Noteholders in accordance with Condition 16. Any reference in these Conditions to principal and/or interest shall be deemed to include any additional amounts which may be payable under this Condition 8 or any undertaking given in addition to or in substitution for it under the Trust Deed.

The Issuer shall pay any present or future stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies which arise in any jurisdiction from the execution, delivery, registration or the making of payments in respect of the notes.

## **9. Events of Default**

If any of the following events occurs and is continuing the Trustee at its discretion may, and if so requested by holders of at least 25 per cent. in principal amount of the notes then outstanding or if so directed by an Extraordinary Resolution shall, in each case, if indemnified and/or secured to its satisfaction, give written notice to the Issuer that the notes are, and they shall immediately become, due and payable at their principal amount together with accrued interest:

(a) *Non-Payment:* the Issuer fails to pay the principal of or any interest on any of the notes when due and such failure continues for a period of five days in the case of principal and 30 days in the case of interest; or

(b) *Breach of Other Obligations:* the Issuer does not perform or comply with any one or more of its other obligations in the notes or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 60 days after notice of such default shall have been given to the Issuer by the Trustee; or

(c) *Cross-Default*: (i) any other present or future Indebtedness or Guarantee of the Issuer or any of its Material Subsidiaries becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer or such Material Subsidiary, as the case may be, or (ii) any such Indebtedness or Guarantee is not paid when due after taking into account any applicable grace period; provided that the aggregate amount of the relevant Indebtedness and Guarantees in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred equals or exceeds U.S.\$100,000,000 or its equivalent in other currencies (as reasonably determined by the Trustee); or

(d) *Binding Nature*: the Trust Deed or any note shall for any reason cease to be binding on and enforceable against the Issuer in accordance with its terms, or the binding effect or enforceability thereof shall be contested by the Issuer or the Issuer shall deny that it has any further liability or obligation under the Trust Deed or any notes; or

(e) *Enforcement Proceedings*: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or any of its Subsidiaries and is not discharged or stayed within 60 days; or

(f) *Insolvency*: the Issuer or any of its Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any of its Subsidiaries; or

(g) *Winding-up*: an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any of its Material Subsidiaries, or the Issuer ceases or threatens to cease to carry on all or a material part of its business or operations except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders, or (ii) in the case of a Material Subsidiary, whereby the undertaking and assets of the Subsidiary are transferred to or otherwise vested in the Issuer or another of its Subsidiaries; or

(h) *Authorisation and Consents*: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the notes and the Trust Deed or (ii) to ensure that those obligations are legally binding and enforceable is not taken, fulfilled or done or once any such authorisation or consent has been given, is removed, withdrawn, modified, withheld or otherwise fails to remain valid and subsisting in full force and effect; or

(i) *Ownership*: the Issuer ceases to be owned, directly or indirectly, as to at least 51 per cent. of the voting share capital by the Federal Government of Brazil; or

(j) *Illegality*: it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the notes or the Trust Deed; or

(k) *Analogous Events*: any event occurs which under the laws of Brazil has an analogous effect to any of the events referred to in any of the foregoing Conditions 9(e), (f) and (g);

provided that in the case of Conditions 9(b), (e) and (k) the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Noteholders.

## **10. Prescription**

Claims in respect of principal and interest shall be prescribed unless made within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date.

## **11. Replacement of Definitive Notes**

If any Definitive Note is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of any Transfer Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the taxes and expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer and such Transfer Agent may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Definitive Notes must be surrendered before replacements will be issued.

## **12. Meetings of Noteholders, Modification and Waiver**

(a) *Meetings of Noteholders:* The Trust Deed contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in principal amount of the notes for the time being outstanding. The quorum for any meeting to consider an Extraordinary Resolution will be two or more persons holding or representing a clear majority in principal amount of the notes for the time being outstanding, or at any adjourned meeting two or more persons holding notes or representing Noteholders whatever the principal amount of the notes held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to modify the maturity or other redemption date of the notes or the dates on which interest is payable in respect of the notes, (ii) to reduce or cancel the principal amount or other redemption amount (if any) of the notes, (iii) to reduce the rate of interest in respect of the notes or to vary the method or basis of calculating the rate or amount of interest, (iv) to change the currency of payment of the notes or (v) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in principal amount of the notes for the time being outstanding. An Extraordinary Resolution is defined in the Trust Deed to mean a resolution passed at a duly convened meeting of Noteholders held in accordance with the Trust Deed by a majority of at least 75 per cent. of the votes cast. A written resolution of holders of not less than 90 per cent. in principal amount of the notes for the time being outstanding shall take effect as an Extraordinary Resolution for all purposes. Any Extraordinary Resolution duly passed shall be binding on all holders of notes (whether or not they were present or represented at the meeting at which such resolution was passed).

(b) *Modification and Waiver:* The Trustee and the Issuer may, without the consent of the Noteholders, agree to (i) any modification of any of the provisions of the Trust Deed which is in its opinion of a formal, minor or technical nature or is made to correct a manifest error and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed and the Trustee may, without the consent of the Noteholders, subject as provided in the Trust Deed, determine that any Event of Default or Potential Event of Default (as defined in the Trust Deed) will not be treated as such, provided that any such modification referred to in (ii) above or any waiver or determination is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and, if the Trustee so requires, such modification shall be notified to the Noteholders in accordance with Condition 16 as soon as practicable.

(c) *Entitlement of the Trustee:* In connection with the exercise of its functions (including but not limited to those referred to in this Condition 12) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

### **13. Enforcement**

At any time after the notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed and the notes, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least 25 per cent. in principal amount of the notes outstanding and (b) it shall have been indemnified and/or secured to its satisfaction. No Noteholder may institute proceedings directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

### **14. Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee and its subsidiaries and affiliates are entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

### **15. Further Issues**

The Issuer may from time to time without the consent of the Noteholders create and issue further securities having the same terms and conditions as the notes in all respects (or in all respects except for the first payment of interest on them) so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the notes). References in these Conditions to the notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition 15 and forming a single series with the notes. Any further securities forming a single series with the outstanding securities of any series (including the notes) constituted under the Trust Deed or any deed supplemental to it shall be constituted under a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

### **16. Notices**

Notices to Noteholders will be mailed to them at their respective addresses in the Register and shall be deemed to have been given on the fourth weekday (being a day other than a Saturday or Sunday) after being so mailed. Notices to Noteholders will be valid if published, for so long as the notes are admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange and the rules of such exchange so require, on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the Luxemburger Wort) or, if, in the opinion of the Trustee, such publication is not practicable, in a leading English language daily newspaper of general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made.

*[So long as any of the notes are represented by the Regulation S Global Note, notices required to be published in accordance with Condition 16 may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the relevant accountholders, provided: (i) that such notice is also delivered to the Luxembourg Stock Exchange; and (ii) so long as the notes are admitted to trading on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, publication will also be made in a leading daily newspaper having general circulation in Luxembourg (which is expected to be the Luxemburger Wort) or on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).]*

*[So long as any of the notes are represented by the Restricted Global Note, notices required to be published in accordance with Condition 16 may be given by delivery of the relevant notice to DTC for communication to the relevant accountholders, provided: (i) that such notice is also delivered to the Luxembourg Stock Exchange; and (ii) so long as the notes are admitted to trading on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, publication will also be made in a leading daily newspaper having general circulation in Luxembourg (which is expected to be the Luxemburger Wort) or on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).]*

## **17. Currency Indemnity**

The Trust Deed provides that if any sum due from the Issuer in respect of the notes or any order or judgment given or made in relation thereto has to be converted from the currency (the “first currency”) in which the same is payable under these Conditions or such order or judgment into another currency (the “second currency”) for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the specified office of the Registrar or any Paying or Transfer Agent at its specified office against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof. This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

## **18. Agents**

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any holder.

## **19. Contracts (Rights of Third Parties) Act 1999**

The notes confer no rights under the Contracts (Rights of Third Parties) Act 1999.

## **20. Governing Law**

(a) *Governing Law:* The Trust Deed and the notes, including any non-contractual obligations arising out of or in connection with the notes, are governed by and shall be construed in accordance with English law.

(b) *Jurisdiction:* The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the notes and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed or the notes (“Proceedings”) may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

(c) *Agent for Service of Process:* The Issuer has in the Trust Deed appointed an agent in England to receive service of process in any Proceedings in England. If for any reason the Issuer does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Noteholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(d) *Waiver of Immunity:* The Issuer irrevocably agrees that, should any Proceedings be taken anywhere (whether for an injunction, specific performance, damages or otherwise), no immunity (to the extent that it may at any time exist, whether on the grounds of sovereignty or otherwise) from those Proceedings, from attachment (whether in aid of execution, before judgment or otherwise) of its assets or from execution of judgment shall be claimed by it or on its behalf or with respect to its assets, any such immunity being irrevocably waived. The Issuer irrevocably agrees that it and its assets are, and shall be, subject to such Proceedings, attachment or execution in respect of its obligations under these Conditions.

(e) *Consent to Enforcement:* The Issuer irrevocably and generally consents, to the fullest extent permitted by Brazilian law, in respect of any Proceedings anywhere to the giving of any relief or the issue of any process in connection with those Proceedings including, without limitation, the making, enforcement or execution against any assets whatsoever (irrespective of their use or intended use) of any order or judgment which may be made or given in those Proceedings.

## FORM OF THE NOTES

Notes sold in offshore transactions in reliance on Regulation S will be represented by a permanent global note or notes in fully registered form without interest coupons (or the Regulation S Global Note) and will be registered in the name of a nominee of DTC and deposited with a custodian for DTC. Notes sold in reliance on Rule 144A will be represented by a permanent global note or notes in fully registered form without interest coupons (or the Restricted Global Note and, together with the Regulation S Global Note, the global notes) and will be deposited with a custodian for DTC and registered in the name of a nominee of DTC.

The notes will be subject to certain restrictions on transfer as described in “Transfer Restrictions.” On or prior to the 40th day after the later of the commencement of the offering and the closing date of this offering, a beneficial interest in the Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Restricted Global Note only upon receipt by the principal paying agent of a written certification from the transferor (in the form provided in the trust deed) to the effect that such transfer is being made to a person whom the transferor reasonably believes to be a “*qualified institutional buyer*” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction (or a Restricted Global Note Certificate). After such 40th day, this certification requirement will no longer apply to such transfers. Beneficial interests in the Restricted Global Note may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note, whether before, on or after such 40th day, only upon receipt by the principal paying agent of a written certification from the transferor (in the form provided in the trust deed) to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S or Rule 144A under the Securities Act (or a Regulation S Global Note Certificate). Any beneficial interest in one of the global notes that is transferred to a person who takes delivery in the form of an interest in the other global note will, upon transfer, cease to be an interest in such global note and become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other global note for as long as it remains an interest.

Except in the limited circumstances described under “— Global Notes,” owners of the beneficial interests in global notes will not be entitled to receive physical delivery of individual definitive notes. The notes are not issuable in bearer form.

### Global Notes

Upon the issuance of the Regulation S Global Note and the Restricted Global Note, DTC will credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such global note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the initial purchasers. Ownership of beneficial interests in a global note will be limited to persons who have accounts with DTC (or DTC Participants) or persons who hold interests through DTC Participants. Ownership of beneficial interests in the global notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC Participants) and the records of DTC Participants (with respect to interests of persons other than DTC Participants).

So long as DTC, or its nominee, is the registered owner or holder of a global note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the notes represented by such global note for all purposes under the trust deed and the notes. Unless DTC notifies us that it is unwilling or unable to continue as depositary for a global note, or ceases to be a “*clearing agency*” registered under the Exchange Act, or any of the notes becomes immediately due and payable in accordance with “Terms and Conditions of the Notes — Events of Default,” owners of beneficial interests in a global note will not be entitled to have any portions of such global note registered in their names, will not receive or be entitled to receive physical delivery of notes in individual definitive form and will not be considered the owners or holders of the global note (or any notes represented thereby) under the trust deed or the notes. In addition, no beneficial owner of an interest in a global note will be able to transfer that interest except in accordance with DTC’s applicable procedures (in addition to those under the trust deed referred to herein and, if applicable, those of Euroclear and Clearstream, Luxembourg).

DTC has advised that it will take any action permitted to be taken by holder of notes (including the presentation of notes for exchange as described below) only at the direction of one or more DTC Participants to whose account or accounts with DTC interests in the global notes are credited and only in respect of such portion of the aggregate principal amount of the notes as to which such DTC Participant or DTC Participants has or have given such direction. However, in the limited circumstances described below, DTC will exchange the global notes for individual definitive notes (in the case of notes represented by the Restricted Global Note, bearing a restrictive legend), which will be distributed to its participants. Holders of indirect interests in the global notes through DTC Participants have no direct rights to enforce such interests while the notes are in global form.

The giving of notices and other communications by DTC to DTC Participants, by DTC Participants to persons who hold accounts with them and by such persons to holders of beneficial interests in a global note will be governed by arrangements between them, subject to any statutory or regulatory requirements as may exist from time to time.

DTC has advised as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the Uniform Commercial Code and a “Clearing Agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for DTC Participants and to facilitate the clearance and settlement of securities transactions between DTC Participants through electronic book-entry changes in accounts of DTC Participants, thereby eliminating the need for physical movement of certificates. DTC Participants include security brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (or indirect participants).

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of interests in the Regulation S Global Note and in the Restricted Global Note among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither we nor the trustee will have any responsibility for the performance of DTC, Euroclear or Clearstream, Luxembourg or their respective participants, indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

### **Individual Definitive Notes**

If (1) DTC or any successor to DTC is at any time unwilling or unable to continue as a depository and a successor depository is not appointed by us within 90 days or (2) any of the notes has become immediately due and payable in accordance with “Terms and Conditions of the Notes — Events of Default,” we will issue individual definitive notes in registered form in exchange for the Regulation S Global Note and the Restricted Global Note, as the case may be. Upon receipt of such notice from DTC or the paying agent, as the case may be, we will use its best efforts to make arrangements with DTC for the exchange of interests in the global notes for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the registrar for delivery to holders. Persons exchanging interests in a global note for individual definitive notes will be required to provide the registrar with (a) written instruction and other information required by us and the registrar to complete, execute and deliver such individual definitive notes and (b) in the case of an exchange of an interest in a Restricted Global Note, certification that such interest is not being transferred or is being transferred only in compliance with Rule 144A under the Securities Act. In all cases, individual definitive notes delivered in exchange for any global note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by DTC.

In the case of individual definitive notes issued in exchange for the Restricted Global Note, such individual definitive notes will bear, and be subject to, the legend described in “Transfer Restrictions” (unless we determine otherwise in accordance with applicable law). The holder of a restricted individual definitive note may transfer such note, subject to compliance with the provisions of such legend, as provided in “Terms and Conditions of the Notes.” Upon the transfer, exchange or replacement of notes bearing the legend, or upon specific request for removal of the legend on a note, we will deliver only notes that bear such legend, or will refuse to remove such legend, as the case



may be, unless there is delivered to us such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by us that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act. Before any individual definitive note may be transferred to a person who takes delivery in the form of an interest in any global note, the transferor will be required to provide the principal paying agent with a Restricted Global Note Certificate or a Regulation S Global Note Certificate, as the case may be.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear, Clearstream, Luxembourg or DTC.

## TAXATION

The following discussion, subject to the limitations set forth below, describes material Brazilian, United States and European Union tax considerations relating to your ownership and disposition of notes. This discussion does not purport to be a complete analysis of all tax considerations in Brazil, the United States or the European Union and does not address tax treatment of holders of notes under the laws of other countries or taxing jurisdictions. All investors are urged to consult with their own tax advisors as to which countries' tax laws could be relevant to them.

### Material Brazilian Tax Considerations

The following is a general summary of the Brazilian tax considerations relating to an investment in the notes by a non-Brazilian resident. It is based on the tax laws of Brazil as in effect on the date hereof, is subject to any change in Brazilian law that may come into effect after such date, and is applicable to us. The information set forth below is intended to be a general description only and does not address all possible tax consequences relating to an investment in the notes.

### **PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISERS AS TO THE CONSEQUENCES OF PURCHASING THE NOTES, INCLUDING, WITHOUT LIMITATION, THE CONSEQUENCES OF THE RECEIPT OF INTEREST AND THE SALE, REDEMPTION OR REPAYMENT OF THE NOTES OR COUPONS.**

Individuals domiciled in Brazil and Brazilian companies, entities, trusts or organizations are taxed in Brazil on the basis of their worldwide income (which includes earnings of Brazilian companies' foreign subsidiaries, branches and affiliates). The earnings of non-Brazilian residents in general are taxed in Brazil when derived from Brazilian sources.

Interest, fees, commissions and any other income (which for the purposes of this paragraph includes any deemed income on the difference between the issue price of the notes and the price at which the notes are redeemed (original discount) payable by Brazilian obligor to an individual, company, entity, trust or organization domiciled outside Brazil in respect of debt obligations derived from the issuance by a Brazilian issuer of international debt securities previously registered with the Central Bank, such as the notes, are currently subject to income tax withheld at source. Brazilian tax laws expressly oblige the payer to pay the income or earnings net of taxes and, therefore, to withhold the applicable tax. In case the foreign beneficiary intends to receive the entire original amount net of such withholding taxation, the corresponding calculation basis should be grossed up, thus increasing the effective tax burden. The withholding tax rate with respect to such debt obligations is: (i) generally 15.0%, as provided for in Section 10 of the Normative Act No. 252 of December 3, 2002 issued by the Brazilian Federal Revenue Service (or Normative Act. No. 252); (ii) arguably 25% in cases where the holder of the notes is resident or domiciled in a 'tax haven' jurisdiction (that is deemed to be a jurisdiction which does not impose any tax on income or which imposes such tax at a maximum effective rate lower than 20.0%, or where the laws establish secrecy or impose restrictions on the disclosure of legal entities' equity holdings or ownership), as there is a dispute whether the rate could be 15% as a result on Normative Act. No. 252; or (iii) a lower rate is provided for in an applicable tax treaty between Brazil and the other country where the beneficiary is domiciled. We believe and intend to take the position for Brazilian tax purposes that as long as the principal paying agent is organized under the laws of Japan and payment to the principal paying agent discharges our obligations to make payments under the notes, interest (including original discount) with respect to the notes will be subject to Brazilian withholding tax at a rate of 12.5% under the tax treaty in effect between Brazil and Japan. For such purpose, the paying agent must be granted powers and be authorized to receive the payment on behalf of the holders of the notes, in which case the Brazilian debtor is released from the payment.

Generally, any capital gains generated outside Brazil as a result of a transaction between a non-Brazilian, other than a branch, subsidiary or an affiliated company of a Brazilian resident as defined under Brazilian tax law, to another non-Brazilian resident would not be subject to taxation in Brazil. However, according to Law No.10,833, of February 1, 2004, capital gains realized on the disposal of assets located in Brazil by non-residents, whether or not to non-residents or whether such disposal is made outside or within Brazil, are subject to Brazilian withholding income tax. Although the scope of Law No. 10,833 is unclear, we do not believe that the notes will fall under this

provision. However, Brazilian tax authorities may understand otherwise; i.e. that the gains accrued abroad on the sale or disposal of such notes should be taxable in Brazil.

Any gains obtained by a non-Brazilian resident from the sale or other disposition/alienation of the notes to a Brazilian resident is subject to income tax in Brazil at a rate of 15.0%, or 25.0% if such non-Brazilian resident is located in a tax haven jurisdiction.

Pursuant to Decree No. 6,306 of December 14, 2007 conversion into Brazilian currency (*reais*) of proceeds received in foreign currency by a Brazilian entity, as well as the conversion into foreign currency of proceeds received in *reais*, are subject to the Tax on Financial Transactions (IOF) levied on foreign exchange transactions (or IOF/Câmbio). Currently, the rate of the IOF/Câmbio is reduced to zero for foreign-sourced loans carried out through the commercial rate foreign exchange market that have a term greater than 90 days. In case of loans with a minimum average term of less than 90 days, the IOF is levied at a rate equal to 5.38% of the proceeds received. The Brazilian Federal Government is permitted to increase the rate at any time up to 25%. Any such increase, although immediately applicable, would only affect future transactions (would not be retroactive).

Generally, there are no stamp, transfer or other similar taxes in Brazil with respect to the transfer, assignment or sale of the notes outside Brazil, nor any inheritance, gift or succession tax applicable to the ownership, transfer or disposition of the notes, except for gift and inheritance taxes imposed in some States of Brazil on gifts and bequests by individuals or entities not domiciled or residing in Brazil to individuals or entities domiciled or residing within such Brazilian States.

#### **Certain U.S. Federal Income Tax Considerations**

***The discussion of U.S. tax matters set forth in this listing circular was written in connection with the promotion or marketing of the transactions described herein and was not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding tax-related penalties under U.S. federal, state or local tax law. Each taxpayer should seek advice based on its particular circumstances from an independent tax advisor.***

The following summary discusses the principal U.S. federal income tax consequences of the acquisition, ownership and disposition of the notes. Except as specifically noted below, this discussion applies only to:

- notes purchased on original issuance at their “issue price” (as defined below);
- notes held as capital assets for U.S. federal income tax purposes (generally, property held for investment); and
- U.S. Holders (as defined below).

This discussion does not describe all of the tax consequences that may be relevant in light of a U.S. Holder’s particular circumstances or to U.S. Holders subject to special rules, such as:

- financial institutions;
- insurance companies;
- dealers in securities or foreign currencies;
- persons holding notes as part of a hedging transaction, “straddle,” conversion transaction or other integrated transaction;
- certain former citizens and residents of the United States;
- U.S. Holders whose functional currency is not the U.S. dollar; or

- partnerships or other entities classified as partnerships for U.S. federal income tax purposes.

This summary is based on the Internal Revenue Code of 1986, as amended to the date hereof (the “Code”), administrative pronouncements, judicial decisions and final, temporary and proposed U.S. Treasury Regulations, changes to any of which subsequent to the date of this listing circular may affect the tax consequences described below, possibly on a retroactive basis. Persons considering the purchase of the notes should consult their own tax advisers with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

As used herein, the term “U.S. Holder” means a beneficial owner of a note that is for United States federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation created or organized in or under the laws of the United States or of any political subdivision thereof;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

If an entity that is classified as a partnership for U.S. federal income tax purposes invests in notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and upon the activities of the partnership. Partnerships investing in notes should consult their own tax advisers regarding the tax consequences of their investment.

### ***Payments of Interest***

Interest on a note, including additional amounts, will be taxable to a U.S. Holder as foreign source ordinary income at the time it is received or accrued, depending on the holder’s method of accounting for U.S. federal income tax purposes. U.S. Holders will be treated as having received the amount of any Brazilian taxes withheld by the issuer with respect to a note (see “Material Brazilian Tax Considerations”), and as then having paid over the withheld taxes to the Brazilian taxing authorities. As a result of this treatment, the amount of interest income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of interest would be greater than the amount of cash actually received by the U.S. Holder from the issuer with respect to the payment.

If the issue price (as defined in this section) of the notes is less than their principal amount by more than a *de minimis* amount, U.S. Holders will be subject to special U.S. federal income tax rules with respect to this original issue discount (“OID”). OID will be considered to be *de minimis* if it is less than .25% of the principal amount multiplied by the number of complete years to maturity. U.S. Holders will be required to include any OID in income for U.S. federal tax purposes as it accrues in accordance with a constant yield method based on a compounding of interest, even though the cash attributable to this income is will not be received until the notes are sold, exchanged or retired. U.S. Holders should consult their own tax adviser concerning how to account for any OID that may accrue on the notes.

Subject to certain limitations, a U.S. Holder will generally be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for Brazilian income taxes withheld by the issuer. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. As the relevant rules are very complex, U.S. Holders should consult their own tax adviser concerning the availability and utilization of the foreign tax credit to their particular circumstances.

### ***Sale, Exchange or Retirement of the Notes***

A U.S. Holder will generally recognize gain or loss on the sale, exchange or retirement of a note equal to the difference between the amount realized on the sale, exchange or retirement and the U.S. Holder's basis in the note. The amount realized does not include the amount attributable to accrued but unpaid interest not previously included in income, which will be treated like a payment of interest as described under "— Payments of Interest." A U.S. Holder's basis in a note will generally be the acquisition cost of the note, increased by any OID and unpaid interest previously included in income. Any gain or loss that a U.S. Holder recognizes upon the sale, exchange or other disposition of a note generally will be U.S. source capital gain or loss and will be long term capital gain or loss if, at the time of disposition, the U.S. Holder's holding period for the note is more than one year.

A U.S. Holder generally will not be able to claim a foreign tax credit with respect to any Brazilian taxes withheld on the proceeds from the sale, exchange or retirement of a note. The U.S. foreign tax credit rules are very complex. U.S. Holders should consult their own advisors with respect to the application of these rules to their particular circumstances.

### ***Information Reporting and Backup Withholding***

Information returns may be filed with the IRS in connection with payments of principal and interest in respect of, and the proceeds from sales of, notes held by a U.S. Holder unless the U.S. Holder establishes, if required, that it is exempt from the information reporting rules, for example by properly establishing that it is a corporation. If the U.S. Holder does not establish that it is exempt from these rules, the U.S. Holder may be subject to backup withholding on these payments if it fails to provide a taxpayer identification number or otherwise comply with the backup withholding rules. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

### ***EU Savings Tax Directive***

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

## **CERTAIN ERISA CONSIDERATIONS**

The U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”) imposes certain requirements on “employee benefit plans” (as defined in ERISA) subject to Title I of ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, ERISA Plans) and on those persons who are fiduciaries with respect to ERISA Plans.

Section 406 of ERISA and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the Code), prohibit certain transactions involving the assets of an ERISA Plan (Section 4975 of the Code also imposes prohibitions for certain plans that are not subject to Title I of ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, Plans)) and certain persons (referred to as “*parties in interest*” or “*disqualified persons*”) having certain relationships to Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code. Accordingly, each original or subsequent purchaser or transferee of any note that is or may become a Plan is responsible for determining that its purchase and holding of such note will not constitute a prohibited transaction under ERISA or Section 4975 of the Code.

THE PRECEDING DISCUSSION IS ONLY A SUMMARY OF CERTAIN ERISA IMPLICATIONS OF AN INVESTMENT IN THE NOTES AND DOES NOT PURPORT TO BE COMPLETE. PROSPECTIVE INVESTORS SHOULD CONSULT WITH THEIR OWN LEGAL, TAX, FINANCIAL AND OTHER ADVISORS PRIOR TO INVESTING IN THE NOTES TO REVIEW THESE IMPLICATIONS IN LIGHT OF SUCH INVESTOR’S PARTICULAR CIRCUMSTANCES.

## PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a subscription agreement dated July 23, 2009, we have agreed to sell to Credit Suisse Securities (USA) LLC, as initial purchaser, the aggregate principal amount of notes.

The subscription agreement provides that the initial purchaser is obligated to purchase all of the notes if any are purchased.

The initial purchaser proposes to offer the notes initially at the offering price on the cover page of this listing circular and may also offer the notes to selling group members at the offering price less a concession. After the initial offering, the offering price may be changed.

The notes have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except to qualified institutional buyers in reliance on Rule 144A under the Securities Act. The initial purchaser has agreed that, except as permitted by the subscription agreement, it will not offer, sell or deliver the notes: (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of this commencement of the offering and the closing date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each broker/dealer to which it sells the notes in reliance on Regulation S during such 40-day period, a confirmation or other notice detailing the restrictions on offers and sales of the notes within the United States, or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act. Resales of the notes are restricted as described under "Transfer Restrictions."

In addition, until 40 days after the commencement of this offering, an offer or sale of the notes within the United States by a broker/dealer (whether or not it is participating in the offering), may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A.

### *European Economic Area*

The initial purchaser represents and agrees that, in relation to each member state of the European Economic Area, or EEA, which has implemented the Prospectus Directive (each, a Relevant Member State), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of the notes to the public in that Relevant Member State other than:

- to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or
- in any other circumstances which do not require the publication by us of a prospectus pursuant to Article 3 of the Prospectus Directive.

Provided that, in each case, no such offer of the notes shall require the Company or the initial purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of notes to the public" in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on

the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state. The EEA selling restriction is in addition to any other selling restrictions set out below.

### ***United Kingdom***

The initial purchaser represents and agrees that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, or FSMA) received by it in connection with the issue or sale of any notes in circumstances in which Section 21(1) of the FSMA does not apply to us; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

### ***Italy***

This listing circular has not been submitted for approval by *Commissione Nazionale per le Società e la Borsa* (“CONSOB”, the Italian Securities Regulator) pursuant to the Italian securities legislation. The notes offered by this listing circular may not be offered, sold or delivered nor may this listing circular be distributed or made available in the Republic of Italy other than:

- (a) to qualified investors (qualifying as *clienti professionali* and *investitori qualificati*), pursuant to Annex 3 to CONSOB Regulation No. 16190 of 29 October 2007 (the “Intermediaries Regulation”) and pursuant to Article 100, paragraph 1, letter a) and Article 30, paragraph 2 of Legislative Decree No. 58 of 24 February 1998, as amended (the “Italian Financial Laws Consolidation Act”) and Article 2.1 of the Prospectus Directive; or
- (b) in any other circumstances where an express exemption from compliance with the restrictions on the offer to the public applies, as provided under the Italian Financial Laws Consolidation Act and CONSOB Regulation No. 11971 of 14 May 1999, as amended,

provided that, in any case, the offer or sale of the notes in the Republic of Italy shall be effected in accordance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations.

Moreover and subject to the foregoing, any such offer, sale or delivery of any notes or distribution of this listing circular or any other document relating to any notes must be made by:

- (i) a bank, investment firm or financial company enrolled in the special register provided for under Article 107 of the Legislative Decree No. 385 of 1 September 1993, as amended (the “Italian Banking Act”), to the extent duly authorized to engage in the placement and/or underwriting of financial instruments in Italy in accordance with the Italian Banking Act, the Italian Financial Laws Consolidation Act and the Intermediaries Regulation;
- (ii) to the extent applicable, in compliance with Article 129 of the Banking Act and the relevant regulations of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request post-offering information on the issue or the offer of securities in the Republic of Italy, save where an express exemption to the notification duties applies; and
- (iii) in compliance with any requirement or limitation which may be imposed from time to time, *inter alia*, by CONSOB or the Bank of Italy.



Investors should also note that, in any subsequent distribution of the notes in the Republic of Italy, Article 100-bis, paragraph 2, of the Italian Financial Laws Consolidation Act affects the transferability of the notes in the Republic of Italy to the extent that any placing of notes is made solely with qualified investors and such notes are then systematically resold to non-qualified investors on the secondary market at any time in the 12 months following such placing. Where this occurs, purchasers of notes who are acting outside of the course of their business or profession may in certain circumstances be entitled to declare such purchase void and to claim damages from any authorized person at whose premises the notes were purchased, unless an exemption provided for under the Italian Financial Laws Consolidation Act applies.

### **Portugal**

The initial purchaser has represented and agreed that:

- (i) no document, circular, advertisement or any offering material in relation to the notes has been or will be subject to approval by the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários*, the “CMVM”);
- (ii) it has not directly or indirectly taken any action or offered, advertised or sold or delivered and will not directly or indirectly offer, advertise, sell, re-sell, re-offer or deliver any notes in circumstances which could qualify as a public offer (*oferta pública*) pursuant to the Portuguese Securities Code (*Código dos Valores Mobiliários*, the “CVM”), and/or in circumstances which could qualify the issue of the notes as an issue or public placement of securities in the Portuguese market;
- (iii) it has not, directly or indirectly, distributed and will not, directly or indirectly, distribute to the public the listing circular or any document, circular, advertisements or any offering material;
- (iv) all offers, sales and distributions of the notes have been and will only be made in Portugal in circumstances that, pursuant to the CVM, qualify as a private placement of notes (*oferta particular*), all in accordance with the CVM;
- (v) pursuant to the CVM the private placement in Portugal or near Portuguese residents of notes by public companies (*sociedades abertas*) or by companies that are issuers of securities listed on a market needs to be notified to the CMVM for statistical purposes; and
- (vi) it will comply with all applicable provisions of the CVM and any applicable CMVM Regulations and all relevant Portuguese laws and regulations, in any such case that may be applicable to it in respect of any offer or sales of the notes by it in Portugal.

The initial purchaser has represented and agreed that it shall comply with all applicable laws and regulations in force in Portugal and with the Prospectus Directive regarding the placement of any notes in the Portuguese jurisdiction or to any entities which are resident in Portugal, including the publication of a prospectus, when applicable, and that such placement shall only be authorized and performed to the extent that there is full compliance with such laws and regulations.

### **Spain**

The initial purchaser has acknowledged that the notes may not be offered or sold in the Kingdom of Spain by means of an offer as defined and construed by Spanish law and has represented that it will not offer, promote or sell in the Kingdom of Spain any notes except in accordance with the requirements of the Spanish Securities Market Law (*Ley del Mercado de Valores*) of July 28, 1988, as amended and restated, and Royal Decree No. 291/1992 on Issues and Public Offerings of Securities (*Real Decreto sobre Emisiones y Ofertas Públicas de Valores*), as amended and restated.

### ***Switzerland***

The notes may be offered in Switzerland only on the basis of a non-public offering. This listing circular does not constitute an issuance prospectus according to Sections 652a or 1156 of the Swiss Federal Code of Obligations or a listing prospectus according to Section 27 of the Listing Rules of the SIX Swiss Exchange. The notes may not be offered or distributed to the public in or from Switzerland and neither this listing circular nor any other offering materials relating to the notes may be publicly issued in connection with any such offer or distribution. The notes have not been and will not be approved by any Swiss regulatory authority. In particular, the notes are not and will not be registered with or supervised by the Swiss Financial Market Supervisory Authority (FINMA), and investors may not claim protection under the Swiss Collective Investment Schemes Act.

### ***Brazil***

The notes have not been, and will not be, registered with the Brazilian Securities Commission (*CVM – Comissão de Valores Mobiliários*). The notes may not be offered or sold in Brazil, except in circumstances that do not constitute a public offering or distribution under Brazilian laws and regulations.

### ***Hong Kong***

This listing circular has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. No person may offer or sell in Hong Kong, by means of any document, any notes other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

### ***Singapore***

The listing circular will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the notes may not be offered or sold, or be made the subject of an invitation for subscription or purchase, and the listing circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, whether directly or indirectly, to persons in Singapore other than (1) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (2) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of which is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor;

shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the notes pursuant to an offer made under Section 275 of the SFA, except:

- (i) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;
- (ii) where no consideration is or will be given for the transfer; or
- (iii) where the transfer is by operation of law.

### ***General***

The initial purchaser has represented and agreed that it has not offered, sold or delivered and will not offer, sell or deliver any notes directly or indirectly, or distribute this listing circular or any other offering material relating to the notes in or from any jurisdiction, except under circumstances that will result in compliance with the applicable laws and regulations thereof and that will not impose any obligations on us except as set forth in the subscription agreement.

Purchasers of notes sold outside the United States may be required to pay stamp taxes and other charges in compliance with the laws and practices of the country of purchase in addition to the price to investors on the cover page of this listing circular.

The initial purchaser or its affiliates have in the past engaged, and may in the future engage, in transactions with and perform services, including commercial banking, financial advisory and investment banking services, for us and our affiliates in the ordinary course of business.

We have agreed to indemnify the initial purchaser against certain liabilities or to contribute to payments which it may be required to make in that respect.

The notes are a new issue of securities for which there currently is no market. The initial purchaser has advised us that it intends to make a market in the notes as permitted by applicable law. It is not obligated, however, to make a market in the notes and any market-making may be discontinued at any time at its sole discretion. Accordingly, no assurance can be given as to the development or liquidity of any market for the notes.

We expect that delivery of the notes will be made against payment for the notes on July 30, 2009, which will be the fifth business day following the date of the pricing of the notes. Since trades in the secondary market generally settle in three business days, purchasers who wish to trade notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the notes initially settle in T+5, to specify alternative settlement arrangements to prevent a failed settlement.

The initial purchaser may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the Exchange Act.

- Over-allotment involves sales in excess of the offering size, which creates a short position for the initial purchaser.
- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- Covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover short positions.

- Penalty bids permit the initial purchaser to reclaim a selling concession from a broker/dealer when the notes originally sold by such broker/dealer are purchased in a stabilizing or covering transaction to cover short positions.

These stabilizing transactions, covering transactions and penalty bids may cause the price of the notes to be higher than it would otherwise be in the absence of these transactions. These transactions, if commenced, may be discontinued at any time.

## NOTICE TO CANADIAN RESIDENTS

### Resale Restrictions

The distribution of the notes in Canada is being made only on a private placement basis exempt from the requirement that we prepare and file a prospectus with the securities regulatory authorities in each province where trades of the notes are made. Any resale of the notes in Canada must be made under applicable securities laws which will vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory exemptions or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the notes.

### Representations of Purchasers

By purchasing the notes in Canada and accepting a purchase confirmation a purchaser is representing to us and the dealer from whom the purchase confirmation is received that:

- the purchaser is entitled under applicable provincial securities laws to purchase the notes without the benefit of a prospectus qualified under those securities laws;
- where required by law, that the purchaser is purchasing as principal and not as agent;
- the purchaser has reviewed the text above under “Resale Restrictions”; and
- the purchaser acknowledges and consents to the provision of specified information concerning its purchase of the notes to the regulatory authority that by law is entitled to collect the information.

Further details concerning the legal authority for this information is available on request.

### Rights of Action – Ontario Purchasers Only

Under Ontario securities legislation, certain purchasers who purchase a security offered by this listing circular during the period of distribution will have a statutory right of action for damages, or while still the owner of the notes, for rescission against us in the event that this listing circular contains a misrepresentation without regard to whether the purchaser relied on the misrepresentation. The right of action for damages is exercisable not later than the earlier of 180 days from the date the purchaser first had knowledge of the facts giving rise to the cause of action and three years from the date on which payment is made for the notes. The right of action for rescission is exercisable not later than 180 days from the date on which payment is made for the notes. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against us. In no case will the amount recoverable in any action exceed the price at which the notes were offered to the purchaser and if the purchaser is shown to have purchased the securities with knowledge of the misrepresentation, we will have no liability. In the case of an action for damages, we will not be liable for all or any portion of the damages that are proven to not represent the depreciation in value of the notes as a result of the misrepresentation relied upon. These rights are in addition to, and without derogation from, any other rights or remedies available at law to an Ontario purchaser. The foregoing is a summary of the rights available to an Ontario purchaser. Ontario purchasers should refer to the complete text of the relevant statutory provisions.

### Enforcement of Legal Rights

All of our directors and officers as well as the experts named herein may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon us or those persons. All or a substantial portion of our assets and the assets of those persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against us or those persons in Canada or to enforce a judgment obtained in Canadian courts against us or those persons outside of Canada.

## **Taxation and Eligibility for Investment**

Canadian purchasers of the notes should consult their own legal and tax advisors with respect to the tax consequences of an investment in the notes in their particular circumstances and about the eligibility of the notes for investment by the purchaser under relevant Canadian legislation.

## TRANSFER RESTRICTIONS

The notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the notes are being offered hereby only (a) to “qualified institutional buyers” (as defined in Rule 144A under the Securities Act), or QIBs, in compliance with Rule 144A under the Securities Act and (b) in offers and sales that occur outside the United States to persons other than U.S. persons (“non-U.S. purchasers,” which term shall include dealers or other professional fiduciaries in the United States acting on a discretionary basis for non-U.S. beneficial owners (other than an estate or trust)), in offshore transactions meeting the requirements of Rule 903 of Regulation S. As used herein, the terms “offshore transactions,” “United States” and “U.S. person” have the respective meanings given to them in Regulation S.

Each purchaser of notes will be deemed to have represented and agreed with us and the initial purchaser as follows:

- (1) It is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is (a) a QIB, and is aware that the sale to it is being made in reliance on Rule 144A under the Securities Act or (b) a non-U.S. purchaser that is outside the United States (or a non-U.S. purchaser that is a dealer or other fiduciary as referred to above);
- (2) It understands that the notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the notes have not been and will not be registered under the Securities Act, and that the notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (3) It will not resell or otherwise transfer any of such notes except (a) to the issuer or any of its subsidiaries, (b) within the United States to a QIB in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States in compliance with Rule 903 or 904 under the Securities Act, (d) pursuant to an exemption from registration provided by Rule 144 under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act;
- (4) It agrees that it will give notice of any restrictions on transfer of such notes to each person to whom it transfers the notes;
- (5) It understands that the certificates evidencing the notes (other than the Unrestricted Notes) will bear a legend substantially to the following effect unless otherwise agreed by us and the trustee:

**THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE OR OTHER SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER OF THIS SECURITY (1) REPRESENTS THAT IT, AND ANY ACCOUNT FOR WHICH IT IS ACTING, (A) IS A “QUALIFIED INSTITUTIONAL BUYER” (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN “OFFSHORE TRANSACTION” PURSUANT TO RULE 903 OR 904 OF REGULATION S AND, WITH RESPECT TO (A) AND (B), EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO SUCH ACCOUNT, (2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN PRIOR TO THE RESALE RESTRICTION TERMINATION DATE (AS DEFINED IN THE NEXT PARAGRAPH), EXCEPT (A)(I) TO THE COMPANY OR**

**ANY SUBSIDIARY THEREOF, (II) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, (III) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (IV) IN AN OFFSHORE TRANSACTION COMPLYING WITH THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (V) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS, AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS “OFFSHORE TRANSACTION,” “UNITED STATES” AND “U.S. PERSON” HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.**

**THE RESALE RESTRICTION TERMINATION DATE WILL BE THE DATE:**

**(1) THAT IS AT LEAST ONE YEAR AFTER THE LAST ORIGINAL ISSUE DATE HEREOF; AND (2) ON WHICH THE COMPANY INSTRUCTS THE TRUSTEE THAT THIS LEGEND (OTHER THAN THE FIRST THREE PARAGRAPHS HEREOF) MAY BE DEEMED REMOVED FROM THIS SECURITY, IN ACCORDANCE WITH THE PROCEDURES DESCRIBED IN THE TRUST DEED RELATING TO THIS SECURITY.**

**PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH PARAGRAPH 2A(V) ABOVE, THE COMPANY AND THE TRUSTEE RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS, OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.**

- (6) If it is a non-U.S. purchaser acquiring a beneficial interest in a Regulation S global note offered pursuant to this listing circular, it acknowledges and agrees that, until the expiration of the 40-day “distribution compliance period” within the meaning of Regulation S, any offer, sale, pledge or other transfer shall not be made by it in the United States or to, or for the account or benefit of, a U.S. person, except pursuant to Rule 144A to a QIB taking delivery thereof in the form of a beneficial interest in a Restricted Note, and that each Unrestricted Note will contain a legend to substantially the following effect:

**PRIOR TO EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S (“REGULATION S”) UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”)), THIS SECURITY MAY NOT BE REOFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S) OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S), EXCEPT TO A “QUALIFIED INSTITUTIONAL BUYER” IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF THE TRUST DEED REFERRED TO HEREIN.**

- (7) It acknowledges that the foregoing restrictions apply to holders of beneficial interests in the notes, as well as holders of the notes;



- (8) It acknowledges that the trustee will not be required to accept for registration of transfer any notes acquired by it, except upon presentation of evidence satisfactory to the issuer and the trustee that the restrictions set forth herein have been complied with; and
- (9) It acknowledges that the issuer, the trustee, the initial purchaser and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of the acknowledgments, representations or agreements deemed to have been made by its purchase of the notes are no longer accurate, it shall promptly notify the issuer, the trustee and the initial purchaser. If it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

## **LEGAL MATTERS**

The validity of the notes will be passed upon for us by Clifford Chance US LLP and for the initial purchaser by White & Case LLP. Certain matters of Brazilian law relating to the notes will be passed upon for us by our internal counsel, and for the initial purchaser by Vieira, Rezende, Barbosa e Guerreiro Advogados.

## **INDEPENDENT AUDITORS**

PricewaterhouseCoopers Auditores Independentes, independent registered public accounting firm, have conducted a limited review of our consolidated and unconsolidated interim financial statements as of March 31, 2009 and for the three months ended March 31, 2009. The report of PricewaterhouseCoopers Auditores Independentes is based in part upon the reports of BDO Trevisan Auditores Independentes with respect to: (i) our consolidated interim financial statements as of and for the three months ended March 31, 2008 and (ii) Itaipu's financial statements as of and for the three months ended March 31, 2009, to the extent set forth in PricewaterhouseCoopers Auditores Independentes' reports.

BDO Trevisan Auditores Independentes, independent registered public accounting firm, have audited our consolidated annual financial statements as of December 31, 2008 and 2007, and for each of the three years in the period ended December 31, 2008, as set forth in their report included in this listing circular.

The financial statements referred to above have been included in this listing circular in reliance upon the authority of those firms as experts in accounting and auditing in giving their auditors' reports.

## LISTING AND GENERAL INFORMATION

1. The notes have been accepted for clearance through DTC, Euroclear and Clearstream, Luxembourg. The CUSIP, Common Code and ISIN numbers for the notes are as follows:

	<b>Restricted Global Note</b>	<b>Regulation S Global Note</b>
CUSIP .....	15234Q AJ7	P22854 AF3
ISIN .....	US15234QAJ76	USP22854AF31
Common Code.....	044280825	044279355

In the event that we notify the trustee, in accordance with the terms of the trust deed, to remove the restrictive legend on the notes, at such time the CUSIP for both the Restricted Global Note and the Regulation S Global Note will be replaced with 15234Q AK4 and the ISIN for both the Restricted Global Note and the Regulation S Global Note will be replaced with US15234QAK40. We have no obligation to so notify the trustee. Investors may consult the trust deed relating to the notes at the office of the trustee for more information.

2. Copies of our latest audited annual financial statements and unaudited quarterly financial statements, if any, may be obtained during normal business hours at our principal office, the offices of the trustee and any paying agent, including the Luxembourg paying agent and the principal paying agent. Copies of our bylaws (*estatuto social*) in English, as well as the trust deed (including the forms of the notes) will be available during normal business hours for inspection at our principal office, the offices of the trustee and any paying agent, including the Luxembourg paying agent and the principal paying agent.

3. Except as disclosed in this listing circular, there has been no material adverse change in our financial position since December 31, 2008, the date of the last audited financial statements included in this listing circular.

4. Except as disclosed in this listing circular, we are not involved in any litigation or arbitration proceedings relating to claims or amounts that are material in the context of this offering, nor so far as we are aware is any such litigation or arbitration pending or threatened.

5. Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and application for admission to trading has been made on the Euro MTF market of the Luxembourg Stock Exchange.

6. So long as the notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF and the rules of this exchange so require, we shall maintain a paying agent in Luxembourg, where the notes may be presented or surrendered for payment or redemption, in the event that the global notes are exchanged for definitive certificated notes. In addition, in the event that the global notes are exchanged for definitive certificated notes, an announcement of any such exchange will be made through the Luxembourg Stock Exchange. That announcement will include all material information with respect to the delivery of the definitive certificated notes, including details of the paying agent in Luxembourg. In accordance with Condition 16, any notices relating to the notes will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the Luxembourg Wort).

7. The expenses related to the admission of the notes to the Euro MTF market of the Luxembourg Stock Exchange are expected to be approximately EUR9,000.

8. Our board of directors authorized the issuance of the notes by a resolution dated April 27, 2009.

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**CENTRAIS ELÉTRICAS BRASILEIRAS S.A - ELETROBRÁS**  
**BALANCE SHEETS AT MARCH 31, 2009 AND DECEMBER 31, 2008**  
(In thousand Reais)

ASSETS	PARENT COMPANY		CONSOLIDATED	
	03/31/2009	12/31/2008	03/31/2009	12/31/2008
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	9.956.577	9.370.041	13.037.127	12.832.000
Restricted Cash	979.850	734.386	979.850	734.386
Consumers and resellers	2.027.572	1.709.569	4.732.218	4.341.459
Loans and financing	2.698.402	2.697.114	1.428.939	1.493.271
Fuel Consumption Account - CCC	529.115	573.993	491.789	554.748
Return on investments	1.186.231	1.212.966	225.650	261.093
Rescheduled receivables	88.639	84.371	499.171	619.871
Deferred tax credits	640.867	1.418.353	1.405.054	2.081.850
Right to reimbursement	456.265	516.766	456.265	516.766
Other debtors	318.445	171.165	551.389	377.879
Storehouse	1.945	1.879	766.620	759.963
Prepaid expenses	-	-	66.722	76.874
Others	94.833	87.306	985.378	947.497
	<u>18.978.741</u>	<u>18.577.909</u>	<u>25.626.172</u>	<u>25.597.657</u>
<b>NON-CURRENT</b>				
<b>LONG-TERM ASSETS</b>				
Loans and financing	39.153.841	39.537.157	13.100.107	13.467.643
Rescheduled receivables	179.696	199.646	1.814.414	2.070.302
Marketable securities	616.465	613.374	621.025	617.889
Nuclear Fuel Inventory	-	-	712.101	725.142
Deferred tax assets	1.354.447	1.348.168	2.837.570	2.786.948
Pledges and restricted deposits	-	-	245.838	165.138
Fuel Consumption Account - CCC	912.576	572.279	912.576	572.279
Right to reimbursement	3.223.538	4.312.809	3.223.538	4.312.809
Others	82.823	73.547	1.174.086	1.198.748
	<u>45.523.386</u>	<u>46.656.980</u>	<u>24.641.255</u>	<u>25.916.898</u>
Advances for investment in the Company's investees	703.140	730.281	4.000	4.027
	<u>46.226.526</u>	<u>47.387.261</u>	<u>24.645.255</u>	<u>25.920.925</u>
INVESTMENTS	43.921.573	43.682.718	6.115.403	5.896.865
PROPERTY, PLANT AND EQUIPMENT	24.769	25.494	80.511.252	80.262.674
INTANGIBLE ASSETS	53.243	53.706	383.909	375.811
	<u>43.999.585</u>	<u>43.761.918</u>	<u>87.010.564</u>	<u>86.535.350</u>
<b>TOTAL ASSETS</b>	<u>109.204.852</u>	<u>109.727.088</u>	<u>137.281.991</u>	<u>138.053.932</u>

The explanatory notes and attachments I, II, III, IV and V are an integral part of these financial statements.

**CENTRAIS ELÉTRICAS BRASILEIRAS S.A - ELETROBRÁS**  
**BALANCE SHEETS AT MARCH 31, 2009 AND DECEMBER 31, 2008**  
(In thousand Reais)

LIABILITIES AND STOCKHOLDER'S EQUITY	PARENT COMPANY		CONSOLIDATED	
	03/31/2009	12/31/2008	03/31/2009	12/31/2008
<b>CURRENT</b>				
Loans and financing	218.839	192.181	1.228.320	1.714.610
Compulsory loan	83.601	85.205	83.601	85.205
Suppliers	1.530.996	1.676.071	2.324.233	2.594.567
Advances from clients	275.799	15.381	313.577	53.159
Taxes and social contributions	210.264	1.363.854	1.003.252	2.075.726
Fuel Consumption Account - CCC	742.410	649.341	760.695	670.482
Stockholders' compensation	1.960.646	1.914.222	2.007.451	1.948.109
Payables to the Brazilian Federal Treasury	74.409	72.236	74.409	72.236
Estimated obligations	68.544	67.835	611.503	550.573
Reimbursement obligations	1.194.669	923.344	1.194.669	923.344
Complementary pension plans	-	-	530.704	502.699
Provisions for contingencies	-	-	1.252.295	1.481.709
Fees as per regulations	-	-	748.177	708.285
Others	58.110	78.910	750.675	906.311
	6.418.287	7.038.580	12.883.561	14.287.015
<b>NON CURRENT</b>				
Loans and financing	3.943.856	3.965.930	18.795.076	18.297.562
Payables to the Brazilian Federal Treasury	2.214.977	2.854.201	2.214.977	2.854.201
Global Reversion Reserve - RGR	7.187.476	7.193.770	7.228.322	7.193.770
Compulsory Loan	133.141	129.866	133.141	129.866
Taxes and social contributions	839.776	943.882	2.576.594	2.713.664
Obligation undertaken for assets' release	-	-	269.162	266.168
Advances from clients	-	-	1.009.446	1.018.488
Fuel Consumption Account- CCC	912.576	572.279	1.737.430	1.432.982
Provisions for contingencies	1.032.233	1.009.514	1.765.128	1.695.556
Complementary pension plans	-	-	1.345.887	1.567.002
Provision for unsecured liabilities in controlled companies	355.254	353.921	-	-
Others	56.142	46.784	982.805	746.628
	16.675.431	17.070.147	38.057.968	37.915.887
<b>INTEREST OF NON-CONTROLLING STOCKHOLDERS</b>	-	-	229.328	232.669
<b>STOCKHOLDERS' EQUITY</b>				
Capital stock	26.156.567	26.156.567	26.156.567	26.156.567
Capital reserves	26.048.342	26.048.342	26.048.342	26.048.342
Revaluation reserves	193.606	196.906	193.606	196.906
Capital gains reserve	29.172.390	28.900.908	29.172.390	28.900.908
Accrued adjustments from conversion	25.125	28.285	25.125	28.285
Accrued income (Losses)	103.090	-	103.090	-
	81.699.120	81.331.008	81.699.120	81.331.008
Advances for future capital increase	4.412.014	4.287.353	4.412.014	4.287.353
	86.111.134	85.618.361	86.111.134	85.618.361
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	109.204.852	109.727.088	137.281.991	138.053.932

The explanatory notes and attachments I, II, III, IV and V are an integral part of these financial statements.

**CENTRAIS ELÉTRICAS BRASILEIRAS S.A. - ELETROBRÁS**  
**INCOME STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008**  
(In thousand Reais)

	<b>PARENT COMPANY</b>		<b>CONSOLIDATED</b>	
	<b>03/31/2009</b>	<b>03/31/2008</b>	<b>03/31/2009</b>	<b>03/31/2008</b>
<b>OPERATING INCOMES</b>		<b>Reclassified</b>		<b>Reclassified</b>
Operations with electric power	1.269.593	1.996.688	6.375.376	7.400.340
(-) Sectorial charges	-	-	(300.406)	(309.983)
(-) ICMS (State VAT)	-	-	(254.121)	(234.869)
Ownership interests	250.774	617.543	134.279	332.537
Other income	-	-	132.661	51.732
	<u>1.520.367</u>	<u>2.614.231</u>	<u>6.087.789</u>	<u>7.239.757</u>
<b>OPERATING EXPENSES</b>				
Personnel, Material and Services	73.764	56.066	1.277.836	1.090.431
Energy purchased for resale	1.709.458	2.016.777	1.403.222	1.910.423
Fuel for electric power production	-	-	204.008	453.557
PASEP and COFINS	35.237	20.068	390.772	346.700
Use of electric network	-	-	297.244	252.523
Compensation and reimbursement	-	-	332.896	254.360
Depreciation and amortization	1.518	1.767	595.042	574.503
Operating provisions	57.396	153.112	372.938	53.020
Income (loss) to offset of Itaipu	-	-	391.445	181.395
Donations and contributions	49.299	40.124	62.178	52.466
Others	29.607	(2.421)	129.805	197.811
	<u>1.956.279</u>	<u>2.285.493</u>	<u>5.457.386</u>	<u>5.367.189</u>
<b>OPERATING INCOME (LOSS) BEFORE THE FINANCIAL INCOME (LOSS)</b>	<u>(435.912)</u>	<u>328.738</u>	<u>630.403</u>	<u>1.872.568</u>
<b>FINANCIAL INCOME (LOSS)</b>	<u>490.497</u>	<u>719.244</u>	<u>(359.049)</u>	<u>(232.681)</u>
<b>OTHER (EXPENSES) AND INCOME</b>	<u>-</u>	<u>-</u>	<u>(36.494)</u>	<u>-</u>
<b>OPERATING INCOME (LOSS)</b>	<u>54.585</u>	<u>1.047.982</u>	<u>234.860</u>	<u>1.639.887</u>
<b>NON OPERATING INCOME (LOSS)</b>	<u>-</u>	<u>(321)</u>	<u>-</u>	<u>(277.135)</u>
<b>INCOME (LOSS) BEFORE SOCIAL CONTRIBUTION, INCOME TAX, PROFIT SHARING OF EMPLOYEES AND OFFICERS AND MINORITY INTERESTS.</b>	<u>54.585</u>	<u>1.047.661</u>	<u>234.860</u>	<u>1.362.752</u>
Income Tax	34.587	(150.789)	(62.490)	(390.711)
Social Contribution on net income	12.156	(55.347)	(43.933)	(140.969)
<b>INCOME (LOSS) BEFORE OWNERSHIP INTERESTS</b>	<u>101.328</u>	<u>841.525</u>	<u>128.437</u>	<u>831.072</u>
Minority Interest	-	-	(27.109)	10.453
<b>NET INCOME (LOSS) FOR THE YEAR</b>	<u>101.328</u>	<u>841.525</u>	<u>101.328</u>	<u>841.525</u>
<b>NET EARNING PER SHARE</b>	<u>R\$0,09</u>	<u>R\$0,74</u>	<u>R\$0,09</u>	<u>R\$0,74</u>

The explanatory notes and attachments I, II, III, IV and V are an integral part of these financial statements.

**CENTRAIS ELÉTRICAS BRASILEIRAS S.A - ELETROBRÁS**  
**STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008**

(In thousands reais)

	<b>PARENT COMPANY</b>		<b>CONSOLIDATED</b>	
	<b>03/31/2009</b>	<b>03/31/2008 Reclassified</b>	<b>03/31/2009</b>	<b>03/31/2008 Reclassified</b>
<b>OPERATING ACTIVITIES</b>				
Net Income for the year	101.328	841.525	101.328	841.525
Adjustments to reconcile the net income with cash produced by operations				
Depreciation and Amortization	1.518	1.767	595.042	574.503
Net monetary/ exchange variations	252.273	(111.837)	361.501	(25.153)
Funding and loans charges	(888.894)	(834.977)	(38.115)	(99.604)
Adjustment of investments	(241.078)	(576.616)	(83.554)	(275.697)
Provision for unsecured liabilities	1.333	(628.835)	1.333	(628.835)
Provision for deferred taxes	(110.386)	-	(110.386)	-
Other provisions	56.555	-	157.079	147.817
Charges of the Global Reversion Reserve	75.581	-	75.581	-
Adjustment to current value	-	-	-	(260.556)
Regulatory Assets	452.947	(87.266)	452.947	(87.266)
Minority interest in income/loss	-	-	27.109	(2.350)
Financial Charges on Stockholders' Equity	396.144	313.959	398.167	315.563
Income (loss) to be offset of Itaipu	-	-	391.445	181.395
Assets write-downs and disposals	-	-	9.644	275.997
Others	(7.165)	60.651	98.287	27.755
Sub total	<u>90.157</u>	<u>(1.021.629)</u>	<u>2.437.409</u>	<u>985.094</u>
(Increase) decrease in operating assets				
Restricted cash	(245.464)	226.014	(245.464)	226.014
Consumers and resellers	(318.003)	163.845	(390.759)	36.934
Fuel Consumption Account - CCC	44.878	(21.711)	62.959	(259.380)
Investments' yield	26.735	(19.972)	35.443	(8.404)
Rescheduled receivables	(4.268)	1.010	120.700	(21.618)
Tax credits	777.486	725.341	676.796	734.246
Right to reimbursement	60.501	179.460	60.501	174.899
Other debtors	(147.280)	(103.690)	(173.510)	(94.018)
Storehouse	(66)	586	(6.656)	(25.255)
Prepaid expenses	-	8	11.935	15.588
Complementary Pension Plan	-	-	-	176.986
Others	(7.532)	7.186	(39.664)	(85.258)
	<u>186.991</u>	<u>1.158.076</u>	<u>112.280</u>	<u>870.733</u>



CENTRAIS ELÉTRICAS BRASILEIRAS S.A - ELETROBRÁS

STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008

(In thousands reais)

	PARENT COMPANY		CONSOLIDATED	
	03/31/2009	03/31/2008 Reclassified	03/31/2009	03/31/2008 Reclassified
Reimbursement obligations	271.325	24.320	271.325	468.545
Compulsory loan	(1.604)	(2.027)	(1.604)	(2.027)
Suppliers	(145.075)	(154.178)	(270.334)	(397.285)
Advances from clients	260.418	12.406	260.418	9.478
Taxes and Social Contributions	(1.153.590)	(706.864)	(1.072.474)	(585.714)
Fuel Consumption Account - CCC	93.069	16.973	90.213	15.969
Estimated obligations	709	2.148	60.930	19.886
Complementary Pension Plan	-	-	28.005	(180.210)
Provisions for contingencies	-	-	(229.414)	52.051
Fees as per regulations	-	-	(97.350)	(85.671)
Research and development	-	-	39.892	120.442
Others	(20.800)	165.401	(58.287)	(435.786)
	<u>(695.548)</u>	<u>(641.821)</u>	<u>(978.679)</u>	<u>(1.000.321)</u>
<b>Funds from (invested in) operating activities</b>	<b>(418.400)</b>	<b>(505.374)</b>	<b>1.571.009</b>	<b>855.506</b>
<b>FINANCING ACTIVITIES</b>				
Long-term loans and financing received	71.307	53.824	213.407	659.553
Settlement of loans and financing	(17.351)	(43.083)	(764.261)	(410.670)
Settlement of charges of loans and financing	(32.178)	(14.129)	(32.178)	(14.129)
Settlement of stockholders' compensation	(3.449)	(2.806)	(3.400)	(2.806)
Settlement of charges of the Global Reversion Reserve	(174.023)	(352.541)	(174.023)	(352.541)
Compulsory Loan and Global Reversion Reserve	93.173	79.190	93.173	79.190
Others	-	6.949	36.657	22.602
	<u>-</u>	<u>6.949</u>	<u>36.657</u>	<u>22.602</u>
<b>Funds from (invested in ) financing activities</b>	<b>(62.521)</b>	<b>(272.595)</b>	<b>(630.625)</b>	<b>(18.800)</b>
<b>INVESTMENT ACTIVITIES</b>				
Grant of loans and financing	(286.174)	(698.650)	(67.398)	(485.596)
Receipt of loans and financing granted	1.334.024	2.191.225	701.142	1.750.144
Purchase of plant, property and equipment	(324)	(131)	(919.221)	(827.476)
Investment in ownership interests	(3.910)	-	(435.439)	(67.319)
Receipt of compensation of ownership interests	4.384	59.993	4.384	59.993
Others	19.457	(28.847)	(18.725)	(26.390)
	<u>19.457</u>	<u>(28.847)</u>	<u>(18.725)</u>	<u>(26.390)</u>
<b>Funds from (invested in) investment activities</b>	<b>1.067.457</b>	<b>1.523.590</b>	<b>(735.258)</b>	<b>403.356</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>586.536</b>	<b>745.620</b>	<b>205.127</b>	<b>1.240.062</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>9.370.041</b>	<b>4.750.785</b>	<b>12.832.000</b>	<b>7.553.055</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>9.956.577</b>	<b>5.496.405</b>	<b>13.037.127</b>	<b>8.793.117</b>
	<u>586.536</u>	<u>745.620</u>	<u>205.127</u>	<u>1.240.062</u>

CENTRAIS ELÉTRICAS BRASILEIRAS S.A. - ELETROBRÁS

STATEMENTS OF VALUE ADDED FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008  
(In thousands Reais)

	PARENT COMPANY		CONSOLIDATED	
	03/31/2009	03/31/2008	03/31/2009	03/31/2008
<b>1 - INCOMES (EXPENSES)</b>				
Sale of goods, products and services	1.234.356	1.976.620	5.919.868	6.868.416
Non operating income (expense)	-	(320)	(36.494)	(277.135)
	<u>1.234.356</u>	<u>1.976.300</u>	<u>5.883.374</u>	<u>6.591.281</u>
<b>2 - INPUTS ACQUIRED FROM THIRD PARTIES</b>				
Materials, services and others	(95.990)	(47.390)	(1.636.914)	(1.278.897)
Sectorial Charges	-	-	(300.406)	(309.983)
Power purchased for resale	(1.709.458)	(2.016.777)	(1.403.222)	(1.910.423)
Fuel for electric power production	-	-	(204.008)	(453.557)
	<u>(1.805.448)</u>	<u>(2.064.167)</u>	<u>(3.544.549)</u>	<u>(3.952.860)</u>
<b>3 - GROSS VALUE ADDED</b>	<u>(571.092)</u>	<u>(87.867)</u>	<u>2.338.825</u>	<u>2.638.421</u>
<b>4 - WITHHOLDINGS</b>				
Operating provisions	(57.396)	(153.112)	(372.938)	(53.020)
Depreciation, amortization and depletion	(1.518)	(1.767)	(595.042)	(574.503)
	<u>(58.914)</u>	<u>(154.879)</u>	<u>(967.980)</u>	<u>(627.523)</u>
<b>5 - NET VALUE ADDED PRODUCED BY THE ENTITY</b>	<u>(630.006)</u>	<u>(242.747)</u>	<u>1.370.845</u>	<u>2.010.899</u>
<b>6 - VALUE ADDED RECEIVED ON TRANSFER</b>				
Ownership interests	250.774	617.543	134.279	332.537
Financial income	1.336.039	1.051.488	756.368	576.972
	<u>1.586.813</u>	<u>1.669.031</u>	<u>890.647</u>	<u>909.510</u>
<b>7 - TOTAL VALUE ADDED TO DISTRIBUTE</b>	<u>956.807</u>	<u>1.426.286</u>	<u>2.261.491</u>	<u>2.920.407</u>

CENTRAIS ELÉTRICAS BRASILEIRAS S.A. - ELETROBRÁS

STATEMENTS OF VALUE ADDED FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008  
(In thousands Reais)

	PARENT COMPANY		CONSOLIDATED	
	03/31/2009	03/31/2008	03/31/2009	03/31/2008
<b>DISTRIBUTION OF VALUE ADDED</b>				
<b>PERSONNEL</b>				
. Personnel, charges and fees	52.824	42.999	800.502	692.664
. Retirement and pension plans	3.856	3.380	53.987	55.338
	<u>56.680</u>	<u>46.379</u>	<u>854.489</u>	<u>748.002</u>
<b>TAXES</b>				
. Taxes, fees and contributions	(46.743)	206.135	163.148	531.679
	<u>845.542</u>	<u>332.244</u>	<u>1.115.416</u>	<u>809.653</u>
<b>FINANCIAL CHARGES AND HIRES</b>				
<b>STOCKHOLDERS</b>				
. Dividends and interests on equity capital	-	-	-	-
. Interest of non-controlling stockholders	-	-	27.109	(10.453)
. Retained earnings	101.328	841.528	101.328	841.528
	<u>101.328</u>	<u>841.528</u>	<u>128.437</u>	<u>831.075</u>
	<u>956.807</u>	<u>1.426.285</u>	<u>2.261.490</u>	<u>2.920.409</u>

**CENTRAIS ELÉTRICAS BRASILEIRAS S.A. - ELETROBRÁS**  
**CONSUMERS AND RESELLERS ON MARCH 31, 2009 AND DECEMBER 31, 2008**

(In thousands of Reais)

	PARENT COMPANY				CONSOLIDATED					
	03/31/2009			12/31/2008	03/31/2009			12/31/2008		
	Not due	Overdue up to 90 days	Overdue more than 90 days	Total	Total	Not due	Overdue up to 90 days	Overdue more than 90 days	Total	Total
AES ELETROPAULO	210.413	-	-	210.413	198.574	239.947	-	-	239.947	235.100
AES SUL	44.447	-	-	44.447	42.083	64.046	-	-	64.046	61.031
AES TIETÊ	-	-	-	-	-	770	-	-	770	761
AMPLA	45.200	-	-	45.200	42.836	77.928	-	-	77.928	77.634
ANDE	-	-	-	-	-	61.780	-	-	61.780	55.251
EBE	-	-	-	-	51.608	-	-	-	-	69.843
CEA	-	-	-	-	-	10.267	27.079	565.018	602.364	566.283
CEB	22.137	-	-	22.137	21.149	34.114	-	13.130	47.244	47.053
CEEE-D	94.424	-	-	94.424	55.052	121.467	-	-	121.467	83.252
CEEE-GT	-	-	-	-	-	-	-	-	-	250
CELESC	94.167	-	-	94.167	88.739	132.947	-	-	132.947	102.242
CELG	43.925	63.284	406.891	514.100	452.374	76.070	63.284	406.891	546.245	486.232
CELPA	-	-	-	-	-	33.675	-	-	33.675	43.305
CELPE	-	-	-	-	-	33.214	-	-	33.214	47.808
CEMAR	-	-	-	-	-	23.853	-	-	23.853	30.259
CEMIG	179.294	-	-	179.294	168.761	251.620	-	-	251.620	238.590
CESP	-	-	-	-	-	2.530	-	-	2.530	2.500
COELGE	-	-	-	-	-	25.404	-	-	25.404	30.367
COELBA	-	-	-	-	-	60.082	-	-	60.082	64.146
COPEL	105.757	-	-	105.757	100.040	185.244	-	-	185.244	180.742
CPFL	116.593	-	-	116.593	109.835	145.384	-	-	145.384	130.982
ELEKTRO	61.890	-	-	61.890	58.388	107.764	-	-	107.764	105.961
ENERSUL	17.443	-	-	17.443	16.359	30.403	-	-	30.403	29.371
ESCELSA	33.031	-	-	33.031	31.374	49.761	-	-	49.761	47.895
LIGHT	113.754	-	-	113.754	107.251	192.449	-	-	192.449	172.966
PIRATININGA	60.383	-	-	60.383	57.097	62.186	-	-	62.186	58.932
RGE	40.101	-	-	40.101	37.616	45.381	-	-	45.381	43.675
CCEE Trading	-	-	-	-	-	444.217	5.392	-	449.609	308.646
Regulatory Assets	-	-	-	-	-	79.975	12	-	79.987	86.891
Use of Electric Network	-	-	-	-	-	370.087	5.610	21.591	397.288	364.472
PROINFA	119.625	12.942	31.681	164.247	39.530	119.625	12.942	31.681	164.247	39.530
Consumers	-	-	-	-	-	612.595	228.301	597.906	1.438.802	1.066.943
Public Authority	-	-	-	-	-	96.724	10.026	21.414	128.164	248.909
Others	110.192	-	-	110.192	30.903	505.138	4.665	14.647	524.450	755.371
(-) PCLD	-	-	-	-	-	(587.505)	(39.675)	(966.836)	(1.594.016)	(1.541.736)
	<u>1.512.775</u>	<u>76.226</u>	<u>438.572</u>	<u>2.027.572</u>	<u>1.709.570</u>	<u>3.709.140</u>	<u>317.636</u>	<u>705.442</u>	<u>4.732.218</u>	<u>4.341.459</u>

**CENTRAIS ELÉTRICAS BRASILEIRAS S.A - ELETROBRÁS**  
**LOANS AND FINANCING GRANTED AT MARCH 31, 2009 AND DECEMBER 31, 2008**  
(In thousands of Reals)

	PARENT COMPANY								CONSOLIDADO							
	03/31/2009				12/31/2008				03/31/2009				12/31/2008			
	CURRENT CHARGES		PRINCIPAL		CURRENT CHARGES		PRINCIPAL		CURRENT CHARGES		PRINCIPAL		CURRENT CHARGES		PRINCIPAL	
	AVERAGE RATE	VALUE	CURRENT	NON-CURRENT	AVERAGE RATE	VALUE	CURRENT	NON-CURRENT	AVERAGE RATE	VALUE	CURRENT	NON-CURRENT	AVERAGE RATE	VALUE	CURRENT	NON-CURRENT
<b>SUBSIDIARY COMPANIES AND JOINTLY-CONTROLLED COMPANY</b>																
FURNAS	8,18%	11.052	228.548	883.768	10,00%	8.082	78.073	1.091.846	-	-	-	-	-	-	-	-
CHESF	11,32%	-	417.487	2.881.834	11,47%	31.575	440.873	2.988.359	-	-	-	-	-	-	-	-
ELETROSUL	7,83%	-	97.565	499.996	7,56%	1.168	77.274	513.719	-	-	-	-	-	-	-	-
ELETRONORTE	15,73%	27.185	181.520	7.090.028	13,57%	15.500	231.349	7.342.566	-	-	-	-	-	-	-	-
ELETRONUCLEAR	12,45%	20.578	65.350	2.843.680	12,69%	2.176	64.870	2.835.655	-	-	-	-	-	-	-	-
CGTEE	4,72%	7.799	4.416	661.360	6,39%	816	-	574.138	-	-	-	-	-	-	-	-
CEAL	12,51%	249	32.981	321.256	12,57%	3.435	39.874	303.656	-	-	-	-	-	-	-	-
CERON	11,40%	-	41.037	415.162	11,43%	1.472	53.617	396.735	-	-	-	-	-	-	-	-
CEPISA	11,27%	-	67.656	378.844	12,03%	984	84.663	348.331	-	-	-	-	-	-	-	-
ELETOACRE	11,07%	-	7.263	32.519	11,02%	351	9.557	30.161	-	-	-	-	-	-	-	-
MANAUS	10,86%	-	131.509	1.171.038	10,49%	-	140.254	589.101	-	-	-	-	-	-	-	-
ITAIPU	7,08%	-	60.375	17.941.105	7,07%	-	60.944	18.355.581	-	-	30.188	8.970.553	-	30.472	9.177.791	
		<u>66.863</u>	<u>1.335.707</u>	<u>35.120.590</u>		<u>65.559</u>	<u>1.281.348</u>	<u>35.369.848</u>			<u>30.188</u>	<u>8.970.553</u>		<u>30.472</u>	<u>9.177.791</u>	
<b>OTHERS</b>																
CEMIG	6,15%	268	54.649	359.850	6,76%	2.457	63.022	403.565	6,15%	268	54.649	359.850	6,76%	2.457	63.022	403.565
COPEL	8,39%	15	4.209	66.090	10,21%	429	4.548	67.142	8,39%	15	4.209	66.090	8,39%	429	4.548	67.142
CEEE	8,95%	100	57.098	29.564	9,33%	172	66.693	30.085	8,95%	100	57.098	29.564	9,33%	172	66.693	30.085
DUKE	10,00%	2.267	171.843	405.364	10,00%	2.375	168.691	439.233	10,00%	2.267	171.843	405.364	10,00%	2.375	168.691	439.233
AES TIETÊ	10,00%	4.599	231.367	913.136	10,00%	4.819	224.659	982.694	10,00%	4.599	231.367	913.136	10,00%	4.819	224.659	982.694
AES ELETROPAULO	10,29%	277.458	113.968	-	10,01%	274.406	117.931	-	10,29%	277.458	113.968	-	9,30%	274.406	117.931	-
TRACTBEL	12,00%	-	28.137	33.815	12,00%	707	29.611	41.114	12,00%	-	28.137	33.815	12,00%	707	29.611	41.114
CELPE	6,00%	434	15.670	74.039	6,00%	867	17.173	77.957	6,00%	434	15.670	74.039	4,44%	867	17.173	77.957
CEMAR	5,91%	-	20.066	320.908	5,09%	1.154	26.352	317.532	5,91%	-	20.066	320.908	6,07%	1.154	26.352	317.532
CESP	9,36%	820	28.395	226.201	9,36%	1.165	28.121	235.273	9,36%	820	28.395	226.201	9,33%	1.165	28.121	235.273
OTHERS		93.226	326.191	1.604.284	-	100.658	331.872	1.572.714		93.417	428.919	1.700.586	-	101.821	443.301	1.695.257
( - ) PCLD		(66.406)	(68.542)	-	-	(58.221)	(59.454)	-		(66.406)	(68.542)	-	-	(58.221)	(59.454)	-
		<u>312.781</u>	<u>983.051</u>	<u>4.033.251</u>		<u>330.988</u>	<u>1.019.219</u>	<u>4.167.309</u>		<u>312.972</u>	<u>1.085.779</u>	<u>4.129.553</u>		<u>332.151</u>	<u>1.130.648</u>	<u>4.289.852</u>
<b>TOTAL</b>		<u>379.644</u>	<u>2.318.758</u>	<u>39.153.841</u>		<u>396.547</u>	<u>2.300.567</u>	<u>39.537.157</u>		<u>312.972</u>	<u>1.115.967</u>	<u>13.100.106</u>		<u>332.151</u>	<u>1.161.120</u>	<u>13.467.643</u>

The long-term installment of financing and loans granted with ordinary and sectorial funds, including transfers, are due in variable installments, as shown below:

	2010	2011	2012	2013	2014	After 2014	TOTAL
<b>PARENT COMPANY</b>	2.976.960	2.781.021	2.595.367	2.501.559	2.434.402	26.247.848	39.537.157
<b>CONSOLIDATED</b>	1.014.050	947.306	884.067	852.112	829.237	8.940.871	13.467.643

**CENTRAIS ELÉTRICAS BRASILEIRAS S.A. - ELETROBRÁS**  
**INVESTMENTS IN CONSOLIDATED COMPANIES AT MARCH 31, 2009 AND DECEMBER 31, 2008**  
(In thousands of Reais)

	03/31/2009									12/31/2008	
	FURNAS	CHESF	ELETROSUL	ELETRONORTE	ELETRONUCLEAR	ELETROPAR	CGTEE	MANAUS	ITAIPU (a)	TOTAL	TOTAL
<b>COMPANIES' INFORMATION</b>											
Capital Stock	6.000.000	4.196.306	1.245.042	4.177.205	3.296.032	55.769	868.721	2.381.558	231.520	-	-
AFAC	31.154	-	94.576	-	-	62.285	-	-	-	-	-
Stockholders' Equity	13.846.248	13.036.742	2.406.373	6.031.075	4.337.898	129.180	317.949	578.659	231.520	-	-
Net income (loss) for the year	164.705	263.592	52.224	(157.590)	18.161	10.591	(32.057)	(175.311)	-	-	-
<b>ELETROBRÁS' INTEREST</b>											
Number of shares - thousand shares											
Common	50.618.949	40.478	42.582.421	68.736.323	9.611.945	8.480.196	1.126.273	1.750.588	-	-	-
Preferred	14.088.233	1.002	-	-	2.687.056	-	-	-	-	-	-
Interest in %											
Subscribed and Paid-up	99,54	99,45	99,71	98,66	99,80	81,61	99,94	100,00	50,00	-	-
Voting	99,82	100,00	99,71	98,66	99,92	81,61	99,94	100,00	50,00	-	-
<b>MOVEMENT ON INVESTMENTS:</b>											
Balances at the beginning of the period/year	13.587.598	12.410.121	2.253.020	6.106.975	4.311.530	45.948	349.797	753.971	116.850	39.935.810	38.672.726
Equity Accounting - net income (loss) for the period/year	163.948	262.140	52.073	(155.509)	18.126	8.645	(32.039)	(175.311)	(1.090)	140.983	1.149.525
Dividends	-	-	-	-	-	-	-	-	-	-	(477.535)
Balances at the end of the period/year	<u>13.751.546</u>	<u>12.672.261</u>	<u>2.305.093</u>	<u>5.951.466</u>	<u>4.329.656</u>	<u>54.593</u>	<u>317.758</u>	<u>578.660</u>	<u>115.760</u>	<u>40.076.793</u>	<u>39.344.716</u>

(a) ELETROBRÁS' interest, in accordance with Decree-Law No. 72.707/73, is fixed and equal to US\$ 50.000 thousand.

CENTRAIS ELÉTRICAS BRASILEIRAS S.A. - ELETROBRÁS

PROPERTY, PLANT AND EQUIPMENT

(In thousands of Reals)

	PARENT COMPANY	SUBSIDIARY COMPANIES											CONSOLIDATED		
	03/31/2009	03/31/2009											03/31/2009		
	ELETROBRÁS	FURNAS	CHESF	ELETRONORTE	ELETRONUCLEAR	ELETROSUL	ITAIPU	CGTEE	MANAUS	CEAL	CERON	CEPISA	ELETROACRE	ELETROPAR	TOTAL
<b>Generation</b>															
In operation	-	8.961.298	17.354.168	17.599.590	6.051.064	-	18.380.546	186.702	2.092.012	-	36.195	13.374	-	-	70.674.949
Accumulated depreciation	-	(3.114.204)	(7.028.069)	(7.358.926)	(2.086.422)	-	-	-	(1.019.475)	-	(23.274)	(10.232)	-	-	(20.640.602)
In progress	-	5.847.094	10.326.099	10.240.664	3.964.642	-	18.380.546	186.702	1.072.537	-	12.921	3.142	-	-	50.034.346
	-	1.608.035	186.902	364.423	2.649.641	361.373	507.447	815.444	86.446	-	8	3.710	-	-	6.583.428
	-	7.455.129	10.513.001	10.605.087	6.614.283	361.373	18.887.992	1.002.146	1.158.983	-	12.929	6.851	-	-	56.617.774
<b>Transmission</b>															
In operation	13.269	12.509.024	7.472.322	6.219.089	-	3.587.789	1.425.602	-	-	-	-	-	-	-	31.227.094
Accumulated depreciation	(827)	(6.425.000)	(3.371.542)	(2.943.037)	-	(1.395.459)	-	-	-	-	-	-	-	-	(14.135.865)
	12.442	6.084.024	4.100.780	3.276.052	-	2.192.330	1.425.602	-	-	-	-	-	-	-	17.091.230
In progress	-	1.239.184	1.108.638	545.394	-	444.283	-	-	-	-	-	-	-	-	3.337.499
	12.442	7.323.208	5.209.418	3.821.446	-	2.636.613	1.425.602	-	-	-	-	-	-	-	20.428.729
<b>Distribution</b>															
In operation	-	1.512	-	229.026	-	-	-	-	1.153.603	704.130	500.463	682.874	264.932	-	3.536.540
Accumulated depreciation	-	(605)	-	(64.833)	-	-	-	-	(537.606)	(260.007)	(215.665)	(294.161)	(68.914)	-	(1.441.791)
	-	907	-	164.193	-	-	-	-	615.997	444.123	284.798	388.714	196.018	-	2.094.750
In progress	-	-	-	100.441	-	-	-	-	229.599	73.229	97.188	610	61.469	-	562.536
	-	907	-	264.634	-	-	-	-	845.596	517.352	381.986	389.324	257.487	-	2.657.276
<b>Management</b>															
In operation	42.098	205.986	1.048.497	60.912	14.523	33.600	991.803	-	287.084	14.311	22.216	-	15.592	188	2.736.810
Accumulated depreciation	(29.771)	(90.090)	(499.767)	(29.173)	(6.831)	(10.487)	-	-	(190.945)	(8.779)	(12.248)	-	(10.003)	(143)	(888.237)
	12.327	115.896	548.730	31.739	7.692	23.113	991.803	-	96.139	5.532	9.968	-	5.589	45	1.848.573
In progress	-	19.311	76.630	167.175	1.136	674	161.319	-	2.209	400	1.080	-	800	-	430.734
	12.327	135.207	625.360	198.914	8.828	23.787	1.153.121	-	98.348	5.932	11.048	-	6.389	45	2.279.307
	<b>24.769</b>	<b>14.914.451</b>	<b>16.347.779</b>	<b>14.890.081</b>	<b>6.623.111</b>	<b>3.021.773</b>	<b>21.466.715</b>	<b>1.002.146</b>	<b>2.102.927</b>	<b>523.284</b>	<b>405.963</b>	<b>396.175</b>	<b>263.876</b>	<b>45</b>	<b>81.983.096</b>
<b>Obligations Tied to Concession</b>															
(-) Amortizations and reversals	-	-	-	-	-	-	-	-	-	(418)	-	-	-	-	(418)
(-) Contributions from consumers	-	-	(3.344)	(318)	-	-	-	-	(24.375)	(19.535)	(12.405)	(9.623)	(3.305)	-	(72.905)
(-) Federal Government's Participation	-	-	(108.052)	(230.256)	-	-	-	-	(51.191)	(168.576)	(24.240)	(3.604)	(164.408)	-	(750.327)
(-) Donations and subsidies for investments	-	-	(43.865)	-	(1.665)	(9.221)	-	-	(215.231)	(36.143)	(4.502)	-	-	-	(310.627)
(-) Others	-	(112.540)	(606)	(38.632)	(183)	-	-	-	(5.295)	(114.732)	(56.746)	(8.832)	-	-	(337.566)
	-	(112.540)	(155.867)	(269.206)	(1.848)	(9.221)	-	-	(290.797)	(229.967)	(155.879)	(69.974)	(176.545)	-	(1.471.844)
<b>TOTAL</b>	<b>24.769</b>	<b>14.801.911</b>	<b>16.191.912</b>	<b>14.620.875</b>	<b>6.621.263</b>	<b>3.012.552</b>	<b>21.466.715</b>	<b>1.002.146</b>	<b>1.812.130</b>	<b>293.317</b>	<b>250.084</b>	<b>326.202</b>	<b>87.331</b>	<b>45</b>	<b>80.511.253</b>

Average Annual Depreciation Rate (%)

Generation	-	2,30%	2,40%	-2,37%	3,30%	0,00%	0,00%	6,12%	2,03%	0,00%	2,82%	0,00%	0,00%	-
Transmission	-	3,00%	2,98%	-2,99%	0,00%	3,19%	0,00%	0,00%	0,00%	0,00%	4,18%	0,00%	0,00%	-
Distribution / Trading	-	5,70%	0,00%	-2,94%	0,00%	0,00%	0,00%	0,00%	3,21%	1,40%	4,26%	5,40%	4,09%	-
Management	7,95%	9,30%	7,31%	-16,57%	10,00%	7,51%	0,00%	12,50%	1,55%	1,40%	9,01%	5,60%	5,29%	-

CENTRAIS ELÉTRICAS BRASILEIRAS S.A. - ELETROBRÁS

PROPERTY, PLANT AND EQUIPMENT  
(In thousands of Reals)

	PARENT COMPANY	SUBSIDIARY COMPANIES											CONSOLIDATED		
	12/31/2008	12/31/2008											12/31/2008		
	ELETROBRÁS	FURNAS	CHESF	ELETRONORTE	ELETRONUCLEAR	ELETROSUL	ITAIPU	CGTEE	MANAUS	CEAL	CERON	CEPISA	ELETROACRE	ELETROPAR	TOTAL
<b>Generation</b>															
In Service	-	8.865.499	17.319.003	17.474.335	6.048.244	-	18.944.955	197.752	2.026.384	-	47.318	-	-	-	70.923.490
Accumulated Depreciation	-	(3.064.423)	(6.940.820)	(7.254.557)	(2.042.099)	-	-	-	(1.004.830)	-	(32.139)	-	-	-	(20.338.868)
	-	5.801.076	10.378.183	10.219.778	4.006.145	-	18.944.955	197.752	1.021.554	-	15.179	-	-	-	50.584.622
In progress	-	1.474.035	195.185	482.753	2.561.143	289.774	270.616	726.860	147.757	-	1.545	-	-	-	6.149.668
	-	7.275.111	10.573.368	10.702.531	6.567.288	289.774	19.215.571	924.612	1.169.311	-	16.724	-	-	-	56.734.290
<b>Transmission</b>															
In Service	13.269	12.418.450	7.479.588	6.220.484	-	3.232.630	1.439.025	-	-	-	-	-	-	-	30.803.446
Accumulated Depreciation	(740)	(6.336.871)	(3.321.142)	(2.897.953)	-	(1.355.168)	-	-	-	-	-	-	-	-	(13.911.874)
	12.529	6.081.579	4.158.446	3.322.531	-	1.877.462	1.439.025	-	-	-	-	-	-	-	16.891.572
In progress	-	1.263.346	1.015.348	507.751	-	149.560	-	-	-	-	-	-	-	-	2.936.005
	12.529	7.344.925	5.173.794	3.830.282	-	2.027.022	1.439.025	-	-	-	-	-	-	-	19.827.577
<b>Distribution</b>															
In Service	-	1.416	-	227.885	-	-	-	-	1.105.448	673.588	480.320	363.518	257.754	-	3.109.929
Accumulated Depreciation	-	(549)	-	(62.600)	-	-	-	-	(527.136)	(252.788)	(212.092)	(172.817)	(65.738)	-	(1.293.720)
	-	867	-	165.285	-	-	-	-	578.312	420.800	268.228	190.701	192.016	-	1.816.209
In progress	-	79	-	99.333	-	-	-	-	245.443	88.585	95.904	116.078	53.911	-	699.333
	-	946	-	264.618	-	-	-	-	823.755	509.385	364.132	306.779	245.927	-	2.515.542
<b>Management</b>															
In Service	41.777	200.171	1.030.983	55.006	14.754	33.175	1.001.391	-	286.948	14.311	33.626	-	15.059	187	2.727.388
Accumulated Depreciation	(28.812)	(87.704)	(486.686)	(24.480)	(6.851)	(9.947)	-	-	(187.542)	(8.583)	(14.144)	-	(9.825)	(140)	(864.714)
	12.965	112.467	544.297	30.526	7.903	23.228	1.001.391	-	99.406	5.728	19.482	-	5.234	47	1.862.674
In progress	-	24.016	79.326	162.735	411	-	402.292	-	1.317	399	96	-	1.248	-	671.840
	12.965	136.483	623.623	193.261	8.314	23.228	1.403.683	-	100.723	6.127	19.578	-	6.482	47	2.534.514
	<b>25.494</b>	<b>14.757.465</b>	<b>16.370.785</b>	<b>14.990.692</b>	<b>6.575.602</b>	<b>2.340.024</b>	<b>22.058.279</b>	<b>924.612</b>	<b>2.093.789</b>	<b>515.512</b>	<b>400.434</b>	<b>306.779</b>	<b>252.409</b>	<b>47</b>	<b>81.611.922</b>
<b>Obligations Tied to Concession</b>															
(-) Amortizations and reversals	-	-	-	-	-	-	-	-	-	(418)	-	-	-	-	(418)
(-) Contributions from consumers	-	-	(3.344)	(318)	-	-	-	-	(24.375)	(19.258)	(12.111)	-	(3.266)	-	(62.672)
(-) Federal Government's Participation	-	-	(108.052)	(230.256)	(2.056)	-	-	-	(53.747)	(150.895)	(24.240)	-	(146.828)	-	(716.074)
(-) Donations and subsidies for investments	-	-	(43.865)	-	-	(6.815)	-	-	(197.751)	(36.143)	(4.502)	-	-	-	(289.076)
(-) Others	-	(112.540)	(606)	(38.632)	(189)	-	-	-	-	(5.296)	(114.999)	-	(8.747)	-	(281.009)
	-	(112.540)	(155.867)	(269.206)	(2.245)	(6.815)	-	-	(275.873)	(212.010)	(155.852)	-	(158.841)	-	(1.349.249)
<b>TOTAL</b>	<b>25.494</b>	<b>14.644.925</b>	<b>16.214.918</b>	<b>14.721.486</b>	<b>6.573.357</b>	<b>2.333.209</b>	<b>22.058.279</b>	<b>924.612</b>	<b>1.817.916</b>	<b>303.502</b>	<b>244.582</b>	<b>306.779</b>	<b>93.568</b>	<b>47</b>	<b>80.262.674</b>
<b>Average Annual Depreciation Rate (%)</b>															
Generation	-	2,30%	2,41%	2,56%	3,30%	0,00%	0,00%	6,12%	2,02%	0,00%	2,98%	0,00%	0,00%	-	
Transmission	-	3,00%	2,98%	2,76%	0,00%	3,19%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	-	
Distribution / Trading	-	5,70%	0,00%	3,00%	0,00%	0,00%	0,00%	0,00%	1,06%	6,44%	4,21%	5,40%	4,09%	-	
Management	7,95%	9,30%	7,18%	15,00%	10,00%	7,51%	0,00%	12,50%	1,57%	4,19%	9,25%	5,60%	5,29%	-	



CENTRAIS ELÉTRICAS BRASILEIRAS S.A. - ELETROBRÁS

FINANCING AND LOANS RECEIVED AT MARCH 31, 2009 AND DECEMBER 31, 2008  
(In thousands of Reals)

	CONTROLADORA								CONSOLIDATED							
	03/31/2009				12/31/2008				03/31/2009				12/31/2008			
	CURRENT CHARGES		PRINCIPAL		CURRENT CHARGES		PRINCIPAL		CURRENT CHARGES		PRINCIPAL		CURRENT CHARGES		PRINCIPAL	
AVERAGE RATE	VALUE	CURRENT	NON-CURRENT	AVERAGE RATE	VALUE	CURRENT	NON-CURRENT	AVERAGE RATE	VALUE	CURRENT	NON-CURRENT	AVERAGE RATE	VALUE	CURRENT	NON-CURRENT	
<b>FOREIGN CURRENCY</b>																
<b>Financial Institutions</b>																
Inter-American Development Bank - IDB	5,32%	11.130	43.077	366.152	5,32%	5.489	43.482	369.600	5,32%	11.129	43.077	366.152	5,32%	5.489	43.482	369.600
Corporación Andino de Fomento - CAF	4,77%	8.889	-	1.620.640	4,76%	10.340	-	1.635.900	4,76%	8.890	-	1.620.640	4,76%	10.340	-	1.635.900
Kreditanstalt für Wiederaufbau - KFW	5,73%	1.882	29.233	89.068	5,73%	202	31.349	95.514	5,73%	2.548	56.182	89.068	5,73%	376	59.698	95.514
AMFORP & BEPCO	6,50%	1	132	-	6,50%	-	128	-	6,50%	1	132	-	6,50%	-	128	-
Dresdner Bank	6,25%	2.416	29.233	89.067	6,25%	259	31.349	95.513	6,25%	2.689	42.316	89.067	6,25%	331	45.110	95.513
Eximbank	2,15%	4.696	52.681	435.590	2,15%	2.544	56.822	482.981	2,15%	-	52.682	435.590	2,15%	2.544	56.823	482.981
Others		11.970	2.339	648.779		2.510	2.359	585.323		17.934	17.763	571.160		3.466	19.246	502.328
		40.984	156.695	3.249.296		21.344	165.489	3.264.831		43.191	212.152	3.171.677		22.546	224.487	3.181.836
<b>Bonus</b>																
Bonus - Dresdner Bank	7,75%	21.160	-	694.560	7,75%	5.347	-	701.100	7,75%	21.160	-	694.560	7,75%	5.347	-	701.100
		21.160	-	694.560		5.347	-	701.100		21.160	-	694.560		5.347	-	701.100
<b>Others</b>																
National Treasury - ITAIPU		-	-	-		-	-	-		12.266	458.031	11.931.845		5.698	941.908	11.655.965
		-	-	-		-	-	-		12.266	458.031	11.931.845		5.698	941.908	11.655.965
		62.144	156.695	3.943.856		26.691	165.489	3.965.931		76.617	670.184	15.798.082		33.591	1.166.395	15.538.901
<b>NATIONAL CURRENCY</b>																
Investment Fund - Credit rights		-	-	-		-	-	-		-	161.013	26.836		224.977	86.930	
Others		-	-	-		-	-	-		54.007	266.501	2.970.159		52.114	237.534	2.671.731
		-	-	-		-	-	-		54.007	427.514	2.996.995		52.114	462.511	2.758.661
		62.144	156.695	3.943.856		26.691	165.489	3.965.931		130.624	1.097.697	18.795.077		85.705	1.628.906	18.297.562

a) The debts are guaranteed by the Federal Government and /or ELETROBRÁS.

b) The total amount due in foreign currency, including charges, corresponds to R\$ 4,162,695 thousand in the parent company, equal to US\$ 1,797,985 thousand and, in the consolidated, to R\$ 16,544,882 thousand equal to US\$ 7,146,200 thousand. The percentual distribution per type of currency is as follows:

	US\$	EURO	YEN
<b>PARENT COMPANY</b>	82%	6%	12%
<b>CONSOLIDATED</b>	93%	5%	2%

c) The financing and loans are subject to charges, the average rate of which in 2008 was 6.40% per year and, in 2007, it was 7.03% per year.

d) The long-term installment of the financing and loans denominated in US Dollars have the following scheduled due dates:

	2010	2011	2012	2013	2014	After 2014	TOTAL
<b>PARENT COMPANY</b>	117.563	117.563	190.673	238.233	238.235	801.196	1.703.462
<b>CONSOLIDATED</b>	710.596	530.899	669.495	666.200	636.833	4.904.100	8.118.123

# CENTRAIS ELÉTRICAS BRASILEIRAS S.A.

## ELETROBRÁS

(PUBLICLY HELD COMPANY)  
*CNPJ 00.001.180/0001-26*

### EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2009

*(PARENT COMPANY AND CONSOLIDATED)*

#### NOTE 1 - PRESENTATION OF THE INTERIM FINANCIAL STATEMENTS

The non-consolidated and consolidated interim financial statements of the Company, are the responsibility of the Company's management and are being submitted in accordance with the accounting practices adopted in Brazil, in compliance with the provisions of Brazilian Corporation Law – Law No. 6.404/1976, as amended, in addition to the regulations and supplementary provisions issued by "Comitê de Pronunciamentos Contábeis – CPC" (Committee of Accounting Pronouncements), "Conselho Federal de Contabilidade – CFC" (Federal Accounting Council), "Comissão de Valores Mobiliários - CVM" (Brazilian Securities Commission) and by "Agência Nacional de Energia Elétrica – ANEEL" (National Electric Power Agency).

The accounting practices used in the preparation of the non-consolidated and consolidated interim financial statements are consistent with those utilized in the preparation of the audited consolidated financial statements at and for the year ended December 31, 2008, including the following accounting practices introduced by Law No. 11.638/2008:

#### **I – Accounting practices that affected the preparation and submission of the interim financial statements of the Company and its controlled companies:**

##### **a) Statements of Changes in Financial Position - DOAR**

Replacement of the DOAR by the Cash Flow Statement - DFC.

##### **b) Value Added Statement - DVA**

Inclusion of the DVA, the objective of which is to show the value-added by the Company, as well as the composition of the origin and allocation of such value-added. The Company has adopted the practice of submitting the DVA.

**c) Intangibles**

Inclusion in the Balance Sheet of a new group of accounts referred to as Intangibles, reflecting the intangible assets used for the maintenance and operations of the Company.

**d) Deferred Assets**

Exclusion of the group of accounts referred to as Deferred Assets. Accordingly, the Company decided to allocate these assets in other groups of assets – Fixed and Intangible, as applicable – or to write down the deferred charges that could not be allocated under assets at the transition date, and recording such amount in accrued losses or income, net of tax effects.

**e) Accumulated Adjustments from Conversion of Financial Statements**

Inclusion in Stockholders' Equity, of a sub-group of accounts referred to as Accumulated Adjustments from Conversion, reflecting the variation of exchange rates in investments and conversion of currencies denominated in currencies other than Reais.

**f) Revaluation Reserve**

In compliance with the new accounting rules, the revaluation of assets and the establishment of a revaluation reserve is prohibited. The Company has recorded this type of reserve as a result of investments in associated companies valued under the equity method of accounting. In this sense, the Company is complying with the procedures adopted by its associated companies CELPA and CEMAT, which performed, in the past, the revaluation of fixed assets.

**g) Non Operating Income (Loss)**

The segregation between operating and non-operating income (loss) was eliminated. Amounts recorded in non-operating income (loss) are now classified and presented in Other Income (Expenses).

**h) Financial Instruments**

The classification of financial instruments in a certain category must be performed upon their recording. In the primary application of Law 11,638/2007, financial instruments may be classified at the transition date. The Company applied the classification and measurement rules provided for in Decision CPC 14 – Financial Instruments: Acknowledgment, Measurement and Provision of Evidence.

**i) Adjustment to Current Value**

In compliance with Resolution CVM 564, dated December 17, 2008, which approves Decision CPC 12, the Company and its controlled companies acknowledged the adjustment to current value of long-term liabilities and asset amounts, as applicable. Pursuant to definitions included in Decision CPC 13 – Primary Adoption of Law No. 11.638/2007, and Provisional Measure No. 449/2008, approved by Resolution CVM 565/2008, this adjustment was performed at the transition date with an entry in the accrued income/loss account.

**j) Value of Recovery of Assets**

In compliance with the requirements set forth in CVM Resolution 527, dated November 1, 2007, which approves Decision CPC 01 – Adjustment to the Recoverable Value of Assets, the Company and its controlled companies performed the tests required in order to check the possibility of recovery of their cash producing assets as a whole.

**k) Equity Accounting**

Pursuant to the requirement that certain investments must be valued using the equity accounting method, the Company and its controlled companies began using the equity accounting method in valuing the permanent investments in companies in which they hold a voting interest of 20% or more or exercise a significant influence on such company's management.

**l) Capital Reserve – Donations and Subsidies for Investments**

In compliance with Law No. 11.638/2007 and Provisional Measure No. 449/2008, and in accordance with Decision CPC 07 – Governmental Subsidy and Assistance, the criterion of acknowledging the corresponding amounts as operating income started to be used. As allowed by Decision CPC 13 – Primary adoption of Law No. 11.638/2007 and Provisional Measure No. 449/2008, the balance of the capital reserve – donations and subsidies for investments will be kept in the account until its full use.

**m) Tax effects from the Primary Application of Law No. 11.638/2007 and Provisional Measure (MP) No. 449/2008**

The Company adopted the Temporary Tax Regime (RTT), created by Provisional Measure No. 449/2008, through which the calculations of IRPJ (Corporate Income Tax), CSLL (Social Contribution on Net Income), PIS/PASEP (Social Integration Program / Investment Program for Civil Servants) and COFINS (Social Security Financing Contribution) for the years 2008 - 2009, continue to be defined based on accounting methods and criteria provided for in Law No. 6.404, of December 15, 1976, which was valid until December 31, 2007. Accordingly, the deferred income tax and social contribution, which were calculated on the adjustments derived from the adoption of the new practices resulting from Law No. 11.638/2007 and Provisional Measure (MP) No. 449/2008 were recorded in the Company's financial statements, as applicable, in compliance with Instruction CVM 371/2002.

**II – Accounting practices that did not affect the preparation and submission of the Interim Financial Statements of the Company and its controlled companies:**

**a) Commercial Lease**

Rights held by the Company over tangible assets used for its activities through a commercial financial lease, which transfers to lessee the benefits, risks and control over the assets, under Fixed Assets. The management of the Company and its controlled companies did not identify any operation that is included in Decision CPC 06 – Commercial Lease Operations.

**b) Stock-based Compensation**

The costs related to stock-based compensation granted to the Company's officers must be included in the Financial Statements. The Company and its controlled companies' management do not provide for compensation that is included in Order CPC 10 – Stock-based compensation.

### c) Results of Future Years

The group of accounts included in the Balance Sheet referred to as Results of Future Years were eliminated.

### d) Adjustment of Equity Valuation

New subgroup of Stockholders' Equity, pursuant to the 3<sup>rd</sup> paragraph of Section 182 of the Corporation Law No. 6.404/76, with wording provided by the Provisional Measure MP No. 449/08, in which the counter entries of increases or decreases of assets and liabilities must be classified, due to their valuation at fair value.

**III – Estimate of the effects on net income for the three months and stockholders' equity derived from the new accounting practices, had they been adopted in March 2008, as shown below:**

	<b>PARENT COMPANY</b>	
	<b>Net Income (*)</b>	<b>Stockholders' Equity</b>
Balance pursuant to former accounting practice – Law No. 6.404/1976	<b>724,159</b>	<b>86,156,003</b>
Adjustment of the effects derived from the initial adoption of Law No. 11.638/2007 and Provisional Measure No. 449/2008:		
Parent Company:	1,735	(763,381)
- Reduction of deferred expenses with studies and projects	-	(294,460)
- Temporary differences of IR/CSSL	-	100,116
- Adjustment to current value (AVP) of Participation Certificates	1,735	(569,037)
Controlled companies by the equity method of accounting:	115,631	225,739
- AVP – Decommissioning of Thermonuclear Plants	106,513	175,034
- Write-off of deferred expenses	-	(4,780)
- Temporary differences of IR/CSSL	580	884
- New companies assessed by the Equity Method of Accounting	8,538	54,601
Balance pursuant to current accounting practice	<b>841,525</b>	<b>85,618,361</b>

(\*) For the three months ended March 31, 2008, it includes exclusively the effects derived from CVM 469.

### NOTE 2 – CONSOLIDATION PROCEDURES

I) The Company's stand-alone and consolidated interim financial statements reflect the balances of assets and liabilities on March 31, 2009 and December 31, 2008, and results of the operations for the three monthss ended March 31, 2009 and 2008, of the parent company, its direct and indirect controlled companies and companies under joint control. The financial information prepared in a functional currency other than that of the Company is converted into Reais, for the purposes of equity accounting and consolidation of the financial statements. The following companies comprise ELETROBRAS' direct and inderct controlled companies and jointly-controlled entities:

	ELETROBRÁS' INTEREST	
	2009 and 2008	
	Direct	Indirect
FURNAS	99.54 %	-
CHESF	99.45 %	-
ELETROSUL	99.71 %	-
ELETRONORTE	98.68 %	-
ELETRONUCLEAR	99.81 %	-
ITAIPU BINACIONAL (*)	50.00 %	-
CGTEE	99.94 %	-
ELETROPAR	81.61 %	-
CERON	99.96 %	-
CEAL	75.16 %	-
CEPISA	98.56 %	-
ELETROACRE	93.29 %	-
AMAZONAS ENERGIA (**)	100.00 %	-
BOA VISTA ENERGIA (***)	-	100.00 %
SC ENERGIA(****)	-	100.00 %
RS ENERGIA(****)	-	100.00 %
CONSÓRCIO CRUZEIRO DO SUL ENERGÉTICA(****)	-	49.00 %
FIDC FURNAS I (*****)	-	100.00 %
FIDC FURNAS II (*****)	-	100.00 %

(\*) - Jointly controlled with *ANDE* (Paraguay).  
(\*\*) - Former *MANAUS ENERGIA*  
(\*\*\*) - Indirect interest through *ELETRONORTE*.  
(\*\*\*\*) - Indirect interest through *ELETROSUL*  
(\*\*\*\*\*) - Indirect interest through *FURNAS*.

II) Presented below are the main consolidation practices used by the Company:

- a) Elimination of investor's investments in affiliates, against the interest it holds in the respective stockholders' equity;
- b) Elimination of accounts receivable and payable between affiliates;
- c) Elimination of income and expenses between companies of the same group;
- d) Highlighting the interest of the other minority stockholders in non-current liabilities and in the income/loss of the consolidated invested companies; and
- e) Due to the inexistence of non-realized income (loss) in the operations between companies of the same group, the net income and stockholders' equity of the parent company are equal to the ones of the consolidated statement.

III) Procedures for consolidation of the jointly controlled company ITAIPU Binacional

- a) The Financial Statements of ITAIPU Binacional are originally prepared in US Dollars (functional currency). Assets and liabilities were converted into Brazilian Reais at the exchange rate on March 31, 2009 - US\$ 1.00 - R\$ 2.3152, disclosed by the Central Bank of Brazil (December 31, 2008 - US\$ 1.00 - R\$ 2.3370), and the income statement accounts at the monthly average rate;
- b) The result of ITAIPU Binacional to be off-set is presented in the consolidated property, plant and equipment;
- c) The remuneration on capital paid by ITAIPU Binacional is recorded as a receipt of the parent company and eliminated in the consolidated; and
- d) All of the result produced by ITAIPU Binacional in the consolidated is eliminated in the consolidation through the account Results to be Compensated of ITAIPU Binacional.

Simply for analysis purposes, presented below is the summary of the Balance Sheet and the Statement of Income for the Period, excluding the effects of the proportional consolidation of ITAIPU Binacional. The information aims at presenting to stockholders and capital market analysts the effect of the Financial Statements of ITAIPU Binacional in the consolidated statements of ELETROBRÁS System, considering its particularities, and it must not be taken into account, under whatever hypothesis, as being the Consolidated Financial Statements of ELETROBRÁS System.

R\$ thousands  
**CONSOLIDATED BALANCE SHEET**  
 (For information purposes only)

	03/31/2009	
	WITHOUT ITAIPU	WITH ITAIPU
Assets		
Current		
Consumers and resellers	4,670,439	4,732,218
Financing and Loans	1,459,126	1,428,939
Others	19,127,168	19,465,015
	25,256,733	25,626,172
Non-current Assets		
Long-term Assets		
Financing and Loans	22,007,495	13,100,107
Others	11,353,672	11,545,148
	33,361,167	24,645,255
Investments	6,231,163	6,115,403
Property, Plant and Equipment, Intangible and Deferred	59,415,696	80,895,161
Income per Share	65,646,859	87,010,564
	124,264,759	137,281,991
	124,264,759	137,281,991
Liabilities and Stockholders' Equity		
Current		
Financing and Loans	755,954	1,228,320
Suppliers	3,033,774	2,324,233
Others	8,647,690	9,331,008
	12,437,418	12,883,561
Non-current		
Financing and Loans	6,926,418	18,795,076
Others	18,560,463	19,262,892
	25,486,881	38,057,968
ANDE'S Interest	229,326	229,326
Stockholders' Equity	86,111,134	86,111,134
	86,340,460	86,340,460
Total Liabilities and Stockholders' Equity	124,264,759	137,281,991
	124,264,759	137,281,991



R\$ thousands  
STATEMENT OF NET INCOME FOR THE PERIOD  
(For information purposes only)

	03/31/2009	
	WITHOUT ITAIPU	WITH ITAIPU
Operating income		
Operations with electric power	6,366,751	6,375,376
Deductions	(554,527)	(554,527)
Others	189,385	266,940
	<u>5,944,885</u>	<u>6,006,039</u>
Operating expenses		
Power purchased for resale	(2,331,630)	(1,403,222)
Depreciation and amortization	(595,042)	(595,042)
Compensated results of ITAIPU	-	(391,445)
Others	(2,783,884)	(3,067,677)
	<u>(5,710,556)</u>	<u>(5,457,386)</u>
Operating profit before financial result	<u>291,053</u>	<u>630,403</u>
Financial expenses	(92,159)	(359,049)
Equity in the results of investees	133,189	134,279
Other expenses and income	(40,498)	(36,494)
Profit before CSLL and IRPJ	<u>291,585</u>	<u>234,861</u>
CSLL and IRPJ	(163,148)	(106,424)
Profit before participations	<u>128,437</u>	<u>128,437</u>
Profit sharing	-	-
Minority interest	(27,109)	(27,109)
JSCP Reversal	-	-
Net income for the period	<u>101,328</u>	<u>101,328</u>
Profit per share	<u>R\$ 0.09</u>	<u>R\$ 0.09</u>

### NOTE 3 – CASH, CASH EQUIVALENTS AND RESTRICTED CASH

	R\$ thousands			
	PARENT COMPANY		CONSOLIDATED	
	03/31/2009	12/31/2008	03/31/2009	12/31/2008
I – Cash and Cash Equivalents				
Cash and Banks	3,514	8,548	121,493	169,244
Financial Investments	9,953,063	9,361,493	12,915,634	12,662,756
	9,956,577	9,370,041	13,037,127	12,832,000
II – Restricted Cash				
CCC	283,246	156,354	283,246	156,354
Trading of power from ITAIPU	70,653	151,135	70,653	151,135
PROINFA	625,951	426,897	625,951	426,897
	979,850	734,386	979,850	734,386
Total	10,936,427	10,104,427	14,016,977	13,566,386

The cash and cash equivalents are held with Banco do Brasil S.A., pursuant to the provisions of the specific law for Public and Private Joint Stock Companies under federal control, issued by Decree Law No. 1.290, of December 3, 1973, as amended pursuant to Resolution No. 2.917, of December 19, 2001, of the Central Bank of Brazil, which established new mechanisms for the investments of companies constituents of the Indirect Federal Administration.

The financial investments, with immediate liquidity, are in financial investment funds – extra market, whose goal is to have a profitability similar to the Average Rate of SELIC.

### NOTE 4 – BONDS AND SECURITIES

ELETROBRÁS and its controlled companies classify bonds and securities as held until their maturity, based on management's strategies for these assets.

The bonds and securities kept up to their maturity date are recorded at their purchase cost, plus interest and monetary adjustments, with an impact on results.

In addition, bonds CFT-E1 and the investment certificates derived from tax incentives of FINOR and FINAN presented in the line of "Others" are adjusted by provisions for losses and their realization, and, thus, are presented net:

	R\$ thousands			
	PARENT COMPANY		CONSOLIDATED	
	03/31/2009	12/31/2008	03/31/2009	12/31/2008
NON-CURRENT				
CFT-E1	205,863	208,761	205,863	208,761
NTN-P	138,636	136,160	142,176	140,675
Earnings from partnerships	167,735	165,442	167,735	165,442
Participation certificates	92,641	90,697	92,641	90,697
Others	11,590	12,314	12,610	12,314
	<u>616,465</u>	<u>613,374</u>	<u>621,025</u>	<u>617,889</u>

a) EARNINGS FROM PARTNERSHIPS – They refer to yields derived from investments under partnership regimes (See Note 16), corresponding to an average compensation equal to the variation of IGP-M plus interests at the rate of 12% to 13% per annum (p.a.) on the invested capital, as shown below:

	R\$ thousands	
	PARENT COMPANY AND CONSOLIDATED	
	03/31/2009	12/31/2008
EATE	48,969	49,353
TANGARÁ	66,255	64,620
ELEJOR	16,719	16,226
Others	35,782	35,243
	<u>167,735</u>	<u>165,442</u>

b) PARTICIPATION CERTIFICATES – Bonds acquired as a result of the restructuring of ELETROBRÁS' investment in INVESTCO S.A. These assets ensure annual yields equal to 10% of the income of the companies referred to below, paid jointly with dividends, and they will be redeemed on their maturity date, which is scheduled to occur in October 2032, upon their conversion into preferred shares of the capital stock of the said companies, as shown below:

	R\$ thousands	
	PARENT COMPANY AND CONSOLIDATED	
	03/31/2009	12/31/2008
PAULISTA LAJEADO	49,975	49,975
LAJEADO ENERGIA	266,798	266,798
EDP LAJEADO	184,577	184,577
CEB LAJEADO	151,225	151,225
Par Value	652,575	652,575
Adjustment to Current Value	(559,934)	(561,878)
Current Value	<u>92,641</u>	<u>90,697</u>

In accordance with Law No. 11.638/07, as described in Note 3 (item I.i), such bonds started being valued pursuant to their fair value, in compliance with resolution CVM No. 564/2008 that approved decision CPC-12.

## NOTE 5 – CONSUMERS AND RESELLERS OF ELECTRIC POWER

I – The amounts receivable from consumers and resellers of electric power are presented by their likely realization values, and are detailed in Annex I of these Explanatory Notes and include the Regulatory Asset described in Note 10.

II – Electric Power Trading - ITAIPU Binacional

Law No. 10.438, of April 26, 2002 assigned to ELETROBRÁS responsibility for acquiring all the electric power produced by ITAIPU to be consumed in Brazil, becoming a trader of this electric power.

Therefore, in the first quarter of 2009, there was traded an amount equivalent to 20,912 GWh, with a power supply fee (purchase) charged by ITAIPU of US\$ 22.60/kW and a transfer fee (sale) of US\$ 25.03/kW.

The result of the trading of the electric power of ITAIPU, pursuant to the provisions of Decree No. 4.550, of December 27, 2002, subject to the amendments introduced by Decree No. 6.265, of November 22, 2007, has the following destination (See Note 10):

a) if positive, it must be destined, through the proportional distribution to the individual consumption, to the credit of a bonus in the power bills of consumers of the National Interconnected Electric System, which integrates the Residential and Rural Classes, with monthly consumption lower than 350 kWh.

b) if negative, it is incorporated by ANEEL in the calculation of the power transfer fee contracted in the year subsequent to the formation of the result.

In the first quarter of 2009, the activity had a surplus of R\$ 15,717 thousand, and the resulting obligation was included in the account “Reimbursement Obligations”.

III – Electric Power Trading - PROINFA

The electric power trading operations within the sphere of PROINFA produced a net income, in the first quarter of 2009, of R\$ 219,697 thousand (December 31, 2008 - R\$ 35,643 thousand), not affecting the net result for the period of ELETROBRÁS, with this amount included in the account “Reimbursement Obligations”.

IV – Operations in the Electric Power Trading Chamber - CCEE

The amounts related to the operations carried out within the scope CCEE are recorded based on the information made available by the Chamber.

V – Provision for doubtful accounts - PCLD

The Company creates and keeps provisions in compliance with ANEEL’s Rules from the analysis of values included in overdue receivables and history of losses, the amount of which is deemed by the Company’s management as sufficient to cover eventual losses upon the realization of these assets. The balance at March 31, 2009 is R\$ 1,599,247 thousand (December 31, 2008 - R\$ 1,546,967 thousand), being comprised as follows:

R\$ thousands

	CONSOLIDATED	
	03/31/2009	12/31/2008
RTE (Free Energy – Loss of Income and Installment A)	67,302	66,998
Consumers and Resellers		
Companhia Energética do Amapá	602,364	566,283
Others	636,021	620,126
	<u>1,238,385</u>	<u>1,186,409</u>
CCEE – Short-term Power	293,560	293,560
	<u>1,599,247</u>	<u>1,546,967</u>

For tax purposes, the additional provision made in relation to what is provided for by the Law is being added to the Taxable Income, for purposes of calculation of the Corporate Income Tax (IRPJ) due, and, also, the calculation basis of the Social Contribution on Net Income - CSLL.

#### NOTA 6 – FINANCING AND LOANS GRANTED

In compliance with CPC 14 – financial instruments, the financing and loans granted are classified as financial assets, and are intended to be kept until their maturity. The financing and loans (see Annex II) and their respective charges are recorded up to the date of the Balance Sheet and are updated based on the contractual indices for monetary or exchange variations.

The financing and loans granted are made with funds of ELETROBRÁS, in addition to the sectorial funds, external funds collected through international development agencies, financial institutions as well as resulting from the release of bonds in the international financial market.

All financing and loans are supported by official agreements executed with the debtors. The receipt of these values is scheduled, in the majority of case in monthly installments, repaid within an average term of 10 years, with an average interest rate, weighed in accordance with the portfolio balance, of 9.61% p.a.

The financing and loans granted, with an exchange clause update, represent about 49% of the total portfolio. Those that foresee updating based on indices that represent the level of internal prices in Brazil affect 24% of the portfolio balance.

##### I – Credits with AES-ELETROPAULO – Lawsuit

ELETROBRÁS' management continues with an enforcement suit against ELETROPAULO and, supported by the opinion of its legal advisors, it considers the realization of the credit as practically certain.

Such credits, on March 31, 2009, amounted to R\$ 394,086 thousand, considering the original conditions of the agreements with ELETROPAULO, registered in the accounting records, which, if updated by the indexes assessed judicially, amount to R\$ 1,092,078 thousand. The Company's management, in a prudent and conservative manner, does

not record the updating portion based on criteria other than those contractually agreed, deciding to wait for the outcome of the enforcement suit.

## II – Provision for doubtful accounts - PCLD

The Company recognises provisions for doubtful accounts, amounting to R\$ 134,948 thousand (December 31, 2008 - R\$ 117,675 thousand) corresponding to the principal and charges of the companies in default. Such provisions are deemed sufficient by the Company's management to cover eventual losses with these assets, based on an analysis of the portfolio's movement.

## NOTE 7 – RENEGOTIATED CREDITS

	R\$ thousands			
	PARENT COMPANY		CONSOLIDATED	
	03/31/2009	12/31/2008	03/31/2009	12/31/2008
<b>CURRENT</b>				
CEB	8,450	8,450	8,450	40,807
CELG	68,276	63,617	91,879	88,076
AES-SUL	11,897	12,288	11,897	12,288
CEMAT	-	-	11,124	108,694
Rollover of States' debt	-	-	132,465	141,130
Others	16	16	243,356	228,876
	<u>88,639</u>	<u>84,371</u>	<u>499,171</u>	<u>619,871</u>
<b>NON CURRENT</b>				
CEB	734	475	734	185,826
CELG	163,286	181,307	433,806	467,404
AES-SUL	15,664	17,852	15,664	17,852
Rollover of States' debt	-	-	531,994	586,157
Others	12	12	832,216	813,063
	<u>179,696</u>	<u>199,646</u>	<u>1,814,414</u>	<u>2,070,302</u>
	<u>268,335</u>	<u>284,017</u>	<u>2,313,586</u>	<u>2,690,173</u>

The renegotiated credits are formalized by contracts that agree to the accumulated debit being paid in installments by the debtors, and they foresee interest and monetary adjustments with terms defined for repayment of the principal and charges, and are deemed recoverable by the Company's management.

## NOTE 8 – REMUNERATION OF INVESTMENTS

The amounts presented refer to dividends and interest on the equity capital receivable, net of Withholding Income Tax, as applicable, and derived from permanent investments held by ELETROBRÁS.

R\$ thousands

	PARENT COMPANY		CONSOLIDATED	
	03/31/2009	12/31/2008	03/31/2009	12/31/2008
FURNAS	258,922	251,607	-	-
CHESF	557,634	541,878	-	-
ITAIPU Binacional	1,158	14,022	-	-
ELETROSUL	139,659	135,713	-	-
ELETRONUCLEAR	29,585	28,749	-	-
ELETROPAR	8,508	8,268	-	-
CEMAR	47,219	48,340	47,219	48,340
CTEEP	58,926	102,156	58,926	102,156
Others	84,620	82,233	119,505	110,597
	<u>1,186,231</u>	<u>1,212,966</u>	<u>225,650</u>	<u>261,093</u>

#### NOTE 9 – DEFERRED TAX ASSETS AND RECOVERABLE TAXES

R\$ thousands

	PARENT COMPANY		CONSOLIDATED	
	03/31/2009	12/31/2008	03/31/2009	12/31/2008
<b>CURRENT ASSETS</b>				
Withholding income tax	226,411	749,454	276,459	818,592
Advances of IRPJ and CSLL	271,965	462,733	420,546	574,991
Tax loss – negative basis of CSLL	-	-	16,333	28,880
Temporary differences of IRPJ/CSLL	-	-	317,054	293,631
PASEP/COFINS to be offset	8,209	5,031	74,130	74,308
ICMS recoverable	-	-	72,680	72,169
Others	134,282	201,135	227,852	219,279
	<u>640,867</u>	<u>1,418,353</u>	<u>1,405,054</u>	<u>2,081,850</u>

The tax credits presented above will be offset upon the presentation of the Statement of Economical and Tax Information of the Legal Entity - DIPJ/2010 (related to the year 2009), with the charges for IRPJ and CSLL (See Note 24).

R\$ thousands

	PARENT COMPANY		CONSOLIDATED	
	03/31/2009	12/31/2008	03/31/2009	12/31/2008
<b>NON-CURRENT ASSETS</b>				
ICMS recoverable	-	-	793,495	781,341
Temporary differences	583,187	583,187	702,988	756,249

Provision for contingencies	481,718	481,718	507,121	481,718
PCLD	54,907	48,874	57,721	40,874
Provision for reduction to market value	132,559	132,312	132,559	132,312
Adjustment of Law No. 11.638/07 - RTT	102,077	102,077	-	-
PIS/COFINS	-	-	505,307	564,384
Others	-	-	138,379	30,070
	<u>1,354,447</u>	<u>1,348,168</u>	<u>2,837,570</u>	<u>2,786,948</u>

The Deferred Tax Assets derived from temporary timing differences in the calculation basis of IRPJ and CSLL and are used based on the realization of the events that created them.

Considering the Company's history of profitability, as well as the projection of taxable income in subsequent years, the recording of these assets is based on the realization of the recorded deferred tax asset, identified by analyses of future trends, based on a technical study developed based on internal premises and on macro economical, commercial and tax scenarios, which may suffer alterations in the future.

Considering the nature of the tax credits, the expectancy is that they should be realized during the next five to eight years, upon the occurrence of the corresponding tax generating events.

Circular Notice No. 2.775/2008 - SFF/ANEEL, dated of December 24, 2008, regulates, among other issues inherent to the closing of the Financial Statements for 2008 of concessionaires of the Electric Power Public Service, the return of the amounts equal to the credits of PIS/PASEP and COFINS on the fuel acquired to generate electric power under the non-accumulative regime, from 2004 to 2008, to the Fuel Consumption Account – CCC.

The management of the subsidiary Amazonas Energia understood, up to 2007, that the fuel purchased for electric power generation, subsidized by CCC, did not entitle it to credits upon the calculation of PIS/PASEP and COFINS, and proceed accordingly. Based on the new facts, the subsidiary company's management, supported by the opinion of its legal advisors, recognized the credits on all oil purchases made by the company within the term defined by ANEEL, calculating a tax credit of R\$ 460,493 thousand, recorded it in Non-current Asset, limiting the calculation to the last five years.

The use of acknowledged tax credits is conditioned to future operations that originate charges, which, in the opinion of the subsidiary company's management, will occur even under the foreseen hypothesis of replacement of the fuel oil by natural gas as an input in the generation of electric power.

However, in order to avoid eventual risks of prescription of such recognized credits under the sphere of Laws Nos. 10.637/2002 and 10.833/2003, the subsidiary company's management, directed by its legal advisors, filed a suit for the Interruption of Prescription with the Federal Government.

The corresponding debits with CCC related to ICMS are recorded at their original values and in the proportion provided for in Law No. 8.631/1993. Those debits related to PIS/PASEP and COFINS were calculated observing the limits that surpass the percentages defined in Law No. 8.631/1993, with ANEEL understanding, however, by the Technical Note No. 359/08 - SFF/ANEEL, of August 11, 2008, that the return must be made by the full recoverable amount.

The subsidiary company's management, supported by its legal advisors, requested in court the suspension of the effects of the said resolution of the regulatory body, i.e., Resolutions ANEEL No. 432/2007 and ANEEL No. 303/2008 and Circular Notice No. 2.775/2008 - SFF/ANEEL, which have their effects suspended.



Unconstitutionality of PIS/PASEP and COFINS: The Federal Supreme Court - STF declared the unconstitutionality of the 1<sup>st</sup> paragraph of Article 3 of Law No. 9.718/98, which enlarged the calculation basis of PIS/PASEP and COFINS and provided, at that time, a new concept to invoicing/billing, which started to cover all income earned by the legal entity, irrespectively of the type of activity performed and accounting classification adopted. Such rule was not provided for in the constitution, and was the object of a later constitutional amendment.

Based on the National Tax Code – CTN, the companies of the ELETROBRÁS System are trying to obtain acknowledgment of their rights to the credit and reimbursement of the overpaid amount due to the unconstitutionality of the enlargement of the calculation basis of these contributions, and, up to the conclusion of these financial statements, there was no final decision on the issue.

The companies of the ELETROBRÁS System have, therefore, potential tax credits of PIS/PASEP and COFINS, which are at the stage of being defined and, thus, are not recorded in these Financial Statements, since the statement of unconstitutionality benefits solely the plaintiff companies of the extraordinary appeals judged.

## NOTE 10 – REGULATORY ASSETS

I – Derived from the General Agreement of the Electric Industry

The Brazilian electric industry was submitted to the Emergency Program for the Reduction of Electric Power Consumption, managed by the "Câmara de Gestão da Crise de Energia Elétrica", created by the Federal Government to manage demand adjustment programs, coordinate actions for increasing the power offered and implementing emergency measures during the electric power rationing period, which was in force from June 1, 2001 to February 28, 2002.

Law No. 10.438/2002 substantiated the legal instruments for the implementation of the General Agreement of the Electric Power derived from the rationing program and authorized ANEEL to proceed with the Extraordinary Fee Recomposition – RTE, the purpose of which is to recover the financial impacts to which the companies integrating the National Interconnected Electric System have been submitted to by the Program.

In this scenario, the electric power generating companies recorded credits related to free power, loss of income and installment A, which were realizable pursuant to the provisions of the General Agreement of the Electric Industry through the collection of RTE from their final consumers, with the final time limit defined by ANEEL, this term being variable for each distributor.

The losses derived from free power not invoiced by distributors within the 1<sup>st</sup> Quarter of 2009 were not recorded. On December 31, 2008, these losses amounted to R\$ 268,612 thousand and were recorded under the account Losses on the realization of assets, of the Operating Expenses group, which was fully reserved up to December 2008.

The net residual values recorded as regulatory assets resulting from the General Agreement of the Electric Industry are presented in the Consumers and Resellers account (see Annex I) as provided for below:

	R\$ thousands
	<u>CONSOLIDATED</u>
RTE - Installment A, Free Power and Generating Reimbursement	
Balance at December 31, 2008	97,877
(-) Losses	-

(-) Realized	(3,206)
Balance to realize at March 31, 2009	94,671
PCLD	
Balance at December 31, 2008	(66,998)
(+) Reversal	-
(-) Formation	(303)
Balance to realize at March 31, 2009	(67,301)
	27,370

## II – Derived from the Trading of the Electric Power of Itaipu Binacional

With the support of Law No. 11.480/2007, the adjustment factor was withdrawn from the financing agreements entered into with ITAIPU Binacional, and from the credit assignment agreements entered into with the National Treasury from 2007 on, ELETROBRÁS being assured of the full maintenance of its receipt flow.

As a result, Decree No. 6.265 of November 22, 2007 was issued aiming at regulating the electric power trading of ITAIPU Binacional, defining the differential to be applied in the transfer fee, creating a Regulatory Asset referring to the annual differential portion calculated, equal to the annual adjustment factor withdrawn from financing, to be included annually in the transfer fee, as from 2008.

Accordingly, the differential derived from the withdrawal of the annual adjustment factor is included in the transfer fee of the power from ITAIPU Binacional from 2008, the amounts of which are defined annually by an inter ministerial ordinance of the Ministry of Finance and Ministry of Mines and Energy. In the transfer fee valid in 2009, an amount is included equal to US\$ 214,989 thousand, homologated by Ordinance MME/MF No. 398/2008.

The balance of the Regulatory Asset derived from the trading of the electric power of ITAIPU Binacional carried out in the period from January to March 2009, represented by the account Right to Reimbursement, presented in Non-current Assets, amounted to R\$ 3,223,538 thousand, equal to US\$ 1,392,337 thousand.

The calculation methodology of the Regulatory Asset was regulated by the Inter Ministerial Ordinance MME/MF 313/2007, of December 11, 2007.

### **NOTE 11 – STOCK OF NUCLEAR FUEL**

The nuclear fuel used in the thermonuclear plants Angra I and Angra II is comprised of elements manufactured with metallic components and uranium pellets.

In its initial formation stage, uranium ore and services required for its manufacture are purchased, and for accounting purposes are classified under Non-current assets – Long term receivables, presented in the account “Nuclear Fuel Inventory”. After the manufacture process is completed, the portion related to the forecast for the consumption of the 12 subsequent months is classified in current assets, under the “Storehouse” account. On March 31, 2009, the amount corresponding to this portion is R\$ 324,526 thousand (December 31, 2008 - R\$ 323,064 thousand).

The monthly payment in operating expenses is made proportionally, considering the monthly power actually generated in relation to the total energy forecasted for each fuel element, and, periodically inventories are carried out and assessments of nuclear fuel elements that have gone through the electric power generation process and are stored in the used fuel storehouse.

Below, is shown the composition, on March 31, 2009, of the long-term inventory of nuclear fuel consigned to the operation of UTN Angra I and UTN Angra II:

	R\$ thousands	
	CONSOLIDATED	
	03/31/2009	12/31/2008
NON-CURRENT		
Inventory of Nuclear Fuel		
Uranium concentrate	129,046	104,442
Finished elements	90,796	146,736
Storehouse material	254,384	259,213
In progress – nuclear fuel	237,875	214,751
	712,101	725,142

#### NOTE 12 – ADVANCES FOR COMPANY INVESTMENTS

ELETROBRÁS records, in non-current assets, the amounts corresponding to advances for the future increase of capital in the following investee companies:

	R\$ thousands			
	PARENT COMPANY		CONSOLIDATED	
	03/31/2009	12/31/2008	03/31/2009	12/31/2008
Controlled Companies				
FURNAS	31,154	31,154	-	-
CHESF	294,397	294,397	-	-
ELETROSUL	94,576	94,576	-	-
ELETROPAR	62,285	62,285	-	-
CEAL	133,320	158,300		
ELETROACRE	83,407	85,542		
	699,139	726,254	-	-
Other investments	4,001	4,027	4,001	4,027
	703,140	730,281	4,001	4,027

**NOTE 13 - INVESTMENTS**

	R\$ thousands			
	PARENT COMPANY		CONSOLIDATED	
	03/31/2009	12/31/2008	03/31/2009	12/31/2008
Equity Accounting Method				
a) Controlled Companies (Annex III)	40,076,791	39.935.810	-	-
b) Relevant Associated Companies				
CELPA	379,847	366,953	379,847	366,953
CEEE-GT	141,494	127,368	141,494	127,368
CEMAT	462,539	456,883	462,539	456,883
EMAE	323,444	267,765	323,444	267,765
CTEEP	1,447,818	1,447,818	1,447,818	1,447,818
CEMAR	218,113	197,943	218,113	197,943
REDE LAJEADO	219,806	219,806	219,806	219,806
CEB LAJEADO	65,660	78,173	65,660	78,173
EDP LAJEADO	103,771	103,771	103,771	103,771
PAULISTA LAJEADO	23,380	23,380	23,380	23,380
CEEE-D	8,105	9,499	8,105	9,499
INAMBARI	3,910	-	6,517	-
ENERPEIXE (b)	-	-	432,489	420,960
STN (b)	-	-	112,451	112,780
ARTEMIS (b)	-	-	69,903	68,142
UIRAPURU (b)	-	-	20,868	20,212
ETAU (b)	-	-	13,228	12,487
TRANSLESTE	-	-	-	13,420
TRANSIRAPÉ	-	-	6,299	6,029
TRANSUDESTE	-	-	8,855	8,500
CENTROESTE DE MINAS	-	-	6,533	6,514
CHAPECOENSE	-	-	236,628	270,855
INTESA	-	-	92,311	91,566
AMAZONIA - AETE	-	-	26,930	25,200
ENERGETICA	-	-	123,970	123,970
SERRA DO FACÃO PART. S.A.	-	-	326,019	273,713
RETIRO BAIXO	-	-	67,188	67,188
BAGUARI	-	-	67,122	61,925
BRASNORTE	-	-	39,600	39,600
AMAPARI	-	-	40,443	41,423
ENERGIA SUSTENTÁVEL	-	-	236,004	100,004

OTHERS	-	-	14,730	6,473
	<u>3,397,886</u>	<u>3,299,359</u>	<u>5,342,064</u>	<u>5,070,320</u>
Cost of Acquisition				
GUASCOR	3,300	3,300	3,300	3,300
CDSA	11,801	11,801	11,801	11,801
CELESC	28,241	28,241	28,241	28,241
CESP	269,679	269,679	269,679	269,679
COELCE	15,328	15,328	15,328	15,328
SAELPA	11,272	11,272	11,272	11,272
AES TIETÊ	23,046	23,046	23,046	23,046
EATE	16,411	16,960	16,411	16,960
TANGARA	21,738	21,738	21,738	21,738
ELEJOR	9,829	9,829	9,829	9,829
Other investments	36,251	36,355	362,694	415,351
	<u>446,896</u>	<u>447,549</u>	<u>773,339</u>	<u>826,545</u>
	<u>43,921,573</u>	<u>43,682,718</u>	<u>6,115,403</u>	<u>5,896,865</u>

- (a) Financial Statements audited by other independent auditors.  
 (b) The Audit Opinion of independent auditors regarding the Financial Statements are not available until the closing date of these Financial Statements.  
 (c) It does not hold an interest in the voting capital, however, it has a significant influence on the Company's management.  
 (d) Indirect interest through the Company's controlled companies.

ELETROBRÁS has several judicial suits in court, at different judgment levels, where it is defendant (See Note 30), for which it has offered in guarantee, for the funds of these lawsuits, assets representing 6.38% of the total investment portfolio, as described below:

Investments	R\$ thousand	
	Investment Value	Blocking Percentage
CTEEP	1,447,818	88.88%
EMAE	323,444	100.00%
CESP	269,679	95.82%
AES TIETE	23,046	89.19%
COELCE	15,328	100.00%
DUKE	3,344	62.48%

CEMAT	462,539	86.64%	400,744
CEB	3,528	50.00%	1,764
CELPA	379,847	96.99%	368,414
CELPE	4,689	70.32%	3,297
CELESC	28,241	15.24%	4,304
CEEE-GT	141,494	87.39%	123,562
	<u>3,102,997</u>		<u>2,808,817</u>
Other Investments	<u>40,994,783</u>	-	<u>-</u>
	<u>44,047,780</u>	6.38%	<u>2,808,817</u>

During recent years, ELETROBRÁS made investments in partnerships in projects with private companies, where the Company appears as a minority shareholder, holding preferred shares. The object of these enterprises is to operate in the electric power generation and transmission industry, the invested amounts are recorded in Assets – Investments.

In the same form, considering the need for expanding the investments in the Electric Industry, in compliance with the Federal Government's intention to attract new capital as provided for in Law No. 10.438/2002, the companies controlled by ELETROBRÁS also hold a minority interest, with ordinary shares, in electric power services concession companies, classified in Assets – Investments, valued at the Cost of Acquisition or the Equity Method of Accounting, as applicable.

ELETROPAR holds a minority interest in the capital stock of Eletronet S.A. - ELETRONET (49%) and acts as representative of the interests of the ASSIGNING companies of electric power controlled by ELETROBRÁS with ELETRONET, ELETROPAR transfers the earning to the ASSIGNING COMPANIES, being entitled solely to a compensation for management and reimbursement of its expenses due to this business.

ELETROPAR, from September 20, 2002, undertook the management of ELETRONET, due to the default of the majority shareholder - AES Bandeirante Empreendimentos Ltda. in paying the monetary adjustment of the 4<sup>th</sup> installment of the capital stock.

The Board of Directors of ELETRONET, in 2003, decided on the declaration company's bankruptcy, as all possibilities for the maintenance of its continuity had been exhausted, as no concrete position indicated a definitive solution.

At the Extraordinary General Meeting of ELETRONET, held in April 2003, the declaration of the Company's bankruptcy was approved with a request for a restraining order for the continuation of the business and officers were authorized to take the applicable legal measures.

In May 2003, ELETRONET requested the Judiciary Branch of the State of Rio de Janeiro the declaration of its bankruptcy with a request for a restraining order for business continuation, and the 5<sup>th</sup> Business Court ordered the bankruptcy as requested. Under this condition, ELETRONET continued its operations under the management of the Judiciary Branch.

In June 2006, ELETROPAR and the bankrupt estate of ELETRONET S.A. received an Extra Judicial Notice from the ASSIGNING COMPANIES (CHESF, ELETRONORTE, ELETROSUL AND FURNAS), unilaterally terminating Agreement No. ECE-1166/99, entered into with ELETROPAR on June 29, 1999, and its respective Amendments, which established the conditions that allowed it to transfer to ELETRONET S.A. the right of access and use of cables and infrastructure, as well as to the reimbursed of 50% of the costs incurred to manage this structure.

It must be emphasized, however, that this termination does not compromise the receipt of the credits corresponding to the reimbursements due and charged until December 31, 2006. By this act, the ASSIGNING COMPANIES, based on contractual provisions, requested the following, but not limited to it: i) taking possession of the assets that compose the infrastructure implanted for the provision of telecommunication services; ii) exercise of the right to claim for optical cables; and iii) order for the maintenance of the essential system to the national integrated system of electric power transmission, as well as non-interruption in the services provided by ELETRONET's employees.

On the same date, the ASSIGNING PARTIES filed with the 5<sup>th</sup> Business Court of the Judicial District of Rio de Janeiro a petition requesting a preliminary order on the issue, which was granted on January 14, 2008, in a definitive character, being solely pendent for its accomplishment the availability, in the current account of the Bankrupt estate of ELETRONET S/A, an amount of R\$ 380,000 thousand, calculated by an expert. In face of this decision, the ASSIGNING COMPANIES, LT BANDEIRANTES EMPREENDIMENTOS LTDA. (successor of AES Bandeirantes Empreendimentos Ltda. and partner of ELETROPAR in ELETRONET S/A) and the Bankrupt estate of ELETRONET S/A filed an interlocutory injunction. In none of the cases was the anticipated guardian ship granted or the suspensive effect.

It must be emphasized the existence of the opinion of the 5<sup>th</sup> Public Prosecutor's Office of Bankrupt Estates, dated of May 9, 2007, on page 4.781 of the court records of the bankruptcy, which states there is no indication of bankruptcy crime in the authorized bankruptcy, thus, in addition to the punitive prescription, which occurred on May 15, 2007, the opening of a legal investigation became unnecessary.

#### **NOTE 14 – PROPERTY, PLANT AND EQUIPMENT**

The amount of property, plant and equipment, the details of which is shown in Annexes IV and IV-A, is amended by the obligations associated with the grant of the Electric Power Public Service, which represent the amounts received from the Federal Government, States, Municipal Districts and consumers, as well as donations non conditioned to any return for the benefit of the donator, pursuant to its maturity associated with the end the respective concession, and are comprised of the following elements:

	CONSOLIDATED	
	R\$ thousand	
	03/31/2009	12/31/2008
Federal Government's Interest	778,866	744,613
Amortization	82,416	82,416
Contributions from Consumers	72,905	62,672
Donations and subsidies - investments	310,627	291,079
Others	227,029	168,469
	1,471,844	1,349,249

a) Federal Government's Interest – This refers to funds received from the Federal Government for use in urgent work of electric power generation and transmission.

b) Repayments – From Repayment Reserves created until 1971, pursuant to the provisions of Federal Decree No. 41.019/57, which were invested, up to that year, in the expansion of the Electric Power Public Service.

c) Contributions from Consumers – This refer to the resources received to allow the performance of enterprises required to meet the applications for electric power supply, not foreseen in the planning of the expansion of services.

d) Donations and subsidies – Pure and simple donations, not conditioned to any return on behalf of the donator, and subsidies directed to investments in the Public Service Electric Power.

Pursuant to Decree No. 41.019, of February 26, 1957, the assets and facilities used in the production, transmission and distribution of electric power are associated to these services, and can not be removed, disposed or provided as a mortgage guaranty without the prior and express authorization of the Regulatory Authority.

I) Recoverable value of assets:

The management of the Company and its subsidiary companies' evaluated, on December 31, 2008, and will do it annually, or whenever an event so requires, the recoverability of long-term assets, mainly, Property, Plant and Equipment kept and used in its operations, aimed at identifying eventual deterioration of these assets or groups of assets, which leads to their non recovery, in compliance with Decision CPC 01 – reduction to the recoverable value of assets.

The Company defined as a cash generating unit, all its generating, transmission and distribution assets, the analysis was not made by plant, transmission line or other groups of assets.

The Company's management, supported by an opinion provided by an independent legal advisor, considered the reversal of the net residual value of the asset, at the end of the concession of the public service electric power, using as a base the accounting value. It also considered the depreciation taking into account the useful life of the asset and not the concession term.

For valuing the fair value, estimated future cash flows are used, discounted to current value at a discount rate before the taxation that reflects market conditions, value of the current cash in time and specific risks associated with the asset or group of assets.

As a result, the Company maintains an amount of R\$ 770,231 thousand as a provision for reducing the recoverable value of assets (impairment).

## NOTE 15 - INTANGIBLE

The specific expenses with the formation or acquisition of rights, including software, plus the respective implementation costs, when applicable, and amortized by the straight line method, are recorded in this account.

	R\$ thousands			
	PARENT COMPANY		CONSOLIDATED	
	03/31/2009	12/31/2008	03/31/2009	12/31/2008
In service	61,114	61,114	378,104	357,822
(-) Reintegration	(7,871)	(7,408)	(84,974)	(78,388)
In progress	-	-	90,779	96,377
	<u>53,243</u>	<u>53,706</u>	<u>383,909</u>	<u>375,811</u>



## NOTE 16 - SUPPLIERS

Includes, mainly, the power purchased from ITAIPU Binacional (See Note 8, item II), and has the following composition:

	R\$ thousands			
	PARENT COMPANY		CONSOLIDATED	
	03/31/2009	12/31/2008	03/31/2009	12/31/2008
CURRENT				
Goods, Materials and Services	37,217	206,241	861,903	1,170,045
Use of Electric Network	-	-	3,038	3,038
Power purchased for Resale	1,458,683	1,445,709	1,381,912	1,376,508
CCEE – Short-term Power	35,096	24,121	77,380	44,976
	<u>1,530,996</u>	<u>1,676,071</u>	<u>2,324,233</u>	<u>2,594,567</u>

## NOTE 17 – ADVANCES FROM CLIENTS

	R\$ thousands			
	PARENT COMPANY		CONSOLIDATED	
	03/31/2009	12/31/2008	03/31/2009	12/31/2008
CURRENT				
ALBRÁS	-	-	37,778	37,778
PROINFA	275,799	15,381	275,799	15,381
	<u>275,799</u>	<u>15,381</u>	<u>313,577</u>	<u>53,159</u>
NON CURRENT				
ALBRÁS	-	-	1,009,446	1,018,488
	<u>275,799</u>	<u>15,381</u>	<u>1,323,023</u>	<u>1,071,647</u>

### I - ALBRÁS

The subsidiary company ELETRONORTE won the auction for the purchase of electric power held by ALBRÁS, in 2004, for the supply, for a 20-years, of 750 MW average/month, until December 2006 and 800 MW average/month, from January 2007 to December 2024, establishing as parameter for the execution of the agreement a price compatible with the equilibrium fee of UHE Tucuruí, plus a premium, calculated pursuant to the quotation of aluminum on the *London Metal Exchange (LME)* - England.

Based on these conditions, ALBRÁS, aiming at reducing the basic price, made an offer for pre-purchasing power with advanced payment, which constitutes power credits that will be amortized during the period of supply, in monthly fixed installments expressed in average MW, in accordance with the fee in force in the month of invoicing. The operation occurred as follows:

	R\$ thousands	
	PARENT COMPANY	CONSOLIDATED
Advances Received	03/31/2009	12/31/2008
2004	300,000	300,000
2005	500,000	500,000
2006	250,000	250,000
2007	150,000	150,000
Total	1,200,000	1,200,000
Amortization	(152,776)	(143,734)
Total Liabilities	1,047,224	1,056,266

## II - PROINFA

The objective of PROINFA, created by Law No. 10.438/2002, and its amendments, is to diversify the Brazilian energy matrix and look for regional solutions with the use of renewable power sources, through the economic use of available inputs and applicable technologies, from the increased participation of electric power produced from on new sources.

The Program assures to ELETROBRÁS the purchase of electric power to be produced, during a period of 20 years, as from 2006, which will be transferred to distribution concessionaires, free consumers and self-producers, excluding low-income consumers, proportionally to their consumptions.

The distribution and transmission concessionaires pay to ELETROBRÁS the annual value of the sharing quota corresponding to the participation of permanent consumers, free consumers and self-producers connected to their facilities, in duodecimals, in the month before the accrual month of power consumption.

In addition, to face the needs of payment to generation entrepreneurs of PROINFA, in the first operating year of the Program, the distribution and transmission concessionaries advanced the payment of one duodecimal of the annual quota, considering the full hiring of all enterprises included in PROINFA, in addition to the quotas related to the current year.

## NOTE 18 – FINANCING AND LOANS RECEIVED

The details of financing and loans, including charges, the funds of which are directed to the investment program of ELETROBRÁS System are presented in Annex V (See Note 43).

### I – Investment funds in Credit Rights – FIDC:

The consolidated statements, pursuant to the provisions of Instruction CVM 408/2004, considering the characteristics of funds, consider the balance of receivables as an integral part of assets, kept under the accounts of origin, and the amounts of the assets of FIDC's reflected as long and short-term financing and loans payable, the total balance of which on March 31, 2009 is R\$ 187,849 thousand (December 31, 2008 - R\$ 311,907 thousand), see Annex V.

## NOTE 19 – COMPULSORY LOAN

The Compulsory Loan on consumption of electric power, created by Law No. 4.156/62 with the objective of generating funds directed to the expansion of the Brazilian energy industry, was extinguished by Law No. 7.181, of December 20, 1983, which established December 31, 1993, as the final date for collection.

In the first phase of this Compulsory Loan, ended with the issue of Decree Law No. 1.512/76, the collection of the tax affected several classes of power consumer, and the taxpayers' credits were represented by Bearer Obligations issued by ELETROBRÁS.

At the second phase, which started with the provisions included in the above Decree Law, the Compulsory Loan at issued started to be charged only from industries with monthly power consumption higher than 2,000 kwh, and the taxpayers' credits stopped being represented by securities, being simply recorded by ELETROBRÁS.

The balance of the remaining Compulsory Loan, after the 4<sup>th</sup> conversion into shares, which occurred on April 30, 2008, related to credits created from 1988 to 2004 are recorded under current and non-current liabilities, being due from 2008 on, and remunerated at the annual rate of 6%, plus monetary updating based on the variation of IPCA-E, and they correspond, at March 31, 2009, to R\$ 216,747 thousand (December 31, 2008 - R\$ 215,071 thousand), of which R\$ 133,141 thousand is recorded under non-current (December 31, 2008 - R\$ 129,866 thousand).

### I – Bearer Obligations issued by ELETROBRÁS

Bearer Obligations issued as a result of the Compulsory Loan are not securities, are not tradable on the Stock Exchanges, are not quoted and are unclaimable. Therefore, ELETROBRÁS' management confirms that the Company does not have any outstanding debentures.

The issuance of these bonds derived from a legal order and not from a business decision by ELETROBRÁS. Accordingly, their taking by the bond holders did not derived from a free choice, but from a legal duty determined by Law No. 4.156/62. The provisions of Law No. 6.404/76 and Law No. 6.385/76 are not applicable to these bonds.

The Securities Commission (CVM), in a decision of its Collegiate issued in the course of the administrative process CVM RJ 2005/7230, filed by holders of the said obligations, states literally that “the obligations issued by ELETROBRÁS as a result of Law No. 4.156/62 can not be deemed securities”.

CVM further understood that there is no irregularity in the procedures adopted by ELETROBRÁS in its Financial Statements, with regard to these obligations, and, also, in the disclosure as to the existence of judicial suits (See Note 30) requesting the redemption of these bonds.

Besides, the unenforceability of these Bearer Obligations was reinforced by decisions of the Superior Court of Justice, which confirmed the opinion that these bonds are prescribed and are not appropriate for guaranteeing tax enforcements.

Thus, the Bearer Obligations issued at the first stage of this compulsory loan, just as decided by the Securities Commission – CVM, are not confused with debentures. Besides, by operation of section 4, 11<sup>th</sup> paragraph of Law No. 4.156/62 and section 1 of Decree No. 20.910/32, they are unenforceable, which is a condition confirmed in the Newsletter 344 of the Superior Court of Justice - STJ, where it provides that these Obligations can not be used as a guaranty for tax enforcements, as they do not have liquidity and are not debentures.

Thus, the liabilities related to the Compulsory Loan refer to the residual credits formed from 1988 to 1994, of industrial consumers with a consumption higher than 2,000 kW/h, referring to the 2<sup>nd</sup> stage of this Compulsory Loan, as well as to non claimed interest related to these credits, as provided below:

	R\$ thousand	
	PARENT COMPANY	
	03/31/2009	12/31/2008
CURRENT		
Interests payable	83,601	85,205
NON CURRENT		
Collected Credits	133,141	129,866
	<u>216,742</u>	<u>215,071</u>

#### NOTE 20 – GLOBAL REVERSION RESERVE (RGR)

Fund created by the Federal Government with a view to covering expenses incurred by the Federal Government with the payment of indemnities referring to the reversal of public electricity concessions. RGR funds, while not used for the purposes for which they are destined, are invested in the concession of financing destined for the expansion of the Brazilian electricity industry, improvement of the service and the carrying out of programs of the Federal Government.

The Global reversion reserve quota is funded by contributions from the concession holders of the public electricity service, which provide a quota for the reversal and expropriation of electricity services equivalent to up to 2.5% of the amount invested by concession and permission holders, limited to 3% of gross annual revenues. The value of the quota is computed as part of the service cost of those entities (See Note 4, item I.k).

The concessionaires deposit their annual quotas for the Global reversion reserve in twelve equal parts, up to the last business day of each month, in a bank account created for this specific purpose. Eletrobrás manages the account in compliance with Law No. 5,655/71 and subsequent amendments, which is not reflected in the Company's Financial Statements as it is an independent entity in relation to ELETROBRÁS.

However, ELETROBRÁS receives funds from the RGR to invest in specific investment projects, funded by it, especially:

I – expansion of electricity distribution services;

II – incentive to alternative sources of electric power;

III - studies involving inventory and feasibility of potential water resources;

IV - implementation of power generators up to 5,000 kW, intended exclusively for public services in communities using an isolated electricity system;

V - efficient public lighting;

VI - energy saving through the improvement of the quality of products and services;

VII - universalization of the access to electricity;

ELETROBRÁS compensates the RGR, for using funds, at the rate of 5% p.a.. On March 31, 2009, the balance of funds withdrawn from the fund and, used in several investments amounted to R\$ 7,187,476 thousand (December 31, 2008 - R\$ 7,193,770 thousand).

#### NOTE 21 – TAXES AND SOCIAL CONTRIBUTIONS

	PARENT COMPANY		CONSOLIDATED	
	03/31/2009	12/31/2008	03/31/2009	12/31/2008
Income Tax				
Current liabilities	143,474	928,955	321,028	1,041,225
Non-current liabilities	617,483	694,031	1,103,678	1,187,824
Social Contribution				
Current liabilities	49,461	343,291	138,445	417,942
Non-current liabilities	222,293	249,851	398,579	428,870
PASEP and COFINS				
Current liabilities	3,160	69,366	115,636	186,139
Non-current liabilities	-	-	41,757	38,639
ICMS				
Current liabilities	-	-	91,123	93,940
Non-current liabilities	-	-	46,872	45,764
PAES				
Current liabilities	-	-	129,748	129,140
Non-current liabilities	-	-	931,725	958,697
OTHERS				
Current liabilities	14,169	22,242	207,272	207,340
Non-current liabilities	-	-	53,983	53,870
<b>TOTAL</b>	<b>1,050,040</b>	<b>2,307,736</b>	<b>3,579,846</b>	<b>4,789,390</b>
Current liabilities	210,264	1,363,854	1,003,252	2,075,726
Non-current liabilities	839,776	943,882	2,576,594	2,713,664

Obligations referring to Corporate Income Tax (IRPJ) and Social Contribution Tax on Net Income (CSLL) regarding the 1st quarter of 2009 will be fully offset with existing tax credits (See Note 12).

##### a) Tax Incentives - SUDENE

Provisional Measure No. 2.199-14, of August 24, 2001, amended by Law No. 11.196, of November 21, 2005 allows the companies based in the Northeast Region, which have enterprises in the infrastructure industry deemed, by an act of the Executive Branch, critical for the regional development, to reduce the amount of the income tax due for purpose of investment in installation, expansion, updating or diversification projects.

The controlled company CHESF had, in 2008, the right to reduce 75% of the Income Tax, calculated based on the taxable income. Such incentive was granted up to period 2017.

The above mentioned tax incentives amounted to R\$ 56,724 thousand, in the period ended March 31, 2009, recorded in the income statement as a reduction to the calculated income tax, in compliance with Order CPC 07.

b) Reconciliation of income and social contribution

The reconciliation of IRPJ and CSLL amounts presented in the first quarter of 2009, and those calculated based on nominal rates is provided below:

	R\$ thousands			
	PARENT COMPANY			
	03/31/2009		31/03/2008	
	IRPJ	CSLL	IRPJ	CSLL
Income before IRPJ and CSLL	180,792	180,792	1,047,660	1,047,660
Total IRPJ and CSLL calculated at the rates of 25% and 9%, respectively	45,198	16,271	261,915	94,289
Effects of additions and (deductions):				
Income from dividends	(21)	(8)	(75)	(27)
Equity method of accounting	(92,206)	(33,194)	(144,154)	(51,895)
JCP	-	-	-	-
Losses on investments	-	-	-	-
Provision for Reduction to Market Value	9,732	3,503	34,883	12,558
Other additions and (deductions)	2,710	1,272	(1,780)	422
Total IRPJ and CSLL expense	<u>(34,587)</u>	<u>(12,156)</u>	<u>150,789</u>	<u>55,347</u>

c) Tax debt refinancing program - PAES

The controlled companies FURNAS, ELETROSUL, ELETRONORTE AMAZONAS ENERGIA and CEAL opted for the Special Tax debt refinancing program (PAES), refinancing the tax debts. The finance term is limited to 180 months and the debt balance is restated based on the Long-term Interest Rate (TJLP).

The debt payable under PAES at December 31, 2009 is as follows:

	CONSOLIDATED
	R\$ thousands
PAES balance at December 31, 2007	1,178,368
Monetary restatement	44,549
Inclusion of Debits	2,535
Payments made	(137,615)
PAES balance at December 31, 2008	1,087,837
Monetary restatement	9,953
Payments made	(36,317)
PAES balance at March 31, 2009	<u>1,061,473</u>

## NOTE 22 – REGULATORY FEES

CURRENT	R\$ thousands	
	CONSOLIDATED	
	03/31/2009	12/31/2008
Global Reversion Reserve - RGR	118,785	99,039
CCC/CDE	22,450	33,112
Financial compensation - water resources	571,553	536,133
Inspection fee - ANEEL	5,872	11,965
PROINFA	29,517	27,427
Others	-	609
	<u>748,177</u>	<u>708,285</u>

## NOTE 23 – STOCKHOLDERS' REMUNERATION

Under the Company's By-laws, stockholders are entitled to a minimum compulsory dividend of 25% of net income, adjusted in accordance with Brazilian Corporation Law, respecting the minimum remuneration of 8% of capital stock for the Preferred Class "A" shares and 6% for Preferred Class "B" shares, related to these types and classes of shares.

ELETROBRÁS recorded as the full remuneration to stockholders, related to year 2008, interest on net equity - JCP amounting to R\$ 1,715,254 thousand, attributable as dividends of the year, in accordance with the provisions of the By-laws, the remuneration per share of which is detailed below:

Remuneration per share – denominated in Brazilian Reais	
	12/31/2008
Common shares – 6.4283% of capital (2007 – 1.8714%)	1.48
Class "A" Preferred shares – 9.4118% of capital (2007 – 9.4118%)	2.17
Class "B" Preferred shares – 7.0711% of capital (2007 – 7.0588%)	1.63

(\*) 2007 considers the grouping of shares

Under prevailing tax legislation, withholding income tax is levied at the rate of 15% on the remuneration proposed to stockholders as interest on equity capital.

Stockholders' compensation for the year 2008 corresponds to 29.41% of adjusted net income under the terms of Law No. 6,404/76 (2006 – 41.65%) and will be restated based on the Selic rate, established by the Brazilian Central Bank, according to the terms of Decree No. 2.673 of July 16, 1998 that regulates the payment on the part of federal state companies of dividends or interest on equity capital.

The adjustment is due for the period starting January 1, 2009 up to the date the payments start to be made. The adjustments based on the SELIC rate are subject to withholding tax (IRRF).

The balance of stockholders' remuneration, recorded under current liabilities, includes a portion of R\$ 195,518 thousand (December 31, 2008 - R\$ 198,968 thousand) relating to remuneration not claimed for years 2005, 2006 and 2007. The remuneration related to 2004 and prior years is prescribed based on the provisions of the Company's By-laws.

#### NOTE 24 - PAYABLES TO THE BRAZILIAN FEDERAL TREASURY

	R\$ thousands			
	PARENT COMPANY AND CONSOLIDATED			
	CURRENT		NON CURRENT	
	03/31/2009	12/31/2008	03/31/2009	12/31/2008
Acquisition of shares of CEEE-GT and CEEE-D	63,484	62,231	342,711	362,601
Reimbursement rights (See Note 10)	-	-	1,831,818	2,450,772
Other	10,925	10,005	40,448	40,828
	<u>74,409</u>	<u>72,236</u>	<u>2,214,977</u>	<u>2,854,201</u>

#### NOTE 25 – POST EMPLOYMENT BENEFITS

Pension Plan and Other Benefits to Employees

##### 1. OF THE PARENT COMPANY

##### 1.1 – Pension Plan

The Company has a supplementary benefit plan to the General Social Security Regime, the management of which is under the responsibility of Fundação ELETROBRÁS de Seguridade Social - ELETROS, a non-profit private legal entity, created and sponsored by the Company, among others, pursuant to the provisions of Brazilian legislation.

The actuarial capitalization regime prevails with periodical assessments made in compliance with the social security law, reported to the inspection and controlling body of the Ministry of Social Security.

The Company adopts the procedures recommended by Resolution CVM No. 371/2000, performing an actuarial evaluation of their liabilities arising from post-employment benefits. The criteria and hypothesis adopted in this independent assessment follow the standards recommended by the program's management, which comply with specific laws, preventing, thus, the simple comparisons of results.

The contributions are charged to administrative expenses and amounted to R\$ 3,856 thousand (December 31, 2008 - R\$ 19,968 thousand) in period ended March 31, 2009.



On March 31, 2009, the current value of the Company's obligations, pursuant to Resolution CVM No. 371/2000, for the social security program was R\$ 1,927,732 thousand. The assets accumulated and invested in the financial market through ELETROS, on the same date, amounted to R\$ 2,045,822 thousand, giving a surplus cover of R\$ 118,090 thousand.

Resolution CVM No. 371/2000 allows the Company to recognize only the portion of the actuarial gains or losses that exceed 10% of the total Actuarial Obligation or total of the Guaranteeing Assets (whichever is greater). The surplus must be recorded within the term provided by the average time of work to be provided to the Company by the beneficiaries until the retirement, which, on March 21, 2009 is 8.6 years.

After such deferment, the Company opted not to record the resulting net assets of R\$ 357,348 thousand, pursuant to application of Rule 49.g, of Resolution CVM No. 371/2000.

## 1.2 – Other Benefit Programs

### Program for Group Life Insurance

The Company subsidizes 82.08% of the premiums of a group life insurance for active employees, but extends the possibility of adhesion to any class of retired personnel, provided they pay the full premium. There is identification of post employment liabilities, as the charged premium is collective, equalized for both population groups of acting and retired employees. As the premium calculated separately for the inactive group of employees is significantly higher than the one of the active employees, there is the inter generational transfer of premiums paid, being included the subsidy provided by the Company. At March 31, 2009, the obligation was valued at R\$ 46,676 thousand.

## II - CONSOLIDATED

The companies of the ELETROBRÁS System are sponsors of other specific private pension entities, which also aims at supplementing retirement and pension benefits to its employees by benefit and contribution plans, as shown below:

<u>Sponsor</u>	<u>Sponsored</u>
FURNAS	REAL GRANDEZA
CHESF	FACHESF
ELETROSUL	ELOS
ELETRONORTE, AMAZONAS ENERGIA and BOA VISTA	PREVINORTE
ELETRONUCLEAR	NUCLEOS and REAL GRANDEZA
ITAIPI	FIBRA (Brasil) and CAJA (Paraguay)
CGTEE	ELETROCEEE
CEAL	FACEAL

Each subsidiary has its own programs, determining the technical compliances and hypothesis different from the ones adopted by the Parent company, which are listed below:

Contributions are charged to administrative expenses and totaled R\$ 53,987 thousand at March 31, 2009 (R\$ 277,635 thousand at December 31, 2008 ).

In accordance with the pension plan's regulations and Ibracon's technical pronouncement approved by CVM Deliberation No. 371/2000, the companies perform an actuarial evaluation of their obligations arising from supplementary benefits granted to employees, the need for coverage of which is reflected in the financial statements corresponding to R\$ R\$ 1,876,591 thousand, thus divided: R\$ 530,704 thousand under the current liability portion (R\$ 502,699 thousand on December 31, 2008) and R\$ 1,345,887 thousand as the non-current portion (R\$ 1,567,002 thousand on December 31, 2008), under the caption Supplementary pension plans.

The amounts agreed between the parties are being amortized and aim at covering prior insufficiencies of assets derived from actuarial assessments. The presented surplus, jointly with the realization of the financial instruments, minimizes the future risk of eventual actuarial liabilities. In accordance with the conditions established by Resolution CVM No. 371/2000, the company did not recognize the positive result, besides the fact that the amounts are not included in the fair value of the assets.

On March 31, 2009, the subsidiary companies FURNAS and ELETRONUCLEAR keep recorded the amount of R\$ 1,058,950 thousand recorded (December 31, 2008 – R\$ 1,137,904), presented under assets, subject to the limit of the contracted obligation. Due to the fact that the agreements are not included in the fair value of assets of the foundation pursuant to the provisions of Resolution CVM No. 371/2000 and due to the fact that sponsors are guarantors and responsible for the creation and realization of this asset, the right was acknowledged, subject to future actuarial valuations.

The subsidiary companies Furnas and Eletronuclear are negotiating a revision of the funding of the pension plan with defined benefit (Plan BD) of their employees. As a way of anticipating the negotiations, the Deliberating Council of Fundação Real Grandeza approved the exceptional suspension of the payment of the contractual installments related to the settlement of past debts due on February 20, 2009 and March 2, 2009.

The revision intended by the subsidiary companies for funding plan BD involves alteration of contributions, including the possibility of the extension the balancing entry of the sponsor's contribution to the participants, amendments to regulations and additional contractual guaranties.

The conclusion of the negotiations between sponsors and sponsored should have a reflex on the next actuarial valuation and on the conditions of the realization of assets.

The subsidiary company CHESF has actuarial liabilities pursuant to the provisions of Resolution CVM No. 371/2000 which is lower in comparison with the debt acknowledgment agreement executed with Fundação Fachesf of R\$ 428,000 thousand.

The agreement executed between the parties provides for an annual adjustment clause related to the amount of the debt in compliance with the amounts defined by actuarial calculations, upon contractual amendments so as to reflect consistency with actuarial data.

The difference between the actuarial liabilities and the confession of debit shall be eliminated over time with maturation of the plan, by means of contractual adjustments, defining the variable amount to be adjusted annually by the effects of the actuarial gains and losses calculated within the sphere of the Foundation.

The actuarial valuation is intrinsically uncertain and, therefore, is subject to alterations upon the realization of the annual actuarial review.

## NOTE 26 – PROVISION FOR UNSECURED LIABILITIES IN SUBSIDIARY COMPANIES

In accordance with Instruction CVM 247/96, the acknowledgement of losses in investments assessed by the equity accounting method, which presents signs of need of investor's financial support, or interruption of their business, must be limited to the amount of the investment recorded in the parent company and, if any, the unsecured liabilities (negative stockholders' equity) are acknowledged and recorded by the investor under a specific account in liabilities as a counter entry to expenses for the year.

The subsidiary companies CEPISA and CERON present the following negative stockholders' equity of R\$ 265,552 thousand and R\$ 101,059 thousand, respectively, and signs of requiring ELETROBRÁS' financial support, with investor's intention to keep its financial support to the investee, for which company maintains a provision for covering such unsecured liabilities amounting to R\$ 355,254 thousand (December 31, 2008 - R\$ 353,921 thousand). See Note 16.

## NOTE 27 – PROVISIONS FOR CONTINGENCIES

At the closing date of the financial statements, the Company had the following provisions for contingencies:

	R\$ thousands			
	PARENT COMPANY		CONSOLIDATED	
	03/31/2009	12/31/2008	03/31/2009	12/31/2008
<b>CURRENT</b>				
Labor	-	-	502,774	507,195
Tax	-	-	176,611	181,853
Civil	-	-	774,119	778,660
Other	-	-	183,590	186,594
(-) Court Deposits	-	-	(384,799)	(172,593)
	-	-	1,252,295	1,481,709
<b>NON CURRENT</b>				
Labor	88,574	88,574	465,081	461,831
Tax	-	-	60,156	60,147
Civil	1,328,244	1,328,244	1,909,334	1,899,297
(-) Court deposits	(384,585)	(407,304)	(669,443)	(725,719)
	1,032,233	1,009,514	1,765,128	1,695,556
	1,032,233	1,009,514	3,017,423	3,177,265

There are several lawsuits, mainly labor and civil suits, at different trial stages against ELETROBRÁS and its subsidiary companies. According to Resolution 489 of October 3, 2005, of the Brazilian Securities Commission (CVM), the Company's management adopts the procedure of classifying the lawsuits against the Company according to the risk of loss, based on the opinion of its legal advisors, as follows:

- for lawsuits for which an unfavorable outcome is considered as probable, provisions are set up;

- for lawsuits for which an unfavorable outcome is considered as possible, the related information is disclosed in Notes to the financial statements; and
- for lawsuits for which an unfavorable outcome is considered as remote, only the information deemed relevant by management is disclosed in the Notes to the financial statements.

Accordingly, provisions for the contingencies mentioned above have been set up. According to the Company's management and its legal advisors, those provisions, net of judicial deposits, are deemed sufficient to cover losses from the various lawsuits. The movement for the period is as follows:

	R\$ thousands	
	PARENT COMPANY	CONSOLIDATED
Balance at December 31, 2007	1,037,192	2,977,143
Provisions set-up	71,502	682,870
Reversal of provisions	-	(311,265)
Payments	-	(42,240)
Monetary restatement	-	24,592
Judicial deposits	(99,180)	(168,997)
Judicial deposits released	-	15,162
Balance at December 31, 2008	1,009,514	3,177,265
Provisions set-up	-	111,361
Reversal of provisions	-	(40,936)
Payments	-	(78,618)
Monetary restatement	-	1,912
Judicial deposits	22,719	(211,349)
Judicial deposits released	-	57,788
Balance at March 31, 2009	1,032,233	3,017,423

1 - Lawsuits against the Company and its subsidiary companies that are recorded:

1.1 - Civil lawsuits

1.1.1 – Parent Company

The Company's provision for civil contingencies, amounting to R\$ 1,328,244 thousand (R\$ 1,328,244 thousand at December 31, 2008), refers to the Compulsory Loan-related lawsuits, taken on behalf of Eletrobrás starting in 1978, with monetary restatement criteria different from those established in the specific Law.

These actions should not be confused with those filed claiming the recovery of the currently unenforceable Bearer Bonds issued in association with the compulsory loan.

The proceedings that were the objective of the provision challenged the calculation system of monetary restatement determined in the law that governs the compulsory loan, used for adjustment of the credits taken starting in 1978. These credits have been fully paid by Eletrobrás through conversions into shares as defined in the 72nd, 82nd, and 142nd extraordinary meetings of Eletrobrás.

There are 3,621 lawsuits in process, at different stages, for the recognition of the right to receive full monetary restatement on the amounts paid as a compulsory loan. Supported by their legal advisors' opinion, Eletrobrás management estimated at eight to ten years, the average term for a final lawsuit settlement.

Thus, the accumulated amount provided, corresponding to R\$ 1,328,244 thousand is considered sufficient by the Company's management and it is in conformity with the different stages of the lawsuits, which could reach approximately R\$ 3,350,000 thousand.

#### 1.1.2 - Controlled companies

In controlled company CHESF:

a) The subsidiary company Chesf has filed a civil lawsuit claiming for partial annulment of an amendment to the Xingó Hydroelectric Power Plant construction contract (Factor K – Analytical price correction), signed with the Consortium formed by Companhia Brasileira de Projetos e Obras -CBPO, Constran S.A. -Construções e Comércio and Mendes Júnior Engenharia S.A., and reimbursement of approximately R\$ 350,000 thousand, twice.

The lawsuit was filed with the Federal Court, but the decision of the Federal Regional Court of the 5th Region ordered that the suit should be filed with the State Court of Pernambuco. The company is still awaiting the judgment of the said interlocutory appeal.

The suit filed by the Company was considered groundless. The counterclaim filed by the defendant obtained a favorable decision from the 12th Civil Court of the Judicial District of Recife – State of Pernambuco and the decision was confirmed by the 2nd Civil Chamber of the Court of Justice of Pernambuco, and CHESF filed Embargos of Statement for clarification of certain issues of its Appeal, which were omitted in the decision of the 2nd Civil Chamber. These motions were judged and denied by the 2nd Civil Chamber. CHESF's sponsors filed, then, a Special Appeal and Extraordinary Appeal against the award issued by the 2nd Civil Chamber in the appeal. On March 31, 2004, the special appeals filed by CHESF were admitted by TJPE and forwarded to the Superior Court of Justice, while the extraordinary appeals also filed by CHESF were not accepted, the reason why the company presented, against this refusal, the relevant interlocutory orders. On June 30, 2005, the appeals were under litigation in the Superior Courts. After this date and until March 31, 2006, the interlocutory orders filed by CHESF with STF were refused, while the Special Appeal filed by CHESF and by the Federal Government with STJ received an opinion from the Federal Public Prosecutor's Office, which manifested itself for the cancellation of the suit due to the absolute lack of jurisdiction of the State of Pernambuco, to analyze the suit and re-examination of the merits by the relevant court. On September 30, 2006, the briefs were returned to the Judge for conclusion.

In November, 1998, the respondents filed a plea for the temporary enforcement of the decision, in the amount of R\$ 245,000 thousand, being the process stayed by decision of the Justice and President of the STJ (PET 1621). This injunction was the object of an Interlocutory Appeal by the Consortium, which was judged on June 24, 2006, with the maintenance, by unanimous voting, of the injunction granted previously by the President of the STJ, being, thus, removing the possibility of the Consortium being granted the advanced relief.

Later, the respondents presented a suit for settlement of the decision, in order to calculate the current sentencing value, in case all CHESF and Federal Government's appeals are dismissed. On September 30, 2005, the expert's work ordered

by the judge that presides over the matter were in progress in order to calculate the effective sentencing value. After the submission of the expert's first report, the parties requested clarifications on the report and the process is with the expert for examination.

The Management, based on the opinion of its legal advisors and based on calculations that considered the suspension of the payment of the portions related to the K Factor and their respective monetary updates, keep recorded the provision under Non-current Liabilities, the updated amount for March 31, 2009 is R\$ 362,248 thousand, to cover eventual losses derived from this matter. This provision corresponds to the partial reduction of the K Factor between July 1990 and December 1993, in compliance with Law No. 8.030/1990, and full suspension of the payment of the K Factor, from January 1994 to January 1996, pursuant to the Company's opinion.

On March 31, 2009, the Special Appeal and Interlocutory Orders were awaiting judgment in the Superior Court of Justice and in the Federal Supreme Court, respectively; the court records of these appeals were delivered to the Justice Relator for conclusion, it should be mentioned that the suit for settlement of the decision in the State sphere was in course before the 12<sup>th</sup> Lower Court of the Judicial District of Recife, with hearing for discussions on the expert's report scheduled for February 19, 2008.

Upon judging the process for settlement, the judge acknowledged that the jurisdiction to analyze the demand lies with the Federal Justice, considering the presence of the Federal Government as a party interested in the matter. Consortium Xingó, filed motions for clarification against this decision, and, in view of this appeal, the judge kept his decision and forwarded the records to the Federal Justice. Disagreeing with this decision, Consortium Xingó filed an interlocutory order with the Court of Justice of Pernambuco. On March 31, 2009 the said interlocutory order was still waiting to be judged.

b) Suit for Indemnification of 14,400 hectares of land in Aldeia Farm, filed with the Judicial District of Sento Sé, in Bahia, by the Estate of Aderson Moura de Souza and his wife (Suit 0085/1993). The first degree Sentence accepted the plea, sentencing CHESF for the amount of R\$ 50,000 thousand, corresponding to the principal amount plus interests and monetary adjustment. CHESF filed an appeal with the Court of Justice of Bahia.

In the Subsidiary Controlled Company CGTEE:

The civil contingencies refer mainly to amounts related to disputes with suppliers, the likely loss of which has been estimated at R\$ 41 thousand at March 31, 2009 by the Company's legal advisor (R\$ 270 thousand at December 31, 2008).

In the Subsidiary Company ELETRONORTE:

The most relevant civil demands have an indemnifying nature for financial losses due to delays in payments and expropriation of areas flooded by the reservoirs of hydroelectric power plants. The likely estimated amount of the loss amounts to R\$ 737,362 thousand.

## 1.2 – Labor Lawsuits

### 1.2.1 – In the Parent company:

The Company maintains a provision of R\$ 85,214 thousand to cover eventual losses with labor suits.

## 1.2.2 - In subsidiary companies

In the Subsidiary Company FURNAS:

### a) Engineers' Base Date

The Engineers Union of Rio de Janeiro filed labor suits in order to recover salary differences related to the change of the base date for engineers, presently, the suit is at the settlement stage, the estimated and recorded amount is R\$ 85,214 thousand (2008 - R\$ 83,436 thousand), of which R\$ 16,747 thousand relates to employees transferred to ELETRONUCLEAR due to the spin-off of the nuclear activities in 1997.

### b) Hazard Pay

Several suits have been filed, which plead for the payment of Hazard Pay, considering that there should be allowed the full percentage and not proportional to all employees that provide services in activities subject to electric risk. The estimated amount for covering eventual losses at March 31, 2009 is R\$ 60,784 thousand.

### c) Retirement Supplement

The amount of R\$ 57,765 thousand refers to the balance payable related to the retirement supplement – parity with active employees.

### d) Other suits

For the coverage of several civil and labor suits filed against the Company, a provision, at March 31, 2009, of R\$ 119,114 thousand (December 31, 2008 - R\$ 121,982 thousand) is maintained related to suits in process.

In the Subsidiary Company CHESF:

The contingencies of the Labor area are comprised mostly by suits related to Hazard Pay, Overtime, contributions to FaCHESF, under the solidarity regime, and termination pay due to the default of companies doing out sourced work, the main ones are highlighted below:

a) Suit in course at the Regional Labor Court of the State of Bahia, filed by the Union of Electric Industry's Employees of Bahia ("Sindicato dos Eletricitários da Bahia"), requiring the payment to the employees of the Regional Management of Paulo Afonso - GRP, Paulo Afonso - BA, of the salary difference resulting from the assessment of the Additional Pay of Decree Law No. 1971 - ADL and Annual Bonus on the Hazard Pay, in the estimated amount of R\$ 7,500 thousand. The Company filed an Interlocutory Order in an Appeal for Revision with the Superior Labor Court – TST, which was denied. The sentence was finally judged, against CHESF. The settlement stage started and R\$ 3,700 thousand has been paid to a significant portion of the employees. There remains an expected payment of R\$ 3.800 thousand. On March 31, 2009, the settlement stage started. CHESF provided the Court with the number of the bank account for the judicial blocking.

b) Suit filed with the 8<sup>th</sup> Labor Court of Fortaleza - CE, by the Union of Electric Industry's Employees of the State of Ceará ("Sindicato dos Eletricitários do Estado do Ceará – SINDELETRO"), requiring the reimbursement of losses suffered by employees of the North Regional Management - GRN (Ceará and Rio Grande do Norte), derived from the withdrawal of the collective transportation, with an estimated amount of R\$ 6,000 thousand. The request for resumption of the transportation service was authorized at a partial settlement, with which the Company is complying. The Plaintiff Union requested the supplementation of transport and the sentencing of the Company to pay a daily

penalty, and CHESF challenged the allegation. The Labor Judge, after the hearing held on August 23, 2005 for hearing the substituted ones and the presentation of the final arguments by CHESF, modified the former understanding and ordered the resumption of the transportation services just within the limits in which they were provided previously. Still in the same decision, the parameters for settlement of the sentence were defined, which resulted in the reduction of the labor credit to R\$ 1,300 thousand. The settlement is being processed at the Labor Court of the 1<sup>st</sup> Instance in the City of Fortaleza - CE, and the final judgment was given. At March 31, 2009, the Interlocutory Order in Appeal of Claimants' Plea awaited the judgement of the settlement in course.

c) Suit filed with the 4<sup>th</sup> Labor Lower Court of Recife - PE, by the Union of Workers of Urban Industries of the State of Pernambuco - Urban workers in substitution to the 460 employees based in Recife - PE, requesting the assessment of the Hazard Pay over all salary elements, amounting to R\$ 4,000 thousand. The Judge of the First Instance excluded from the litigation by "lis pendens" or "res judicata", about 300 of the substituted workers, as well as judging the suit groundless on the merits. The Union filed an Ordinary Appeal with the TRT of the 6<sup>th</sup> Region, which was accepted. The suit is at the settlement stage through an expert's examination. On June 30, 2008, the expert's examination was concluded and the judiciary branch calculated the amount of R\$ 3,300 thousand. In accordance with the Company's legal consultants, this debt is R\$ 2,900 thousand, the difference of which will be the object of a challenge in a motion for clarification of judgment. On March 31, 2009 the settlement stage started. CHESF awaits the grant of a writ of mandamus.

### 1.3 – Tax Lawsuits

#### 1.3.1 – In Subsidiary Companies

In the Subsidiary Company FURNAS:

a) The subsidiary Company, based on the declarations of the last decisions of the Federal Revenue Service, made a provision of R\$ 87,977 thousand, related to PASEP/COFINS assessed over the exclusion from the calculation bases of the Global Reversion Reserve (RGR) from October, 1995, to September, 2000, and from October, 2005, to March, 2007.

b) Tax Assessment Notices - FINSOCIAL, COFINS and PASEP

On May 3, 2001, the company received assessment notices issued by the Federal Revenue Service assessing differences in Finsocial, Cofins and Pasep (tax on sales), of R\$ 1,098,900 thousand (historical amount R\$ 791,796 thousand), due to deductions from the related tax bases, especially of the revenues from the pass on and transmission of Itaipu's electricity for a ten-year period. These deficiencies are in addition to others assessed in 1999 for an inspection period of five fiscal years, amounting to R\$ 615,089 thousand, which were included in a tax debt refinancing program (Refis) in March 2000 and transferred on July 31, 2003 to the Special Tax debt refinancing program (PAES).

On June 12, 2008, upon the issuance of Binding Summary 8 by the Federal Superior Court (STF), the collection of the tax differences was reduced to a five-year term, and the restated amount of which changed from R\$ 1,098,900 thousand to R\$ 233,360 thousand.

The Company, based on the last decisions of the Federal Revenue Service, made a provision for tax risks amounting to R\$ 87,977 thousand, related to PASEP/COFINS assessed over the exclusion of the calculation bases of the Global Reversion Reserve (RGR) of the terms comprised between October, 1995, to September, 2000, and October, 2005, to March, 2007. The difference of R\$ 190,119 thousand refers to other exclusions of the calculation bases, still at the judgment stage, where there are possibilities of FURNAS winning, based on its legal advisor's understanding.

In the Subsidiary Company ELETRONORTE:



a) The subsidiary company has some disagreements involving the State Value-Added Tax (ICMS) and has a provision of R\$ 56,531 thousand to cover eventual losses with these suits.

In the Subsidiary Company CHESF:

a) The subsidiary company has matters basically involving suits for annulment of tax differences notices; requests for credit reimbursements (PIS/PASEP - COFINS) and other individual taxes. The Company has a provision of R\$ 8,770 thousand (at December 31, 2008 - R\$ 8,770 thousand).

2 – The lawsuits filed against the Company and its subsidiary companies with the probability of a possible loss are:

2.1 – Civil Lawsuits

2.1.1 - In Subsidiary Companies

In the Subsidiary Company CHESF:

a) Two indemnification suits filed by the Consortium formed by CBPO/CONSTRAN/Mendes Júnior requesting for the sentencing of the Company and the payment of an additional financial compensation, due to the delayed payment of invoices relating to the Xingó Hydroelectric Power Plant construction contract. One of these suits filed on June 8, 1999, referred to invoices issued as from April 30, 1990, and the other, filed on May 31, 2000, referred to invoices issued until then. In the suits, the plaintiffs made general claims, restricting themselves to point out the existence of an assumed right to a financial compensation, the determination of the respective amounts being postponed to the end of the action, upon the settlement of the sentence.

The Company challenged the suits and requested the Federal Government was admitted in the suits, with the remittance of the suits to one of the lower courts of the Federal Justice in Pernambuco. The Consortium filed a petition on the plea for the admission of the Federal Government in the proceedings.

After the submission of the expert's report and the additional clarifications, the hearing was held in August 2005, ordering the submission of the final reasoning until October 17, 2005. Presently, the suits have been delivered for the Judge's instructions and, probably, there will be the final settlement for the issue of the sentence. On March 31, 2009, the situation remained unaltered.

b) Public civil suit filed against the company by Associação Comunitária do Povoado do Cabeço e Adjacências (Community Association of Povoado do Cabeço and Neighborhood), in the State of Sergipe, involving R\$100,000 thousand, before the 2nd Federal Lower Court in Sergipe claiming for financial compensation for alleged environmental damage to Cabeço's fishermen downstream from the Xingó Hydroelectric Power Plant, resulting from its construction.

The suit was filed with the Federal Justice on June 27, 2002 and challenged within the legal term. After a sequence of procedural incidents, which did not affected the matter and the plea, the judge of the matter ordered, on August 31, 2005, the inclusion of IBAMA, IMA-AL, CRA-BA, Federal Government and ADEMA-SE in the respondent side of the suit, and the summoning of these entities.

On September 30, 2005, the service of process awaited to be fulfilled. On September 30, 2006, the court records were delivered to the Judge, after attachment of the power of attorney of the new attorneys of CHESF. On December 31, 2006, the suit was stayed by order of the Judge, awaiting the judgment of the interlocutory appeal filed by the Plaintiff

with the Federal Regional Court of the 5<sup>th</sup> Region, which has not been judged yet. The joint respondents of CHESF (Federal Government, IBAMA, IMA-AL, CRA-BA and ADEMA-SE) have already been summoned. On September 12, 2007, the judge issued an order with the following content: “Await information on the final sentence of the decision of the interlocutory appeal, on which CHESF is required to report”. Considering that the interlocutory appeal filed by CHESF was denied, this Company filed a motion for clarification of judgment against this decision.

On June 13, 2008 there was the publication the order of the judge determining the summoning of the Federal Government and IBAMA, as well as the Plaintiff’s summoning to manifest itself on the terms of the challenge. On September 30, 2008, the court records were being viewed by IBAMA. On March 31, 2009, the conciliation hearing was waiting to be held, programmed for February 19, 2009. As there was no conciliation in the hearing held on February 19, 2009, the judge ordered new measures be taken for the continuation of the suit. In this hearing, the judge became aware of the existence of a lawsuit with a similar objective which was in course before the Lower Civil Court of the Judicial District of Brejo Grande/SE and that was being forwarded, due to jurisdiction, to the Federal Justice. Due to this fact, the judge decided to recognize the procedural connection between both demands and, as from that day on, they started to be handled jointly. May 12, 2009 was defined for a new hearing in order to decide on the nature of the procedural evidence to be collected, including the performance of an expert’s examination. At this hearing, the judge established a 3-month period for the parties to present questions for the expert’s examination.

c) In the Judicial District of Brejo Grande/SE, there is also a public civil suit filed against CHESF by the Community Association of Povoado do Cabeço and Saramém (Associação Comunitária do Povoado do Cabeço e Saramém), to which the amount of R\$ 100,000 thousand was assigned with the same objectives of the demand commented before, and this matter was abandoned by the Plaintiff since February 2005. The last procedural action was performed in November 2007, when the judge ordered the summoning of the Public Prosecutor’s Office to manifest itself on the suit. On March 31, 2008, the suit was at a stand still and there was no manifestation of the Public Prosecutor’s Office. On June 30, 2008, the judge of the Judicial District of Brejo Grande issued a decision recognizing the lack of jurisdiction of the State Justice to analyze the fact, ordering the remittance of the court records to the Federal Justice. On September 30, 2008, the court records were being analyzed by IBAMA. On December 31, 2009, the return of the court records by IBAMA was being awaited. On February 19, 2009, this suit, which has been forwarded, due to jurisdiction, to the federal justice, was deemed procedurally connected to another suit with a character similar to another one that was being analyzed there, and both of them started being jointly analyzed and judged from that day on. In view of that, the subsequent information on this demand will be submitted jointly with the one that already had its course before the Federal Justice.

Supported by an assessment of the attorneys that are responsible for the Company’s matters, Management’s expectancy on the possibility of loosing these suits (Items b and c) is *likely*, as to the failure of the defense, but not with regard to the amounts of the pleas.

In the Subsidiary Company CGTEE:

The subsidiary company was called by CEEE-D for the collection of amounts related to the transfer suit of CGTEE made by CEEE to ELETROBRÁS. This suit is valued at R\$ 3,650 thousand and, pursuant to the analysis of the Legal advisor, it is possible the probability of loss for the Company.

In the Subsidiary Company CEAL:

The Union of Employees in the Urban Industries in the State of Alagoas, in the capacity of procedural substitute, filed a labor claim on behalf of the employees of Companhia Energética de Alagoas – CEAL, aimed at receiving assumed salary differences resulting from the implantation of the so-called “Bresser Plan” (Decree Law No. 2.335/87).

The plea was supported before the 2<sup>nd</sup> Conciliation and Judgment Committee of Maceió-AL, and this decision was confirmed by the Regional Labor Court of the 19<sup>th</sup> Region, being finally judged.

The fact is that, upon the settlement of the sentence, the judge of the 2<sup>nd</sup> Labor Lower Court of Maceió understood then that there should be no restriction to the base date of the category, what would cause an extraordinary burden at the settlement, and, thus, would create an enormous debt.

The risk is assessed as being a possible loss, as the judgment of the restriction to the base date of the category should occur upon the continuation of the settlement as, pursuant to OJ/TST (SDI I) No. 262, “the limitation to the base date of the category at the settlement stage provides no offense to the res judicata of the sentencing to the payment of salary differences derived from economical plans”.

In addition to it, there is the fact that the Federal Government has filed a pre-settlement challenge in the court records of the settlement requesting the acknowledgment of the nullity of the sentence issued by the Judge of the 2<sup>nd</sup> Labor Court of Maceió, what can effectively recognize the sentence unfavorably issued to CEAL as invalid.

3 – Lawsuits filed against the Company and its subsidiary companies with losses assessed as remote:

3.1 – Civil Lawsuits

3.1.1 – In the Parent Company:

ELETROBRÁS is the defendant in a suit filed by Associação Brasileira dos Consumidores de Água e Energia Elétrica – ASSOBRAEE, in judgment at the 17<sup>th</sup> Federal Court in Brasília, where it is claimed the use of the market value of Eletrobrás’ shares as the issuance price of the stocks used for payment of compulsory loan credits, which are realized using the equity value of the shares. An amount of R\$2,397,003 thousand was assigned to the suit, which is classified as a remote loss according to the legal advisors of the Company.

ELETROBRÁS is also a party to other lawsuits whose purpose is the redemption of the Bearer Bonds issued by the Company regarding the compulsory loan collected between 1964 and 1976. Pursuant to the provisions of Article 4, paragraph 11 of Law No. 4,156/62 and Article 1 of Decree 20.910/32, these obligations are unenforceable.

The Company’s management, supported by its legal advisors, considers that the possibility of an unfavorable outcome on these ongoing lawsuits of ELETROBRÁS is remote, considering that jurisprudence on the issue is unanimous on the statute of limitations period for the right to claim redemption of the obligations and the consequential unenforceability of these bonds (See Note 22).

3.1.2 – In Subsidiary Companies

In the Subsidiary Company CHESF:

Despite being considered by the Company’s legal advisors as a remote risk of loss, there is a collection suit in course filed by the Company Mendes Júnior, contracted for the construction of the Itaparica Hydroelectric Power Plant, due to alleged financial losses resulting from delayed payment of invoices by the Company.

The referred Collection Suit is based on the Declaratory Action judged precedent for the purpose of declaring a credit relationship between Mendes Júnior and CHESF, ensuring a financial reimbursement.

After the decision of the Superior Court of Justice refusing the acceptance of the special appeal filed by Construtora Mendes Júnior, and confirming the decision of the 2<sup>nd</sup> Civil Chamber of the Court of Justice of Pernambuco, which cancelled the sentence, ordering, further, the redistribution of the suit to one of the Federal Lower Courts of Pernambuco, the suit was forwarded to the 12<sup>th</sup> Federal Lower Court, numbered 2000.83.00.014864-7, for a new examination to be made and the issuance of a new sentence.

The Examination was presented. It should be emphasized that the Expert, responding to CHESF'S question, stated "*it is impossible to confirm from the analysis of the accounting records of Mendes Júnior, that in the periods of delayed invoice payment, it actually raised funds in the money market, specifically for funding the Itaparica works*". This response was confirmed by the analysis carried out by the Technical Assistant of CHESF, that included a careful examination of the financial statements of Mendes Júnior. Based on these results, CHESF requested the full dismissal of the suit.

The Federal Public Prosecutor's Office presented an opinion with a request for declaring the annulment of the whole suit. And, on the merits, it requested the dismissal of the suit.

The suit was accepted partially by a sentence published on March 8, 2008.

Mendes Júnior filed against the sentence a motion for its clarification, where it requested the acceptance of the report prepared by the Official Expert in its entirety. The Federal Public Prosecutor's Office submitted motions for clarification of judgment requesting the suit was judged fully groundless.

The motions filed by Mendes Júnior and the Federal Public Prosecutor's Office were refused by the Judge of the 12<sup>th</sup> Federal Lower Court.

CHESF and the Federal Government presented motions for clarification of the decision, which were accepted by the Honorable Judge by a decision that clarified some issues of the sentence related to the calculation of an eventual debt of CHESF with Mendes Júnior. After clarification of the sentence on the point in which it orders that, upon the calculation of the eventual debt of CHESF with Mendes Júnior, there must be deducted all and any payments from the principal, and all and any financial offset paid by CHESF, in compliance with the agreement.

CHESF filed an appeal against this decision, in which it requested that the suit to be judged totally groundless; especially considering, in this collection suit, that Mendes Júnior was responsible for evidencing that it contracted funds to finance the work of Itaparica due to CHESF'S delay to pay some invoices in order to be entitled to any kind of financial reimbursement; and that the financial expenses it had with this collection of resources had been higher than the total additions paid by CHESF, due to these delays. In December 2008, the Federal Government, CHESF and the Contractor Mendes Júnior, had already filed an appeal, and the term for the manifestation of the Public Prosecutor's Office on the sentence is in course. The Public Prosecutor's Office issued a favorable opinion for the acceptance of CHESF's appeal.

The appeals were included in the agenda of judgment on May 07, 2009, by the 1<sup>st</sup> Panel of the Federal Regional Court, but, due to the lack of the required quorum, this judgment was postponed to May 14, 2009. However, the judgment was postponed again, and no new date has been defined.

Considering the elements already included in the suit, it can be noted that Mendes Júnior did not make any loan, specifically to finance the Itaparica work (or did not take it in the expressed amounts) and further considering that, pursuant to the sentence, all benefits granted to Mendes Júnior during the performance of the agreement must be compensated; and finally considering the calculations already made by Chesf, CHESF'S Legal Consultancy confirms the opinion of the Company's attorneys that the risks of losses are improbable.

## NOTE 28 - OBLIGATIONS ASSUMED FOR THE RELEASE OF ASSETS

The Company recognizes the obligations for decommissioning the nuclear plants, which comprise a program of activities demanded by the National Nuclear Safety Authority (Brazilian Commission of Nuclear Energy - CNEN that allows to safely decommissioning of those nuclear facilities, with minimum impact to the environment.

Given the specific characteristics of operation and maintenance of nuclear plants, whenever changes occur in the estimated value of deactivation cost caused by new studies and advances in technology, decommissioning values should be adjusted to the new reality.

The balance of the obligation recorded at current value on March 31, 2009 is R\$ 269,162 (December 31, 2008 – R\$ 266,168)

## NOTE 29 - STOCKHOLDERS' EQUITY

### I - Capital stock

The Company's capital stock amounts to R\$ 26,156,567 thousand at March 31, 2009 (December 31, 2008 - R\$ 26,156,567 thousand), and its shares have no nominal value. Preferred shares are non-voting and non-convertible to common shares, but have priority on capital reimbursement and dividend distribution at the rates of 8% p.a. for Class "A" shares (subscribed prior to June 23, 1969) and 6% for Class "B" shares (subscribed as from June 24, 1969), calculated ratably to the capital corresponding to each Class of share.

The Capital Stock is represented by 1,132,357,090 nominal shares and is distributed by the main shareholders and types of shares, as provided for below:

TABLE OF SHARES

SHAREHOLDER	COMMON		PREFERRED			TOTAL CAPITAL	
	AMOUNT	%	Series A	Series B	%	AMOUNT	%
FEDERAL GOVERNMENT	488,656,241	53.99	-	35,191,714	15.49	523,847,955	46.26
BNDESPAR	133,757,950	14.78	-	712,600	0.31	134,470,550	11.88
FND	45,621,589	5.04	-	-	-	45,621,589	4.03
FGP	40,000,000	4.42	-	-	-	40,000,000	3.53
OTHERS	196,987,747	21.77	146,920	191,282,329	84.20	388,416,996	34.30
	<u>905,023,527</u>	<u>100.00</u>	<u>146,9200</u>	<u>227,186,643</u>	<u>100.00</u>	<u>1,132,357,090</u>	<u>100.00</u>

Of the total of 388,416,996 shares held by minority stockholders, 241,873,979 shares, that is, 62.27% are owned by non-resident investors, 131,523,171 of which are common shares, 27 "A" Class Preferred shares, and 110,350,781 are "B" Class Preferred shares.

Of the total interests held by investors domiciled abroad, 66,740,367 common shares and 33,010,949 "B" Class Preferred shares are kept in custody, so as to support the ADR – American Depositary Receipts - level I Program. On March 31, 2009, the book value of the share was R\$ 76.05 (December 31, 2008 - R\$ 75.61).

## II - Capital Reserves

	R\$ thousands	
	PARENT COMPANY AND CONSOLIDATED	
	03/31/2009	12/31/2008
Compensation for insufficient remuneration - CRC	18,961,102	18,961,102
Premium on issuance of shares	3,384,310	3,384,310
Special- Decree Law No. 54.936/1964	387,419	387,419
Monetary restatement of opening balance of 1978	309,655	309,655
Monetary restatement of compulsory loan - 1987	2,708,432	2,708,432
Donations and subventions - FINOR, FINAM and others	297,424	297,424
	<u>26,048,342</u>	<u>26,048,342</u>

The CRC capital reserve (Compensation account - CRC) corresponds to ELETROBRÁS' percentage interest in any shortfalls in the return on investments of its subsidiary companies (Compensation account - CRC), under the extinguished regime of guaranteed compensation valid in the Brazilian Electric Industry until 1993, which were supported and accounted for upon the settlement of obligation of the Federal Treasury.

## III – Surplus Reserve

Under the Company's by-laws, 50% of net income should be appropriated to the investment reserve and 1% to the reserve for studies and projects. Investments and Studies and Projects are limited, respectively, to 75% and 2% of the capital stock:

	R\$ thousands	
	PARENT COMPANY AND CONSOLIDATED	
	03/31/2009	12/31/2008
Legal (Art.193 - Law No. 6.404/76)	2,037,863	2,037,863
Statutory (Art. 194 - Law No. 6.404/76):		
Studies and projects	61,365	61,365
Investments	16,977,346	16,977,346
Retained earnings (Art. 196 - Law No. 6.404/76)	487,476	487,476
Special (Art. 202 - Law No. 6.404/76):		
Dividends not distributed	9,608,340	9,336,858
	<u>29,172,390</u>	<u>28,900,908</u>

On March 31, 2009, the restated balance of the Special Reserve of Non Distributed Dividends (Art. 202 – Law No. 6.404/76) presents the following composition, per shareholder holding common shares.

SHAREHOLDER	COMMON SHARES		RESERVE
	AMOUNT	%	R\$ thousand
Federal Government	488,656,241	53.99	5,187,543
BNDESPAR	133,757,950	14.78	1,420,113
FND	45,621,589	5.04	484,260
FGP	40,000,000	4.42	424,689
Minority	196,987,747	21.77	2,091,376
<b>TOTAL</b>	<b>905,023,527</b>	<b>100.00</b>	<b>9,608,340</b>

#### IV – Revaluation Reserves

These comprise the reserves of the relevant affiliates CELPA and CEMAT, evaluated pursuant to the equity method, which restated their property, plant, and equipment items.

#### V - Advances for future capital increase

The advances of resources received from the parent stockholder and directed to capital under an irrevocable character are classified under “Stockholders’ Equity” and updated by the SELIC rate, in accordance with Decree No. 2.673/98:

	R\$ thousands	
	PARENT COMPANY AND	
	03/31/2009	12/31/2008
Acquisition of interest in the company CEEE	2,016,697	1,959,715
Acquisition of interest in the company CGTEE	1,937,611	1,882,864
Banabuí–Fortaleza transmission line	66,754	64,868
XINGÓ Hydroelectric Power Plant	187,556	182,257
Transmission lines in the State of Bahia	29,360	28,530
Federal Electrification Fund - Law No. 5.073/66	174,036	169,119
	<b>4,412,014</b>	<b>4,287,353</b>

#### NOTE 30 - OPERATIONS WITH ELECTRIC POWER

	R\$ thousands	
	CONSOLIDATED	
	03/31/2009	31/03/2008
Supply ("Fornecimento")	1,352,849	2,177,841
Supply ("Suprimento")	2,340,185	2,212,329
Transmission	1,187,980	1,015,569
Trading at CCEE – short-term power	519,421	358,200

Transference of Energy from ITAIPU	1,884,347	1,369,009
Regulatory Asset – Trading of power from ITAIPU	(909,406)	267,392
	<u>6,375,376</u>	<u>7,400,340</u>

#### NOTE 31 – DEDUCTIONS TO THE OPERATIONS WITH ELECTRIC POWER

	R\$ thousands	
	CONSOLIDATED	
	03/31/2009	31/03/2008
Global Reversion Reserve - RGR	128,945	144,538
Fuel Consumption Account - CCC	65,242	70,344
Energetic Development Account - CDE	14,538	17,739
Incentive Program of Alternative Sources of EE - PROINFA	40,361	18,286
Others	51,320	59,076
	<u>300,406</u>	<u>309,983</u>
ICMS (State Value-Added Tax)	254,121	234,869
	<u>554,527</u>	<u>544,852</u>

#### NOTE 32 – EARNING FROM OWNERSHIP INTERESTS

	R\$ thousands			
	PARENT COMPANY		CONSOLIDATED	
	03/31/2009	31/03/2008	03/31/2009	31/03/2008
Investments in subsidiary companies				
Equity in earnings	142,076	397.135	-	-
Capital earnings - ITAIPU	3,505	2.596	3.505	2.596
	<u>145,581</u>	<u>399.731</u>	<u>3.505</u>	<u>2.596</u>
Investment in associated companies				
Equity in earnings (loss)	100,540	179.481	125.028	116.170
Interest on capital	-	21.714	-	21.714
	<u>100,540</u>	<u>201.195</u>	<u>125.028</u>	<u>137.884</u>
Other investments				
Dividends	85	301	85	301
Return on investments in partnerships	4,568	16.316	5.661	191.756
	<u>4,653</u>	<u>16.617</u>	<u>5.746</u>	<u>192.057</u>
	<u>250,774</u>	<u>617,543</u>	<u>134,279</u>	<u>332,537</u>



**NOTE 33 – PERSONNEL, MATERIAL, AND SERVICES**

	R\$ thousands			
	PARENT COMPANY		CONSOLIDATED	
	03/31/2009	31/03/2008	03/31/2009	31/03/2008
Personnel	56.680	46.379	854.489	750.884
Material	796	682	62.076	48.442
Services	16.288	9.005	361.271	291.105
	<u>73,764</u>	<u>56,066</u>	<u>1,277,836</u>	<u>1,090,431</u>

**NOTE 34 – ENERGY PURCHASED FOR RESALE AND USE OF THE ELECTRIC NETWORK**

	R\$ thousands	
	CONSOLIDATED	
	03/31/2009	31/03/2008
Supply ("Fornecimento")	178.916	63.675
Supply ("Suprimento")	157.940	183.766
Transmission	297.244	252.523
Transfer of Power from ITAIPU	1.074.098	670.075
Trading at CCEE – short-term power	503.334	682.958
Regulatory Asset – Trading of power from ITAIPU	(596.093)	180.126
Others	85.027	129.823
	<u>1,700,466</u>	<u>2,162,946</u>

**NOTE 35 – OPERATIONAL PROVISIONS**

	R\$ thousands			
	PARENT COMPANY		CONSOLIDATED	
	03/31/2009	31/03/2008	03/31/2009	31/03/2008
Contingencies	-	-	29.526	82.970
PCLD – Consumers and Resellers	-	-	212.692	106.334
PCLD - RTE	-	-	303	(68.284)
PCLD – Financing and Loans	17.273	9.006	17.273	9.006
PCLD – ICMS Credits	-	-	45.285	23.952
PCLD – Securities	724	-	724	-
Adjustment to Current Value – Decommissioning of Assets	-	-	-	(260.556)
Losses in Realization	37.568	96.199	-	81.567
Unsecured Liability in Controlled Companies	1.333	28.673	-	-
Others	498	19.234	67.131	78.031
	<u>57.396</u>	<u>153.112</u>	<u>372.933</u>	<u>53.020</u>

## NOTE 36 – FINANCIAL RESULT

	R\$ thousands			
	PARENT COMPANY		CONSOLIDATED	
	03/31/2009	31/03/2008	03/31/2009	31/03/2008
Financial Income (Expenses)				
Revenue from interest, commission and fees	998.637	880.734	276.257	277.696
Debt charges	(157.220)	(109.612)	(448.350)	(346.101)
Charges on stockholders' funds	(446.017)	(332.116)	(469.132)	(358.660)
Revenues from financial investments	336.724	170.694	427.582	244.174
Other revenues (expenses)	30.653	632	(41.564)	85.170
	<u>701.561</u>	<u>610.332</u>	<u>(255.207)</u>	<u>(97.721)</u>
Monetary and exchange adjustments				
Monetary adjustments, net	(11.838)	268.515	21.621	106.216
Exchange adjustments, net	(199.226)	(159.602)	(125.463)	(241.176)
	<u>(211.064)</u>	<u>108.913</u>	<u>(103.842)</u>	<u>(134.960)</u>
	<u>490.497</u>	<u>719.245</u>	<u>(359.049)</u>	<u>(232.681)</u>

## NOTE 37 – DISCRETIONARY RESIGNATION PROGRAM

ELETROBRÁS implanted a Discretionary Resignation Program (PDVE), aimed at the restructuring of its staff, available to all employees that fulfill the following conditions:

- a) Participants of the Defined Benefit Plan of Fundação Eletrobrás de Seguridade Social (Eletros) who were retired by the Federal Social Security Institute (INSS) and meet the requirements to obtain the complementary retirement benefit within twenty-four months after joining the PDVE.
- b) Participants of the Defined Contribution Plan of Eletros who satisfy the requirements to obtain the complementary retirement benefit within twenty-four months after joining the PDVE.
- c) Non-participants of Eletros – who were retired by the Federal Social Security Institute (INSS) or that are in conditions to obtain retirement within twenty-four months after joining the PDVE, even if on a proportional basis, under the General Social Security Regime.

After the end of the employment period with ELETROBRÁS, the Company no longer is responsible for any contributions to the Public Social Security or private pension plan.

The incentive to the employee in relation to PDVE is made through payment of a complementary compensation, per year of service, plus the termination amounts payable for a dismissal without cause, in accordance with the following criteria:

- a) fifty percent of a monthly compensation per complete year of work, limited to twenty four years and to the amount corresponding to twelve times the highest salary of the Company;

b) medical assistance for twelve months as from the date of dismissal.

The term for joining PDVE ended on December 31, 2007, with the inclusion of 311 employees, and 68 employees have already retired from Company upto December 2008. In 2009, it is expected that 243 employees will retire.

The Company had accrued for an amount of R\$ 68,544 thousand under the caption “Estimated obligations” at the reference date of March 31, 2009 to cover the expenses with the implantation of PDVE, realizable until December 2009 proportionally to employees’ retirement.

## NOTE 38– FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### I – Management of funds

Most of the financial investments of ELETROBRÁS are long-term loans and financing, in addition to the interests held in public service concessionaires, detailed under Notes 9 and 16 and in Attachments II and III.

### II -Financial Instruments

a) Cash and Cash equivalents: the market values of these assets are equal to their book values.

b) Securities: are classified as kept to maturity and are recorded based on the cost of acquisition plus interests and monetary adjustments with an impact on results. Such instruments are adjusted to the likely realization amount, as applicable.

c) Consumers and resellers: The amounts receivable from Consumers and Resellers are classified as kept until their due dates and are presented based on their likely realization amounts.

d) Renegotiated credits: are classified as kept up to their maturity and are presented based on their likely realization amounts.

e) Financing and loans granted: Loans and financing granted are associated to the finance function of the domestic electric industry, compensated at an average rate of 9.61 % p.a. (December 31, 2008 – 9.73% p.a.).

Financing is restricted to public electricity concessionaires and, therefore, defines the market rate (or cost of opportunity of the Company’s capital), taking into account the risk premium compatible with the activities of the industry. In the case it is not possible to find other alternatives within the electric sector, the fair value of these loans corresponds to their book value.

Eletrobrás ended the year with 792 loan and finance agreements, amounting to R\$ 41,852,244 thousand (December 31, 2008 - R\$ 42,234,271 thousand), as shown below:

Currency	US\$ thousands (equivalents)	%	R\$ thousand
US Dollar	8,548,765	47,29	19.792.101
IGP-M	4,298,060	23,78	9.950.868
Brazilian Real	4,889,665	27,05	11.320.553
Yen	238,476	1,32	552.120
Euro	102,195	0,57	236.602
Total	18,077,160	100,00	41.852.244

f) Loans and financing obtained:

Under long-term liabilities, financing and loans received from financial institutions, mainly from abroad, and the Sectorial Funds, especially the Global Reversion Reserve – RGR. The market values of loans and financing received are equal to their book values.

The financing received is comprised of funding agreed with international multilateral agencies - BID, BIRD, CAF, and it is not possible to discount them at a rate other than the one defined in the Brazilian debt agreement. The other loans are received at international rates, making the book value close to its current value.

ELETROBRÁS ended the first quarter of 2009 with 13 agreements in liabilities, among loans, financing and bonus, which amounted to R\$ 4,162,695 thousand (December 31, 2008 - R\$ 4,158,111 thousand), as provided for below:

Currency	US\$ thousands (equivalents)	%	R\$ thousands
US Dollar	1,481,007	82,37	3.428.828
Euro	104,051	5,79	240.899
Yen	212,927	11,84	492.968
Total	1,797,985	100,00	4.162.695

g) The Compulsory Loan, which was extinguished by Law No. 7.181, of December 20, 1993, had its deadline for collection defined as being December 31, 1993. Presently, ELETROBRÁS manages the residual stock of the Compulsory Loan earned, restating it pursuant to IPCA-E and compensating it at the rate of 6% p.a., with defined redemption term. The market values of these loans and financing are equal to their book values.

h) Derivatives

1 – Fair value of derivative instruments

On March 31, 2009, there was no operation with derivative financial instruments in portfolio. Accordingly, there was no operation recorded in the term ended on March 31, 2009.

h.1) Embedded Derivatives

The Controlled Company ELETRONORTE entered into long-term agreements in 2004 for the supply of electric power to three of its main clients. These long-term agreements are associated to the international price of aluminum on the *London Metal Exchange* (LME), as a basic asset for purposes of definition of the monthly values of the agreements.

The details of the agreement are as follows:

Client	Contract Dates		Average Amounts in megawatts
	Start	Due Date	
Albrás	07/01/2004	12/31/2024	750 MW – up to 12/31/2006
Alcoa	07/01/2004	12/31/2024	800 MW - from 01/01/2007 on
BHP	07/01/2004	12/31/2024	From 304,92 MW to 328 MW
			From 353,08 MW to 492 MW

These agreements include the concept of "*cap and floor band*" related to the price of aluminum quoted on the LME. The maximum and minimum limit price of LME is limited to US\$ 2,773.21/ton and US\$ 1,450/ton, respectively.

The Company does not carry out other modalities of operations of derivatives, except those referred to in this explanatory note. Other information on this operation is presented in Note 19.

### III - Risks

#### a) Regulatory Risk

The Company, through its controlled companies, holds concessions for exploitation of electric power generation, transmission and distribution public services, the maturities of which comply with applicable law. In the case these concessions are not renewed or are renewed at higher costs for the Company, the current levels of profitability and activity may be changed.

#### b) Exchange Risk

A significant part of the Company's assets and the result of its operations is materially affected by the exchange variation risk, specially the changes in the US dollar rate. As of December 31, 2009, the Company has credits derived from financing granted in foreign currency amounting to R\$ 20,580,823 thousand, equal to US\$ 8,889,436 thousand. Upon comparing the receivables in foreign currency with the debt of the Company, there is a coverage of approximately 4.94 times.

#### c) Credit Risk

Eletrobrás, through its controlled companies, is engaged in the markets of generation and transmission of electricity, supported by contracts executed in a regulated contracting environment. Through bilateral contracts entered into with electricity distributors, the Company aimed to minimize its credit risks through collateral mechanisms involving receivables from customers.

In transactions with industrial customers called 'free consumers', the credit risk is minimized through previous analysis of business conditions.

#### d) Price Risk

Until 2004, the electric power supply prices derived from the generation activity were set by ANEEL. From the auction 001/2004, organized by this Regulating Agency, the generating plants started selling their electric power to a greater number of consumers, at market defined prices.

The transmission activity has its prices defined by ANEEL through the so-called Allowed Annual Revenue (RAP), deemed sufficient to cover operating costs and maintain the economic-financial balance of the concession.

#### e) Market Risk

A significant part of the electric power generated by the companies controlled by ELETROBRÁS is sold through power trading agreements at a Regulated Contract Environment – (CCEAR's), executed due to the participation of its controlled companies in power auctions held by ANEEL.

## NOTE 39 – TRANSACTIONS WITH RELATED PARTIES

ELETROBRÁS' transactions with its subsidiaries, controlled companies and companies with a specific purpose are accomplished at prices and conditions consistent with those that would be practiced in the market. Among the main operations that took place with related parties, highlighted are loans and financing granted, made under the same conditions existing in the market and/or in compliance with applicable legislation on the matter. The other operations have also been established under regular market conditions.

The Company, as presented in Note 3, does not use share-based compensation.

Further, there is no operation with individual persons deemed as related parties, except those with shareholders.

	<b>PARENT COMPANY</b>		
	<b>ASSETS</b>	<b>LIABILITIES</b>	<b>INCOME (LOSS)</b>
<b>FURNAS</b>			
Consumers and resellers	5.357	-	-
Financing and loans	1.123.368	-	-
Earning from investments	258.922	-	-
AFAC	31.154	-	-
Other Obligations	-	339	
Revenues from Interest, Commissions and Fees	-	-	21.918
	<b>1.418.801</b>	<b>339</b>	<b>21.918</b>
<b>CHESF</b>			
Consumers and resellers	2.528	-	-
Financing and loans	3.299.318	-	-
Earning from investments	557.634	-	-
AFAC	294.397	-	-
Other Obligations	-	1.368	
Revenues from Interest, Commissions and Fees	-	-	95.261
	<b>4.153.877</b>	<b>1.368</b>	<b>95.261</b>
<b>ELETRONORTE</b>			
Consumers and resellers	6.042	-	-
Financing and loans	7.298.733	-	-
Fuel Consumption Account	41.735	-	-
Other Obligations	-	46	
Revenues from Interest, Commissions and Fees	-	-	279.300

	<b>7.346.510</b>	<b>46</b>	<b>279.300</b>
<b>ELETROSUL</b>			
Renegotiated Credits	28	-	-
Earning from investments	139.659	-	-
Financing and loans	597.561	-	-
AFAC	94.576	-	-
Revenues from Interest, Commissions and Fees	-	-	11.671
	<b>831.825</b>	<b>-</b>	<b>11.671</b>
<b>CGTEE</b>			
Financing and loans	673.575	-	-
Revenues from Interest, Commissions and Fees	-	-	7.543
	<b>673.575</b>	<b>-</b>	<b>7.543</b>
<b>ELETRONUCLEAR</b>			
Financing and loans	2.929.608	-	-
Earnings from investments	29.585	-	-
Other Obligations	-	52.687	-
Revenues from Interest, Commissions and Fees	-	-	92.121
	<b>2.959.193</b>	<b>52.687</b>	<b>92.121</b>
<b>ELETROPAR</b>			
AFAC	62.285	-	-
Earnings from investments	8.508	-	-
Other Obligations	-	800	-
	<b>70.794</b>	<b>800</b>	<b>-</b>
<b>ITAIPU</b>			
Financing and loans	9.000.740	-	-
Earnings from investments	1.158	-	-
Suppliers	-	729.342	-
Power purchased for Resale	-	-	928.408
Revenues from Interest, Commissions and Fees	-	-	153.677
	<b>9.001.898</b>	<b>729.342</b>	<b>153.677</b>

<b>CEAL</b>			
Consumers and resellers	788	-	-
Financing and loans	354.486	-	-
Fuel Consumption Account	946	-	-
AFAC	133.320	-	-
Revenues from Interest, Commissions and Fees	-	-	10.600
	<b>489.541</b>	<b>-</b>	<b>10.600</b>
<b>CEPISA</b>			
Consumers and resellers	594	-	-
Financing and loans	446.500	-	-
Fuel Consumption Account	727	-	-
Revenues from Interest, Commissions and Fees	-	-	12.765
	<b>447.821</b>	<b>-</b>	<b>12.765</b>
<b>MANAUS ENERGIA</b>			
Financing and loans	1.302.555	-	-
Fuel Consumption Account	1.463	-	-
Revenues from Interest, Commissions and Fees	-	-	32.880
	<b>1.304.018</b>	<b>-</b>	<b>32.880</b>
<b>CERON</b>			
Financing and loans	456.199	-	-
Fuel Consumption Account	5.719	-	-
Revenues from Interest, Commissions and Fees	-	-	12.827
	<b>461.918</b>	<b>-</b>	<b>12.827</b>
<b>ELETROACRE</b>			
Financing and loans	39.780	-	-
Fuel Consumption Account	219	-	-
AFAC	83.407	-	-
Revenues from Interest, Commissions and Fees	-	-	1,047
	<b>123,406</b>	<b>-</b>	<b>1,047</b>
<b>NATIONAL TREASURY</b>			
Obligations	-	2,289,386	-
Dividends Payable	-	805,848	-
	<b>-</b>	<b>3,095,234</b>	<b>-</b>



**ELETROS**

Social Security Contributions	-	-	(3,856)
	-	-	<b>(3,856)</b>

**BNDESPAR**

Dividends Payable	-	205,479	-
	-	<b>205,479</b>	-

**CHESF**

**CONSOLIDATED**

<b>TRANSMISSION SYSTEM NORDESTE</b>	<b>ASSETS</b>	<b>LIABILITIES</b>	<b>INCOME (LOSS)</b>
Permanent Equity Interest	112,451	-	-
JCP/Dividends receivable	10,971	-	-
Suppliers	-	1,105	-
Service Provision Revenue	-	-	515
Result from equity method of accounting	-	-	6,288
Charge for using the network	-	-	(2,516)
	<b>123,422</b>	<b>1,105</b>	<b>4,287</b>

**CEPEL**

Operating expenses	-	-	(2,360)
	-	-	<b>(2,360)</b>

**INTESA**

Permanent equity interest	22,607	-	-
JCP/Dividends receivable	57	-	-
Suppliers	-	755	-
Result from equity method of accounting	-	-	(286)
	<b>22,664</b>	<b>755</b>	<b>(286)</b>

**ÁGUAS DA PEDRA**

Permanent equity interest	61,985	-	-
	<b>61,985</b>	-	-

**ENERGIA SUSTENTÁVEL**

Permanent equity interest	118,002	-	-
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	118,002	-	-
<b>INTERLIGAÇÃO ELÉTRICA DO MADEIRA</b>			
Permanent equity interest	1,142	-	-
	<b>1,142</b>	-	-
<b>FACHESF</b>			
Suppliers	-	1,921	-
Ordinary contribution	-	1,708	-
Actuarial Agreements	-	364,087	-
Financial expense	-	-	(9,357)
Operating Expenses	-	-	(7,837)
	-	<b>367,716</b>	<b>(17,194)</b>
<b>ELETROSUL</b>			
	<b>ASSETS</b>	<b>LIABILITIES</b>	<b>INCOME (LOSS)</b>
<b>ETAU</b>			
Permanent equity interest	12,487	-	-
Advance for future increase in capital	(121)	-	-
Result of equity method of accounting	-	-	862
	<b>12,366</b>	-	<b>862</b>
<b>ARTEMIS</b>			
Permanent equity interest	68,141	-	-
Result of equity method of accounting	-	-	1,762
	<b>68,141</b>	-	<b>1,762</b>
<b>SC ENERGIA</b>			
Accounts receivable	6,105	-	-
Permanent equity interest	309,766	-	-
Advance for future increase in capital	(30,008)	-	-
Result of equity method of accounting	-	-	1,676
	<b>285,863</b>	-	<b>1,676</b>
<b>UIRAPURU</b>			
Accounts receivable	4,328	-	-
Permanent equity interest	20,212	-	-
Result of equity method of accounting	-	-	656
	<b>24,540</b>	-	<b>656</b>
<b>RS ENERGIA</b>			
Permanent equity interest	121,747	-	-
Result of equity method of accounting	-	-	82
	<b>121,747</b>	-	<b>82</b>

<b>ENERGIA SUSTENTÁVEL</b>			
Permanent equity interest	118,002	-	-
	<b>118,002</b>	-	-
<b>FUNDAÇÃO ELOS</b>			
Social Security Contributions	-	37,024	-
	-	<b>37,024</b>	-
<b>ELETRONORTE</b>			
	<b>ASSETS</b>	<b>LIABILITIES</b>	<b>INCOME (LOSS)</b>
<b>BRASNORTE</b>			
Permanent equity interest	39,600	-	-
	<b>39,600</b>	-	-
<b>AGUAS DA PEDRA</b>			
Permanent equity interest	61,985	-	-
Advance for future increase in capital	-	-	-
Result of equity method of accounting	-	-	-
	<b>61,985</b>	-	-
<b>AMAPARI</b>			
Permanent equity interest	40,443	-	-
Result of equity method of accounting	-	-	(979)
	<b>40,443</b>	-	<b>(979)</b>
<b>AETE</b>			
Permanent equity interest	26,930	-	-
Others	17	-	-
Use of Electric Network	-	-	-
Result of equity method of accounting	-	-	1,730
	<b>26,947</b>	-	<b>1,730</b>
<b>INTESA</b>			
Permanent equity interest	69,704	-	-
Others	1,580	-	-
Use of Electric Network	-	-	-
Result of equity method of accounting	-	-	1,031
	<b>71,284</b>	-	<b>1,031</b>
<b>PREVINORTE</b>			
Social Security Contributions	-	5,817	-
	-	<b>5,817</b>	-
<b>ELETRONUCLEAR</b>			
	<b>ASSETS</b>	<b>LIABILITIES</b>	<b>INCOME (LOSS)</b>

<b>ELETROBRÁS</b>			
Dividends payable		29,641	
Accounts receivable	3,757		
Assignment of Employees		1,072	
Financing and Loans		2,930,758	(34,234)
	<b>3,757</b>	<b>2,961,471</b>	<b>(34,234)</b>
<b>FURNAS</b>			
Accounts receivable	6,667		
Accounts payable		1,233	
Power sale income			375,433
Charge for using network			(2,172)
	<b>6,667</b>	<b>1,233</b>	<b>373,261</b>
<b>CHESF</b>			
Accounts payable		143	
Charge for using network			(1,284)
	<b>-</b>	<b>143</b>	<b>(1,284)</b>
<b>ELETROSUL</b>			
Accounts payable		95	
Charge for using network			(853)
	<b>-</b>	<b>95</b>	<b>(853)</b>
<b>ELETRONORTE</b>			
Accounts payable		104	
Charge for using network			(937)
	<b>-</b>	<b>104</b>	<b>(937)</b>
<b>ELETROPAR</b>			
Accounts receivable	18		
	<b>18</b>	<b>-</b>	<b>-</b>
<b>NUCLEOS</b>			
Actuarial deficit		106,603	
Ordinary contribution			(1,557)
	<b>-</b>	<b>106,603</b>	<b>(1,557)</b>
<b>REAL GRANDEZA</b>			
Actuarial assets	120,449		
Actuarial deficit		120,449	
Ordinary contribution			(2,417)
Financial expense			(568)
Operating expenses			(497)
	<b>120,449</b>	<b>120,449</b>	<b>(3,482)</b>

#### NOTE 40 – RELATIONSHIP WITH INDEPENDENT AUDITORS

In compliance with what is provided for in CVM Instruction 381, of January 14, 2003, ELETROBRÁS informs it uses the independent audit services of the company PricewaterhouseCoopers, hired in April, 2009, for carrying out an audit of the Financial Statements of ELETROBRÁS and its controlled companies, and it is emphasized, in addition, that the Company does not have with the said company any service agreement other than the one related to the audit services of the Financial Statements.

The policy of this Company in relation to its independent auditors is based on principles that preserve the auditors' independence.

The jointly-controlled company ITAIPU BINACIONAL has BDO Trevisan as their independent auditors.

**José Antonio Muniz Lopes**  
*CEO*

**Astrogildo Fraguglia Quental**  
*Financial and Investor Relations Director*

**Valter Luiz Cardeal de Souza**  
*Engineering Director*

**Miguel Colasuonno**  
*Managing Director*

**Flávio Decat de Moura**  
*Distribution Director*

**Ubirajara Rocha Meira**  
*Technology Director*

**João Vicente Amato Torres**  
*Accountant*  
CRC-RJ-057.991/O-S-DF



BDO Trevisan

BDO Trevisan Auditores Independentes  
Rua 7 de Setembro, 71  
15º e 21º andares - Centro  
Rio de Janeiro - RJ - Brasil  
20050-005

Tel.: +55 (21) 3534-7500  
Fax.: +55 (21) 2221-1395  
www.bdotrevisan.com.br

(Convenience translation into English from the original previously issued in Portuguese)

## INDEPENDENT AUDITORS' REPORT

To the Shareholders and Management of  
Centrais Elétricas Brasileiras S.A. - ELETROBRÁS

- 1 We have examined the balance sheet of Centrais Elétricas Brasileiras S.A. - ELETROBRÁS - (Company and consolidated) as of December 31, 2008, and the related statements of income, changes in shareholders' equity (Company), cash flows and value added for the year then ended, all expressed in Brazilian reais and prepared under the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements. As mentioned in Note 16, the investments in certain controlled and affiliated companies as of December 31, 2008 were accounted for on the equity method based on financial statements audited by other independent auditors. Our opinion thereon, insofar as it relates to the carrying values of these investments, the equity in earnings of those companies, and the provision for shareholders' deficit in the amounts of R\$33,711,984 thousand, R\$2,172,549 thousand, and R\$(353,921) thousand, respectively, is solely based on those other independent auditors' reports.
- 2 Except for the matter mentioned in paragraph 3, 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, (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 The independent auditors' report on the financial statements for the year ended December 31, 2008 of certain affiliated companies (note 16) have not been presented to date. The investments referring to those affiliated companies were valued by the equity method. Accordingly, we were unable to apply additional auditing procedures to satisfy ourselves as to the carrying value of those investments, as well as the equity in earnings resulting therefrom, in the amounts of R\$ 1,526,447 thousand and R\$ 34,969 thousand, respectively.
- 4 In our opinion, based on our examinations and the other independent auditors' opinions, except for the possible effects of the application of auditing procedures mentioned in paragraph 3, the financial statements referred to in paragraph 1 present fairly, in all material respects, the financial position of Centrais Elétricas Brasileiras S.A. - ELETROBRÁS as of December 31, 2008, and the results of its operations, the changes in shareholders' equity, cash flows and value added for the year then ended, in conformity with Brazilian accounting practices.

## INDEPENDENT AUDITORS' REPORT

To the Shareholders and Management of  
Centrais Elétricas Brasileiras S.A. - ELETROBRÁS

- 5 According to note 30, the Company recorded a provision for civil contingencies in the amount of R\$1,328,244 thousand in noncurrent liabilities for the claim, filed by certain legal entities, to receive full monetary adjustment on the amounts of compulsory loan collected on behalf of ELETROBRÁS. Based on the Company's legal counselors' opinion, who are not certain about the likelihood of unfavorable outcome of the corresponding lawsuits (in 2003 the likelihood of loss was classified as "possibility of unfavorable outcome of ongoing lawsuits"), and on a conservative basis, considering unfavorable low-court decisions and the lack of judgments in higher courts, management maintained the provision for contingencies, basically set up in prior years, in order to cover losses arising from unfavorable legal decisions. Given the controversy about the issue, under current circumstances we are unable to reach a conclusion on the outcome of the dispute, as well as the possible impacts on financial statements.
- 6 The financial statements of FURNAS - Centrais Elétricas S.A. for the year ended December 31, 2008 were reviewed by other independent auditors, whose opinion thereon, dated March 6, 2009 had an emphasis-of-a-matter paragraph regarding ICMS (State VAT) credits with the State of Mato Grosso, amounting to R\$49,374 thousand and recorded by FURNAS under current assets. On June 13, 2007, a Tax Action Conclusion Agreement was signed. It sets forth that the state government of Mato Grosso will compensate FURNAS, although the settlement of this credit depends on actions from the State of Mato Grosso Finance Department, regarding the period of its realization.
- 7 The financial statements of Centrais Elétricas do Norte do Brasil S.A. - ELETRONORTE, for the year ended December 31, 2008 were audited by us and our unqualified report, dated March 20, 2009, had emphasis referring to the fact that the financial statements of controlled company Boa vista Energia S.A. were prepared assuming its continuity as a going concern. The company, however, has been recording operating losses accumulated over the years and working capital deficiency, borne by its controlling shareholder through the inflow of funds for loans and capital increase. Accordingly, the company depends on its controlling shareholder contributing funds to continue as a going concern.

## INDEPENDENT AUDITORS' REPORT

To the Shareholders and Management of  
Centrais Elétricas Brasileiras S.A. - ELETROBRÁS

- 8 The financial statements of Manaus Energia S.A., as of December 31, 2008 were audited by other independent auditors whose unqualified report thereon, dated March 20, 2009, emphasized the following: a) pursuant to SFF/ANEEL Official Letter No. 2,775 of December 24, 2008, the company recorded under noncurrent assets PIS/PASEP and COFINS (tax on sales) credits referring to the calculation period from 2004 to 2008. The use of such credits will depend on the generation of future debts and, to avoid the risk of expiration, the company's management, through its legal counselors, filed an appeal with the Federal Government. Likewise, the company recorded under noncurrent liabilities ICMS, PIS/PASEP and COFINS debts to be refunded to the Fuel Consumption Account – CCC, referring to fuel purchase invoices paid through the CCC – ISOL (of Isolated Systems) fund. The management of the company, instructed by their legal counselors, required in court the suspension of the effects of that Official Letter, as informed in note 12; and b) the company has been recording operating losses accumulated over the years and working capital deficiency, borne by its controlling shareholder through the inflow of funds for capital increase. Accordingly, the company depends on the implementation of operating and management measures, including its controlling shareholder contributing funds to continue as a going concern.
- 9 The financial statements of Companhia de Eletricidade do ACRE - ELETROACRE, for the year ended December 31, 2008 were examined by other independent auditors, whose unqualified opinion, dated February 6, 2009, had emphasis on the fact that the financial statements were prepared assuming that the Company will continue as a going concern. Despite the earnings recorded in the last two years, the company has borne accumulated losses over the years, and depends on its controlling shareholder's contributing funds for an increase in capital. Accordingly, the company depends on its controlling shareholder contributing funds to continue as a going concern.
- 10 The financial statements of CTEEP - Companhia de Transmissão de Energia Elétrica Paulista for the year ended December 31, 2008 were examined by other independent auditors, whose unqualified opinion, dated March 13, 2009, had emphasis on the fact that according on the decision of the 49th





**BDO Trevisan**

Tel.: +55 (21) 3534-7500  
Fax.: +55 (21) 2221-1395  
www.bdotrevisan.com.br

## **INDEPENDENT AUDITORS' REPORT**

To the Shareholders and Management of  
Centrais Elétricas Brasileiras S.A. - ELETROBRÁS

São Paulo Labor Court's Division, beginning in September 2005, the Fundação CESP began to prepare the payroll of the supplementary pension plan's beneficiaries ruled by Law 4.819/58. In January 2006, the State of São Paulo Office of the Attorney General changed its position, making it clear that the State Government's responsibility was restricted to the limits imposed by the state constitution on payment of retirement benefits. Since then, the State Government has disallowed part of the funds passed on to the company. The difference between the amount paid by the company and the part disallowed by the State Government is recorded under noncurrent assets. Supported by its legal counselors' opinion, the company's management understands that the responsibility for the payment of benefits in this case lies with the State Government. As a result, no obligation or provision for losses whatsoever has been recorded in connection therewith.

- 11 Formerly, we audited the financial statements (Company and Consolidated) for the year ended December 31, 2007, consisting of the balance sheet, statement of income, statement of changes in shareholders' equity and statement of changes in financial position, in addition to the supplementary information consisting of the statements of cash flows and of value added, on which we issued an opinion dated March 14, 2008, with a qualification similar to the one described in paragraph 3, emphasis-of-a-matter paragraphs similar to those described in paragraphs 5 to 10, and emphasis included in our report of February 20, 2008 of controlled company Centrais Elétricas do Norte do Brasil S.A. - ELETRONORTE, regarding the implementation of AT-83 table, as required by the Pension Fund Management Committee Resolution CGPC No. 18, of March 28, 2006, issue settled during the quarter ended September 30, 2008. As explained in note, 2, the Brazilian accounting practices were changed as from January 1, 2008. The financial statements for the year ended December 31, 2007, presented together with the 2008 financial statements, were prepared in accordance with Brazilian accounting practices in effect until December 31, 2007 and, as allowed by CPC Technical Pronouncement No. 13 – Initial Adoption of Law No. 11,638/07 and Executive Act No. 449/08 are not being republished with the adjustments for purposes of comparison between the years.
- 12 The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Rio de Janeiro, March 23, 2009

Luiz Carlos de Carvalho  
Engagement Partner  
BDO Trevisan Auditores Independentes

**CENTRAIS ELÉTRICAS BRASILEIRAS S.A. - ELETROBRÁS**  
**BALANCE SHEETS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**  
(In thousands of Brazilian reais)

ASSETS	C O M P A N Y		C O N S O L I D A T E D	
	2008	2007 Reclassified	2008	2007 Reclassified
<b>CURRENT</b>				
Cash and cash equivalents	10.104.427	5.797.710	13.566.386	8.387.789
Consumers and resellers	1.709.569	1.349.259	4.341.459	4.182.324
Loans and financing	2.697.114	3.034.328	1.493.271	1.299.066
Fuel Consumption Account - CCC	573.993	337.276	554.748	365.366
Return on investments	1.212.966	635.357	261.093	152.468
Rescheduled receivables	84.371	112.803	619.871	526.275
Deferred tax credits	1.418.353	1.773.215	2.081.850	2.480.999
Rights to reimbursement	516.766	179.460	516.766	179.460
Sundry receivables	171.165	290.840	377.879	432.539
Storeroom	1.879	2.519	759.963	641.840
Prepaid expenses	-	-	76.874	90.767
Other	87.306	74.023	947.497	681.909
	<u>18.577.909</u>	<u>13.586.790</u>	<u>25.597.657</u>	<u>19.420.802</u>
<b>NONCURRENT</b>				
<b>LONG-TERM ASSETS</b>				
Loans and financing	39.537.157	33.488.103	13.467.643	11.941.405
Rescheduled receivables	199.646	203.959	2.070.302	1.920.766
Marketable securities	613.374	1.289.672	617.889	1.293.014
Nuclear fuel inventories	-	-	725.142	657.188
Studies and projects	-	292.579	-	312.122
Consumers and resellers	-	-	42.024	179.454
Deferred tax credits	1.348.168	1.351.862	2.786.948	2.526.213
Pledges and restricted deposits	-	-	165.138	290.256
Fuel Consumption Account - CCC	572.279	500.512	572.279	500.512
Rights to reimbursement	4.312.809	590.025	4.312.809	590.025
Other	73.547	66.426	1.156.724	1.314.571
	<u>46.656.980</u>	<u>37.783.138</u>	<u>25.916.898</u>	<u>21.525.526</u>
Advances for increase in parent company's ownership interest	730.281	2.026.483	4.027	4.027
	<u>47.387.261</u>	<u>39.809.621</u>	<u>25.920.925</u>	<u>21.529.553</u>
INVESTMENTS	43.682.718	43.062.138	5.896.865	5.193.138
PROPERTY, PLANT AND EQUIPMENT	25.494	28.807	80.262.674	75.262.669
INTANGIBLE ASSETS	53.706	55.558	375.811	474.485
DEFERRED CHARGES	-	5.891	-	47.261
	<u>43.761.918</u>	<u>43.152.394</u>	<u>86.535.350</u>	<u>80.977.553</u>
<b>TOTAL ASSETS</b>	<b><u>109.727.088</u></b>	<b><u>96.548.805</u></b>	<b><u>138.053.932</u></b>	<b><u>121.927.908</u></b>

The accompanying notes and attachments I, II, III, IV, IV-A, V and VI are an integral part of these financial statements.

**CENTRAIS ELÉTRICAS BRASILEIRAS S.A. - ELETROBRÁS**  
**BALANCE SHEETS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**  
(In thousands of Brazilian reais)

LIABILITIES AND SHAREHOLDERS' EQUITY	C O M P A N Y		C O N S O L I D A T E D	
	2008	2007 Reclassified	2008	2007 Reclassified
<b>CURRENT</b>				
Loans and financing	192.181	139.430	1.714.611	1.450.815
Compulsory loan	85.205	96.709	85.205	96.709
Trade accounts payable	1.676.071	1.269.365	2.594.567	2.476.444
Advances from consumers	15.381	202.250	53.159	237.441
Taxes and social contributions	1.363.854	1.092.560	2.075.726	1.955.794
Fuel Consumption Account - CCC	649.341	515.418	670.482	518.522
Shareholders' compensation	1.914.222	881.002	1.948.109	902.915
Payables to the Brazilian Federal Treasury	72.236	58.150	72.236	58.150
Estimated obligations	67.835	78.274	550.573	468.148
Reimbursement obligations	923.344	444.225	923.344	444.225
Complementary pension plans	-	-	502.699	368.950
Provisions for contingencies	-	-	1.481.709	1.095.852
Research and development	-	-	269.062	367.101
Fees as per regulations	-	-	708.285	541.968
Other	78.910	33.648	637.249	941.602
	7.038.580	4.811.031	14.287.016	11.924.636
<b>NONCURRENT</b>				
Loans and financing	3.965.930	1.576.872	18.297.562	13.029.068
Payables to the Brazilian Federal Treasury:	2.854.201	726.989	2.854.201	726.989
Trade accounts payable	-	-	24.282	16.668
Global Reversion Reserve Quota - RGR	7.193.770	6.769.011	7.193.770	6.769.011
Compulsory loan	129.866	202.375	129.866	202.375
Taxes and social contributions	943.882	-	2.713.664	1.690.671
Obligations assumed for the release of assets	-	-	266.168	451.017
Advances from consumers	-	-	1.018.488	1.056.761
Fuel Consumption Account - CCC	572.279	500.512	1.432.982	1.431.641
Provisions for contingencies	1.009.514	1.037.192	1.695.556	1.881.291
Complementary pension plans	-	-	1.567.002	1.841.685
Provision for shareholders' deficit in investees	353.921	875.777	-	-
Other	46.784	85.810	722.346	629.851
	17.070.147	11.774.538	37.915.887	29.727.028
<b>INTEREST OF NON-CONTROLLING SHAREHOLDERS</b>	-	-	232.668	313.008
<b>SHAREHOLDERS' EQUITY</b>				
Capital stock	26.156.567	24.235.829	26.156.567	24.235.829
Capital reserves	26.048.342	25.907.304	26.048.342	25.907.304
Revaluation surplus	196.906	208.109	196.906	208.109
Revenue reserves	28.900.908	25.800.369	28.900.908	25.800.369
Translation accumulated adjustments	28.285	-	28.285	-
	81.331.008	76.151.611	81.331.008	76.151.611
Advances for future capital increase	4.287.353	3.811.625	4.287.353	3.811.625
	85.618.361	79.963.236	85.618.361	79.963.236
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	109.727.088	96.548.805	138.053.932	121.927.908

The accompanying notes and attachments I, II, III, IV, IV-A, V and VI are an integral part of these financial statements.

**CENTRAIS ELÉTRICAS BRASILEIRAS S.A. - ELETROBRÁS**  
**STATEMENT OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**  
(In thousands of Brazilian reais)

	COMPANY		CONSOLIDATED			
	2008	2007	Quarters		2008	
		Reclassified	4Q/08	until 3Q/08	4Q/07 Reclassified	
<b>OPERATING REVENUES</b>						
Electricity sale, and transmission	10.927.053	7.553.751	9.573.586	21.877.178	7.257.804	31.450.764
(-) Sectorial charges	-	-	(307.947)	(883.726)	(346.697)	(1.191.673)
(-) State VAT (ICMS)	-	-	(265.409)	(719.199)	(256.814)	(984.608)
Ownership interests	382.799	1.883.289	48.119	617.414	303.717	665.533
Tax incentive revenue	-	-	343.251	-	-	343.251
Other revenues	-	-	308.947	139.669	370.517	448.616
	<u>11.309.852</u>	<u>9.437.040</u>	<u>9.700.547</u>	<u>21.031.336</u>	<u>7.328.527</u>	<u>30.731.883</u>
<b>OPERATING EXPENSES</b>						
Personnel, material, and services	278.453	318.370	1.547.196	3.892.446	1.453.565	5.439.642
Energy purchased for resale	9.572.208	7.151.995	3.319.965	5.512.349	1.871.289	8.832.314
Fuel for electricity production	-	-	244.107	914.749	197.732	1.158.856
PASEP and COFINS (taxes on sales)	160.551	86.947	371.610	1.093.199	368.549	1.464.809
Electricity network use	-	-	293.442	807.778	237.860	1.101.220
Financial compensation of water resources	-	-	301.968	798.809	655.476	1.100.777
Depreciation and amortization	6.864	7.016	590.371	1.749.533	507.933	2.339.904
Operating provisions	303.994	586.483	1.260.170	283.921	92.670	1.544.091
ITAIPIU's income (loss) to be offset	-	-	342.664	493.221	319.968	835.885
Donations and contributions	153.650	126.400	85.573	132.340	55.213	217.913
Other	150.159	356.712	(137.322)	632.642	793.951	495.320
	<u>10.625.879</u>	<u>8.633.923</u>	<u>8.219.744</u>	<u>16.310.987</u>	<u>6.554.206</u>	<u>24.530.731</u>
<b>OPERATING INCOME (LOSS) BEFORE FINANCIAL INCOME (EXPENSES)</b>	<u>683.973</u>	<u>803.117</u>	<u>1.480.803</u>	<u>4.720.349</u>	<u>774.321</u>	<u>6.201.152</u>
<b>FINANCIAL INCOME (EXPENSES)</b>	<u>7.797.423</u>	<u>597.903</u>	<u>2.799.238</u>	<u>584.530</u>	<u>1.517.766</u>	<u>3.383.768</u>
<b>OTHER EXPENSES AND INCOME</b>	<u>-</u>	<u>-</u>	<u>262.258</u>	<u>(294.516)</u>	<u>-</u>	<u>(32.258)</u>
<b>OPERATING INCOME</b>	<u>8.481.396</u>	<u>1.401.020</u>	<u>4.542.299</u>	<u>5.010.363</u>	<u>2.292.087</u>	<u>9.552.662</u>
<b>NON-OPERATING INCOME (LOSS)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22.237)</u>	<u>-</u>
<b>INCOME (LOSS) BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES, EMPLOYEES' AND MANAGEMENT PROFIT SHARING AND MINORITY INTEREST</b>	<u>8.481.396</u>	<u>1.401.020</u>	<u>4.542.299</u>	<u>5.010.363</u>	<u>2.269.850</u>	<u>9.552.662</u>
Income tax	(1.700.759)	146.976	(930.938)	(1.431.921)	(354.029)	(2.362.859)
Social contribution tax on net income	(621.140)	17.861	(343.017)	(520.639)	(116.618)	(863.650)
<b>INCOME (LOSS) BEFORE OWNERSHIP INTERESTS</b>	<u>6.159.497</u>	<u>1.565.857</u>	<u>3.268.344</u>	<u>3.057.803</u>	<u>1.799.203</u>	<u>6.326.147</u>
Profit sharing	(23.000)	(18.000)	(176.817)	-	(159.983)	(176.817)
Minority interest	-	-	(53.117)	40.284	(48)	(12.833)
<b>NET INCOME FOR THE YEAR / PERIOD</b>	<u>6.136.497</u>	<u>1.547.857</u>	<u>3.038.410</u>	<u>3.098.087</u>	<u>1.639.172</u>	<u>6.136.497</u>
<b>EARNINGS PER SHARE, NET</b>	<u>R\$5.42</u>	<u>R\$1.37</u>	<u>R\$2.68</u>	<u>R\$2.74</u>	<u>R\$1.45</u>	<u>R\$5.42</u>

The accompanying notes and attachments I, II, III, IV, IV-A, V, and VI are an integral part of these financial statements.

**CENTRAIS ELÉTRICAS BRASILEIRAS S.A - ELETROBRÁS**  
**STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

(In thousands of Brazilian reais)

	COMPANY		CONSOLIDATED	
	12/31/2008	12/31/2007 Reclassified	12/31/2008	12/31/2007 Reclassified
<b>OPERATING ACTIVITIES</b>				
Net income for the period	6.136.497	1.547.857	6.136.497	1.547.857
Adjustments to reconcile net income to cash provided by operating activities				
Depreciation and amortization	6.864	7.016	2.339.904	2.128.575
Long-term monetary variation, net	(4.811.429)	2.536.733	(2.945.187)	3.153.574
Adjustment to investments:	(199.702)	(1.455.947)	(162.578)	(306.002)
Regulatory assets	(1.409.637)	(287.746)	(1.410.394)	(287.746)
Long-term provisions	535.906	(938.109)	775.543	(942.233)
Adjustment to present value.	(7.159)	-	(113.672)	-
Minority interest	-	-	176.817	(11.847)
Financial charges on shareholders' equity	1.511.749	1.283.075	1.522.506	1.289.037
ITAIPU's income (loss) available for offset	-	-	107.868	(694.088)
Decrease in recoverable value of assets	-	-	770.293	-
Assets disposals and write-offs	-	-	58.160	46.328
Other	302.330	416.886	704.836	112.285
Subtotal	<u>2.065.419</u>	<u>3.109.765</u>	<u>7.960.593</u>	<u>6.035.740</u>
(Increase) decrease in operating assets				
Consumers and resellers	(360.310)	(168.865)	(159.135)	292.647
Loans and financing - principal amount	251.415	183.695	(170.960)	251.204
Loans and financing - charges	85.799	2.767.053	(23.244)	(308.907)
Fuel Consumption Account - CCC	(236.717)	280.454	(189.382)	269.600
Return on investments	(577.609)	(91.626)	(108.624)	21.987
Marketable securities	-	-	-	-
Rescheduled receivables	28.432	(5.868)	(93.596)	(174.117)
Tax credits	354.862	(559.794)	399.149	(609.681)
Rights to reimbursement	(337.306)	96.008	(337.306)	(97.802)
Sundry receivables	119.675	(288.562)	54.660	(299.307)
Storeroom	640	(92)	(118.123)	(78.664)
Prepaid expenses	-	-	15.697	(38.998)
Other	(13.286)	(8.391)	(267.394)	(148.573)
	<u>(684.405)</u>	<u>2.204.012</u>	<u>(998.258)</u>	<u>(920.611)</u>
Increase (decrease) in operating assets				
Reimbursement obligations	479.119	250.415	479.119	(388.936)
Loans and financing - principal amount	39.176	(26.902)	233.671	(598.198)
Loans and financing - charges	13.575	(3.636)	30.124	55.580
Compulsory loan	(11.504)	(14.397)	(11.504)	(14.397)
Trade accounts payable	406.706	109.444	118.123	171.208
Advances from consumers	(186.869)	99.863	(184.282)	102.532
Taxes and social contributions	271.294	174.077	119.932	431.050
Fuel Consumption Account - CCC	133.923	(321.460)	151.960	(358.504)
Stockholders' compensation (dividends payable)	1.033.220	314.505	1.045.195	311.704
Payables to the Brazilian Federal Treasury:	14.086	7.027	14.086	7.027
Estimated obligations	(10.439)	70.992	82.426	173.483
Supplementary pension plans	-	-	133.749	23.027
Provisions for contingencies	-	-	385.857	97.841
Regulatory fees	-	-	(147.670)	317.470
Research and development	-	-	166.317	444.225
Other	45.263	(239.106)	(254.723)	411.259
	<u>2.227.550</u>	<u>420.822</u>	<u>2.362.380</u>	<u>1.186.371</u>
<b>Funds provided by (used in) operating activities</b>	<u>3.608.564</u>	<u>5.734.599</u>	<u>9.324.715</u>	<u>6.301.500</u>

**CENTRAIS ELÉTRICAS BRASILEIRAS S.A. - ELETROBRÁS**  
**ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENTS**  
**STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

(In thousands of Brazilian reais)

	COMPANY		(CONTINUED) CONSOLIDATED	
	12/31/2008	12/31/2007 Reclassified	12/31/2008	12/31/2007 Reclassified
<b>FINANCING ACTIVITIES</b>				
Long-term loans and financing obtained	1.403.383	-	2.002.621	1.503.372
Long-term financing reclassified as current	(1.305.028)	(772.109)	(2.369.498)	(2.419.250)
Stockholders' compensation	(1.715.254)	(703.486)	(1.718.778)	(751.127)
Loans and financing granted - disbursements	(2.473.197)	(3.413.978)	(740.316)	(1.295.055)
Loans and financing granted - receipts	4.888.858	3.309.303	1.682.382	4.549.316
Noncurrent amounts reclassified as current	244.690	-	1.118.000	(612.594)
Refinancing obtained (current liabilities reclassified as noncurrent)	-	28.010	102.985	64.438
Refinancing granted (current assets reclassified as noncurrent)	(2.493.905)	(1.850.465)	(144.469)	(2.236.442)
Compulsory loan and RGR	950.632	875.571	950.632	875.571
Other	77.849	16.640	(294.109)	(813.468)
<b>Funds provided by (used in) financing activities</b>	<b>(421.972)</b>	<b>(2.510.514)</b>	<b>589.450</b>	<b>(1.135.239)</b>
<b>INVESTMENT ACTIVITIES</b>				
Acquisition of property, plant and equipment	(23.656)	(8.013)	(4.243.661)	(3.521.642)
Investments	(168.050)	(538.534)	(837.525)	900.294
Dividends received	1.311.831	-	345.618	-
<b>Funds provided by (used in) investments</b>	<b>1.120.125</b>	<b>(546.547)</b>	<b>(4.735.568)</b>	<b>(2.621.348)</b>
<b>Increase in cash and cash equivalents</b>	<b>4.306.717</b>	<b>2.677.538</b>	<b>5.178.597</b>	<b>2.544.913</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>5.797.710</b>	<b>3.120.172</b>	<b>8.387.789</b>	<b>5.842.876</b>
<b>Cash and cash equivalents at end of year</b>	<b>10.104.427</b>	<b>5.797.710</b>	<b>13.566.386</b>	<b>8.387.789</b>
	<b>4.306.717</b>	<b>2.677.538</b>	<b>5.178.597</b>	<b>2.544.913</b>

The accompanying notes and attachments I, II, III, IV, IV-A, V and VI are an integral part of these financial statements.

(Convenience translation into English from the original previously issued in Portuguese)

**CENTRAIS ELÉTRICAS BRASILEIRAS S.A. - ELETROBRÁS**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

(In thousands of Brazilian reais)

	SUBSCRIBED AND PAID CAPITAL STOCK	CAPITAL RESERVES	REVALUATION SURPLUS	REVENUES RESERVES			ACCUMULATED TRANSLATION ADJUSTMENTS	ACCUMULATED EARNINGS	ADVANCES FOR FUTURE CAPITAL INCREASE	TOTAL SHAREHOLDERS' EQUITY
				LEGAL RESERVE	STATUTORY RESERVE	DIVIDENDS NOT DISTRIBUTED				
As of December 31, 2006	24.235.829	25.907.304	230.538	1.653.645	14.910.344	7.421.522	68.748		3.407.858	77.835.788
Financial charges - Decree 2,673/98						879.310			403.767	1.283.077
Realization of revaluation surplus			(22.429)					22.429		-
Net income								1.547.857		1.547.857
Application of income:										
Recognition of reserves				77.393	789.407			(866.800)		-
Shareholders' compensation								(703.486)		(703.486)
As of December 31, 2007	24.235.829	25.907.304	208.109	1.731.038	15.699.751	8.300.832	68.748		3.811.625	79.963.236
Initial adjustments ref. Law no. 11,638/2007										
Company								(767.186)		(767.186)
Companies appraised by the equity method								258.654		258.654
Incorporation of surplus reserves	1.859.401				(1.790.653)		(68.748)			-
Conversion of compulsory loan	61.337	141.038								202.375
Accumulated translation adjustments							28.285			28.285
Financial charges – Decree 2,673/98						1.036.026			475.728	1.511.754
Realization of revaluation surplus			(11.203)					11.203		-
Net income								6.136.497		6.136.497
Application of income:										
Recognition of reserves				306.824	3.129.614		487.476	(3.923.914)		-
Shareholders' compensation								(1.715.254)		(1.715.254)
As of December 31, 2008	26.156.567	26.048.342	196.906	2.037.862	17.038.712	9.336.858	487.476	28.285	4.287.353	85.618.361

The accompanying notes and attachments I, II, III, IV, IV-A, V, VI and VII are an integral part of these financial statements.

**CENTRAIS ELÉTRICAS BRASILEIRAS S.A. - ELETROBRÁS**  
**ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENTS**  
**STATEMENT OF ADDED VALUE FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**  
(In thousands of Brazilian reais)

	2008		2007	
	COMPANY	CONSOLIDATED	COMPANY	CONSOLIDATED
<b>1 - REVENUE (EXPENSES)</b>				
Sales of goods, products, and services	10.766.502	29.760.956	7.553.751	26.100.318
Non-operating revenue (expenses)	-	-	-	(41.309)
	10.766.502	29.760.956	7.553.751	26.059.009
<b>2 - INPUTS ACQUIRED FROM THIRD PARTIES</b>				
Materials, services, and others	(361.321)	(5.533.156)	(541.057)	(6.545.100)
Sectorial charges	-	(1.191.673)	-	(1.235.991)
Energy purchased for resale	(9.572.208)	(8.832.314)	(7.151.995)	(6.420.631)
Fuel for electricity production	-	(1.158.856)	-	(632.826)
	(9.933.529)	(16.715.999)	(7.693.052)	(14.834.548)
<b>3 - GROSS ADDED VALUE</b>	832.973	13.044.957	(139.301)	11.224.461
<b>4 - DEDUCTIONS</b>				
Operating provisions	(303.994)	(1.544.091)	(586.483)	(1.105.122)
Depreciation, amortization and depletion	(6.864)	(2.339.904)	(7.016)	(2.127.479)
	(310.858)	(3.883.995)	(593.499)	(3.232.601)
<b>5 - NET ADDED VALUE PRODUCED BY THE COMPANY</b>	522.115	9.160.962	(732.800)	7.991.860
<b>6 - ADDED VALUE RECEIVED THROUGH TRANSFER</b>				
Ownership interests	382.799	665.533	1.883.289	753.292
Financial income	9.853.101	6.425.431	2.398.932	1.595.159
	10.235.900	7.090.964	4.282.221	2.348.451
<b>7 - TOTAL ADDED VALUE TO DISTRIBUTE</b>	10.758.015	16.251.926	3.549.421	10.340.311
<b>DISTRIBUTION OF ADDED VALUE</b>				
<b>PERSONNEL</b>				
. Personnel, charges, and management fees	200.973	3.392.799	248.352	3.003.916
. Profit sharing of employees	23.000	176.817	18.000	159.926
. Retirement and pension plans	19.968	277.635	12.073	229.448
	243.941	3.847.251	278.425	3.393.290
<b>TAXES</b>				
. Taxes and contributions	2.321.899	3.226.515	(77.890)	2.595.342
	2.321.899	3.226.515	(77.890)	2.595.342
<b>FINANCIAL CHARGES AND RENT</b>	2.055.678	3.041.663	1.801.029	2.803.822
<b>SHAREHOLDERS</b>				
. Dividends and interest on equity capital	1.715.254	1.715.254	703.486	703.486
. Interest of non-controlling shareholders	-	(12.833)	-	11.800
. Retained earnings	4.421.243	4.434.076	844.371	832.571
	6.136.497	6.136.497	1.547.857	1.547.857
	10.758.015	16.251.926	3.549.421	10.340.311

The accompanying notes and attachments I, II, III, IV, IV-A, V and VI are an integral part of these financial statements.



**CENTRAIS ELÉTRICAS BRASILEIRAS S.A. - ELETROBRÁS**  
**CONSUMERS AND RESELLERS AS OF DECEMBER 31, 2008 AND 2007**  
(In thousands of Brazilian reais)

	COMPANY				CONSOLIDATED							
	Current				Current				Long-Term			
	12/31/2008			12/31/2007	12/31/2008			12/31/2007	12/31/2008	12/31/2007		
	Falling due	Overdue up to 90 days	More than 90 days	Total	Total	Falling due	Overdue up to 90 days	More than 90 days	Total	Total		
AES ELETROPAULO	198.574	-	-	198.574	200.238	235.100	-	-	235.100	290.496	-	-
AES SUL	42.083	-	-	42.083	33.336	61.031	-	-	61.031	52.031	-	-
AES TIETÊ	-	-	-	-	-	761	-	-	761	690	-	-
AMPLA	42.836	-	-	42.836	28.399	77.634	-	-	77.634	66.548	-	-
ANDE	-	-	-	-	-	55.251	-	-	55.251	38.779	-	-
EBE	51.608	-	-	51.608	65.661	69.843	-	-	69.843	90.474	-	-
CEA	-	-	-	-	-	11.501	26.873	527.909	566.283	423.275	-	-
CEB	21.149	-	-	21.149	13.169	34.251	-	12.802	47.053	41.205	-	-
CEEE-D	55.052	-	-	55.052	29.507	83.252	-	-	83.252	43.993	-	-
CEEE-GT	-	-	-	-	-	250	-	-	250	3.432	-	-
CELESC	88.739	-	-	88.739	50.824	102.242	-	-	102.242	59.016	-	-
CELG	-	41.652	410.722	452.374	153.575	33.858	41.652	410.722	486.232	187.784	-	-
CELPA	-	-	-	-	-	43.305	-	-	43.305	38.513	-	-
CELPE	-	-	-	-	-	47.808	-	-	47.808	47.465	-	-
CEMAR	-	-	-	-	-	30.259	-	-	30.259	24.511	-	-
CEMIG	168.761	-	-	168.761	196.914	238.590	-	-	238.590	279.535	-	-
CESP	-	-	-	-	-	2.500	-	-	2.500	2.267	-	-
COELCE	-	-	-	-	-	30.367	-	-	30.367	30.794	-	-
COELBA	-	-	-	-	-	64.146	-	-	64.146	65.096	-	-
COPEL	100.040	-	-	100.040	74.090	180.742	-	-	180.742	160.921	-	-
CPFL	109.835	-	-	109.835	91.718	130.982	-	-	130.982	118.581	-	-
ELEKTRO	58.388	-	-	58.388	49.982	105.961	-	-	105.961	99.840	-	-
ENERSUL	16.359	-	-	16.359	11.738	29.371	-	-	29.371	18.473	-	-
ESCELSA	31.374	-	-	31.374	28.834	47.895	-	-	47.895	49.075	-	-
LIGHT	107.251	-	-	107.251	134.829	172.966	-	-	172.966	218.111	-	-
PIRATININGA	57.097	-	-	57.097	62.310	58.932	-	-	58.932	1.208	-	-
RGE	37.616	-	-	37.616	24.304	43.675	-	-	43.675	30.373	-	-
Sales at CCEE (Electricity Sales Chamber)	-	-	-	-	-	307.564	-	1.082	308.646	383.448	-	-
Regulatory assets	-	-	-	-	-	86.879	-	12	86.891	448.361	10.986	78.341
Electricity network use	-	-	-	-	-	339.129	4.374	20.969	364.472	134.620	-	-
PROINFRA (Alternative electricity sources incentive program)	11.323	5.212	22.995	39.530	89.010	11.323	5.212	22.995	39.530	89.010	-	-
Consumers	-	-	-	-	-	368.883	229.139	468.921	1.066.943	1.065.169	-	-
Public sector	-	-	-	-	-	23.214	24.156	201.539	248.909	396.657	-	-
Other	30.903	-	-	30.903	10.821	577.414	24.924	153.035	755.373	862.306	36.269	170.736
(-) Allowance for doubtful accounts	-	-	-	-	-	(366.828)	(26.873)	(1.148.035)	(1.541.736)	(1.679.733)	(5.231)	(69.623)
	<u>1.228.988</u>	<u>46.864</u>	<u>433.717</u>	<u>1.709.569</u>	<u>1.349.259</u>	<u>3.340.051</u>	<u>329.457</u>	<u>671.951</u>	<u>4.341.459</u>	<u>4.182.324</u>	<u>42.024</u>	<u>179.454</u>

**CENTRAIS ELÉTRICAS BRASILEIRAS S.A. - ELETROBRÁS**  
**LOANS AND FINANCING GRANTED AS OF DECEMBER 31, 2008 AND 2007**  
(In thousands of Brazilian reais)

	COMPANY								CONSOLIDATED							
	12/31/2008				12/31/2007				12/31/2008				12/31/2007			
	CURRENT CHARGES		PRINCIPAL AMOUNT		CURRENT CHARGES		PRINCIPAL AMOUNT		CURRENT CHARGES		PRINCIPAL AMOUNT		CURRENT CHARGES		PRINCIPAL AMOUNT	
	AVERAGE RATE	VALUE	CURRENT	NONCURRENT	AVERAGE RATE	VALUE	CURRENT	NONCURRENT	AVERAGE RATE	VALUE	CURRENT	NONCURRENT	AVERAGE RATE	VALUE	CURRENT	NONCURRENT
<b>COMPANY AND CONTROLLED COMPANIES TOGETHER</b>																
FURNAS	10,00%	8.082	78.073	1.091.846	8,86%	4.779	460.606	530.877	-	-	-	-	-	-	-	-
CHESF	11,47%	31.575	440.873	2.988.359	10,74%	43.047	420.273	3.747.908	-	-	-	-	-	-	-	-
ELETROSUL	7,56%	1.168	77.274	513.719	7,54%	261	2.676	183.629	-	-	-	-	-	-	-	-
ELETRONORTE	13,57%	15.500	231.349	7.342.566	12,83%	117.582	247.051	5.649.475	-	-	-	-	-	-	-	-
CEAM	-	-	-	-	5,75%	443	62.090	541.765	-	-	-	-	-	-	-	-
ELETRONUCLEAR	12,69%	2.176	64.870	2.835.655	12,26%	6.023	179.138	2.263.506	-	-	-	-	-	-	-	-
CGTEE	6,39%	816	-	574.138	0,00%	-	-	-	-	-	-	-	-	-	-	-
MANAUS	10,49%	-	140.254	589.101	11,11%	89	72.935	604.498	-	-	-	-	-	-	-	-
CEAL	12,57%	3.435	39.874	303.656	7,17%	2.784	54.234	227.165	-	-	-	-	-	-	-	-
CERON	11,43%	1.472	53.617	396.735	4,94%	1.264	21.773	354.518	-	-	-	-	-	-	-	-
CEPISA	12,03%	984	84.663	348.331	4,73%	406	65.258	278.848	-	-	-	-	-	-	-	-
ELETROACRE	11,02%	351	9.557	30.161	2,89%	-	7.499	35.680	-	-	-	-	-	-	-	-
ITAIPU	7,07%	-	60.944	18.355.581	7,07%	-	46.191	14.624.980	-	-	30.472	9.177.791	-	-	23.096	7.312.490
		<u>65.559</u>	<u>1.281.348</u>	<u>35.369.848</u>		<u>176.678</u>	<u>1.639.724</u>	<u>29.042.849</u>			<u>30.472</u>	<u>9.177.791</u>			<u>23.096</u>	<u>7.312.490</u>
<b>OTHER</b>																
CEMIG	6,76%	2.457	63.022	403.565	6,76%	2.353	58.020	355.958	6,76%	2.457	63.022	403.565	6,76%	2.353	58.020	284.790
COPEL	10,21%	429	4.548	67.142	8,33%	2.130	35.855	271.965	8,39%	429	4.548	67.142	8,39%	5.062	183.766	1.104.299
CEEE	9,33%	172	66.693	30.085	9,33%	1.174	90.383	54.436	9,33%	172	66.693	30.085	9,33%	1.174	90.383	54.436
DUKE	10,00%	2.375	168.691	439.233	10,00%	3.966	144.026	865.083	10,00%	2.375	168.691	439.233	10,00%	3.966	144.026	865.083
AES TIETÊ	10,00%	4.819	224.659	982.694	10,00%	5.062	183.766	1.104.299	10,00%	4.819	224.659	982.694	10,00%	5.062	183.766	1.104.299
AES ELETROPAULO	10,01%	274.406	117.931	-	10,01%	262.048	120.904	8.917	9,30%	274.406	117.931	-	9,85%	262.048	120.904	8.917
TRACTBEL	12,00%	707	29.611	41.114	12,00%	1.005	31.909	68.559	12,00%	707	29.611	41.114	12,00%	1.005	31.909	68.559
CELPE	6,00%	867	17.173	77.957	6,04%	679	16.295	82.851	4,44%	867	17.173	77.957	6,02%	679	16.295	82.851
CEMAR	5,09%	1.154	26.352	317.532	7,97%	924	8.157	284.790	6,07%	1.154	26.352	317.532	6,07%	924	8.157	284.790
CESP	9,36%	1.165	28.121	235.273	9,44%	1.185	24.106	245.098	9,33%	1.165	28.121	235.273	9,32%	1.185	24.106	245.098
OTHER	-	100.658	331.872	1.572.714	-	63.927	240.682	1.103.298	-	101.821	443.301	1.695.257	-	64.233	147.577	525.793
(-) Allowance for doubtful accounts	-	(58.221)	(59.454)	-	-	(38.785)	(41.845)	-	-	(58.221)	(59.454)	-	-	(38.785)	(41.845)	-
		<u>330.988</u>	<u>1.019.219</u>	<u>4.167.309</u>		<u>305.668</u>	<u>912.258</u>	<u>4.445.254</u>		<u>332.151</u>	<u>1.130.648</u>	<u>4.289.852</u>		<u>308.906</u>	<u>967.064</u>	<u>4.628.915</u>
<b>T O T A L</b>		<u>396.547</u>	<u>2.300.567</u>	<u>39.537.157</u>		<u>482.346</u>	<u>2.551.982</u>	<u>33.488.103</u>		<u>332.151</u>	<u>1.161.120</u>	<u>13.467.643</u>		<u>308.906</u>	<u>990.160</u>	<u>11.941.405</u>

The long-term portions granted out of ordinary and sectorial funds, including re-lending, are payable in variable installments, as shown below:

	2010	2011	2012	2013	2014	After 2014	TOTAL
COMPANY	2.976.960	2.781.021	2.595.367	2.501.559	2.434.402	26.247.848	39.537.157
CONSOLIDATED	1.014.050	947.306	884.067	852.112	829.237	8.940.871	13.467.643

(Convenience translation into English from the original previously issued in Portuguese)

**CENTRAIS ELÉTRICAS BRASILEIRAS S.A. - ELETROBRÁS**

**INVESTMENTS IN CONSOLIDATED COMPANIES AS OF DECEMBER 31, 2008**

(In thousands of Brazilian reais)

	31/12/2008									31/12/2007	
<b>COMPANIES' DATA</b>	FURNAS	CHESF	ELETROSUL	ELETRONORTE	ELETRONUCLEAR	ELETROPAR	CGTEE	MANAUS	ITAIPU (a)	TOTAL	TOTAL
Capital stock	6.000.000	4.196.306	1.245.042	4.177.205	3.296.032	55.769	868.721	2.381.558	233.700	-	-
Advance for future capital increase	31.154	294.396	94.576	-	-	62.285	-	-	-	-	-
Shareholders' equity	13.681.453	12.773.150	2.354.149	6.188.665	4.319.737	118.587	350.006	753.971	233.700	-	-
Net income (loss) for the year	454.518	1.437.291	268.250	(2.424.558)	(282.070)	10.664	(292.202)	198.845	-	-	-
<b>ELETROBRÁS'S INTERESTS</b>											
Number of shares – thousand share lot											
Common shares	50.618.949	40.478	42.582.421	68.736.323	9.611.945	8.480.196	1.126.273	1.750.588	-	-	-
Preferred shares	14.088.233	1.002	-	-	2.687.056	-	-	-	-	-	-
% of interest											
Subscribed and paid-in capital	99,54	99,45	99,71	98,66	99,80	81,61	99,94	100,00	50,00	-	-
Voting	99,82	100,00	99,71	98,66	99,92	81,61	99,94	100,00	50,00	-	-
<b>CHANGES IN INVESTMENTS:</b>											
Balances at beginning of period	13.325.437	11.507.964	2.103.058	6.798.763	4.446.849	45.181	641.823	387.076	88.565	39.344.716	38.672.726
Transference of stockholding control	-	-	-	-	-	-	-	168.050	-	168.050	-
Equity accounting – income (loss) for the year	454.296	1.429.386	267.472	(2.021.630)	(281.535)	9.035	(292.026)	198.845	-	(236.157)	1.149.525
Dividends	(251.607)	(541.878)	(135.713)	-	(28.749)	(8.268)	-	-	-	(966.215)	(477.535)
Accumulated translation adjustments	-	-	-	-	-	-	-	-	28.285	28.285	-
Adjustments as per Law 11.638/07	59.472	14.649	18.203	(4.128)	174.965	-	-	-	-	263.161	-
Conversion of advance for future capital increase into capital stock	-	-	-	1.333.970	-	-	-	-	-	1.333.970	-
Balances at end of year	13.587.598	12.410.121	2.253.020	6.106.975	4.311.530	45.948	349.797	753.971	116.850	39.935.810	39.344.716

**CENTRAIS ELÉTRICAS BRASILEIRAS S.A. - ELETROBRÁS**  
**PROPERTY, PLANT AND EQUIPMENT**  
(In thousands of Brazilian reais)

	COMPANY	CONTROLLED COMPANIES											CONSOLIDATED		
	12/31/2008	12/31/2008											12/31/2008		
	ELETROBRÁS	FURNAS	CHESF	ELETRONORTE	ELETRONUCLEAR	ELETROSUL	ITAIPU	CGTEE	MANAUS	CEAL	CERON	CEPISA	ELETROACRE	ELETROPAR	TOTAL
<b>Generation</b>															
In service	-	8.865.499	17.319.003	17.474.335	6.048.244	-	18.944.955	197.752	2.026.384	-	47.318	-	-	-	70.923.490
Accumulated depreciation	-	(3.064.423)	(6.940.820)	(7.254.557)	(2.042.099)	-	-	-	(1.004.830)	-	(32.139)	-	-	-	(20.338.868)
In progress	-	5.801.076	10.378.183	10.219.778	4.006.145	-	18.944.955	197.752	1.021.554	-	15.179	-	-	-	50.584.622
	-	1.474.035	195.185	482.753	2.561.143	289.774	270.616	726.860	147.757	-	1.545	-	-	-	6.149.668
	-	7.275.111	10.573.368	10.702.531	6.567.288	289.774	19.215.571	924.612	1.169.311	-	16.724	-	-	-	56.734.290
<b>Transmission</b>															
In service	13.269	12.418.450	7.479.588	6.220.484	-	3.232.630	1.439.025	-	-	-	-	-	-	-	30.803.446
Accumulated depreciation	(740)	(6.336.871)	(3.321.142)	(2.897.953)	-	(1.355.168)	-	-	-	-	-	-	-	-	(13.911.874)
In progress	12.529	6.081.579	4.158.446	3.322.531	-	1.877.462	1.439.025	-	-	-	-	-	-	-	16.891.572
	-	1.263.346	1.015.348	507.751	-	149.560	-	-	-	-	-	-	-	-	2.936.005
	12.529	7.344.925	5.173.794	3.830.282	-	2.027.022	1.439.025	-	-	-	-	-	-	-	19.827.577
<b>Distribution</b>															
In service	-	1.416	-	227.885	-	-	-	-	1.105.448	673.588	480.320	363.518	257.754	-	3.109.929
Accumulated depreciation	-	(549)	-	(62.600)	-	-	-	-	(527.136)	(252.788)	(212.092)	(172.817)	(65.738)	-	(1.293.720)
In progress	-	867	-	165.285	-	-	-	-	578.312	420.800	268.228	190.701	192.016	-	1.816.209
	-	79	-	99.333	-	-	-	-	245.443	88.585	95.904	116.078	53.911	-	699.333
	-	946	-	264.618	-	-	-	-	823.755	509.385	364.132	306.779	245.927	-	2.515.542
<b>Management</b>															
In service	41.777	200.171	1.030.983	55.006	14.754	33.175	1.001.391	-	286.948	14.311	33.626	-	15.059	187	2.727.388
Accumulated depreciation	(28.812)	(87.704)	(486.686)	(24.480)	(6.851)	(9.947)	-	-	(187.542)	(8.583)	(14.144)	-	(9.825)	(140)	(864.714)
In progress	12.965	112.467	544.297	30.526	7.903	23.228	1.001.391	-	99.406	5.728	19.482	-	5.234	47	1.862.674
	-	24.016	79.326	162.735	411	-	402.292	-	1.317	399	96	-	1.248	-	671.840
	12.965	136.483	623.623	193.261	8.314	23.228	1.403.683	-	100.723	6.127	19.578	-	6.482	47	2.534.514
	<b>25.494</b>	<b>14.757.465</b>	<b>16.370.785</b>	<b>14.990.692</b>	<b>6.575.602</b>	<b>2.340.024</b>	<b>22.058.279</b>	<b>924.612</b>	<b>2.093.789</b>	<b>515.512</b>	<b>400.434</b>	<b>306.779</b>	<b>252.409</b>	<b>47</b>	<b>81.611.923</b>
<b>Concession-linked obligations</b>															
(-) Amortization and reversals	-	-	-	-	-	-	-	-	-	(418)	-	-	-	-	(418)
(-) Consumers' contributions	-	-	(3.344)	(318)	-	-	-	-	(24.375)	(19.258)	(12.111)	-	(3.266)	-	(62.672)
(-) Federal Government's participation	-	-	(108.052)	(230.256)	(2.056)	-	-	-	(53.747)	(150.895)	(24.240)	-	(146.828)	-	(716.074)
(-) Donations and grants for investment	-	-	(43.865)	-	-	(6.815)	-	-	(197.751)	(36.143)	(4.502)	-	-	-	(289.076)
(-) Other	-	(112.540)	(606)	(38.632)	(189)	-	-	-	-	(5.296)	(114.999)	-	(8.747)	-	(281.009)
	-	(112.540)	(155.867)	(269.206)	(2.245)	(6.815)	-	-	(275.873)	(212.010)	(155.852)	-	(158.841)	-	(1.349.249)
<b>TOTAL</b>	<b>25.494</b>	<b>14.644.925</b>	<b>16.214.918</b>	<b>14.721.486</b>	<b>6.573.357</b>	<b>2.333.209</b>	<b>22.058.279</b>	<b>924.612</b>	<b>1.817.916</b>	<b>303.502</b>	<b>244.582</b>	<b>306.779</b>	<b>93.568</b>	<b>47</b>	<b>80.262.674</b>
<b>Annual average depreciation rate (%)</b>															
Generation	0,00%	2,20%	2,41%	2,56%	3,30%	0,00%	0,00%	6,12%	2,02%	0,00%	2,98%	0,00%	0,00%	-	
Transmission	0,00%	3,00%	2,98%	2,76%	0,00%	3,19%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	-	
Distribution/Commercialization	0,00%	5,70%	0,00%	3,00%	0,00%	0,00%	0,00%	0,00%	1,06%	6,44%	4,21%	5,40%	4,09%	-	
Management	7,95%	9,30%	7,18%	15,00%	10,00%	7,51%	0,00%	12,50%	1,57%	4,19%	9,25%	5,60%	5,29%	-	

CENTRAIS ELÉTRICAS BRASILEIRAS S.A. - ELETROBRÁS

PROPERTY, PLANT AND EQUIPMENT

(In thousands of Brazilian reais)

	COMPANY AND CONTROLLED COMPANIES TOGETHER													CONSOLIDATED	
	COMPANY														
	12/31/2007	12/31/2007													12/31/2007
	ELETROBRÁS	FURNAS	CHESF	ELETRONORTE	ELETRONUCLEAR	ELETROSUL	CGTEE	ITAIPU	CEAL	CERON	CEPISA	ELETROACRE	CEAM	ELETROPAR	TOTAL
<b>Generation</b>															
In service	-	7.657.039	17.143.404	19.762.511	6.036.619	-	1.880.963	15.132.699	-	47.364	-	-	235.983	-	67.896.582
Accumulated depreciation	-	(2.879.918)	(6.593.464)	(7.698.655)	(1.860.924)	-	(1.576.832)	-	-	(30.746)	-	-	(92.801)	-	(20.733.340)
	-	4.777.121	10.549.940	12.063.856	4.175.695	-	304.131	15.132.699	-	16.618	-	-	143.182	-	47.163.242
In progress	-	1.973.816	169.207	580.437	2.294.264	93.768	176.578	207.234	-	1.545	-	-	59.617	-	5.556.466
	-	6.750.937	10.719.147	12.644.293	6.469.959	93.768	480.709	15.339.933	-	18.163	-	-	202.799	-	52.719.708
<b>Transmission</b>															
In service	-	12.180.452	6.936.848	5.990.161	-	2.914.876	-	1.090.279	-	-	-	-	-	-	29.112.616
Accumulated depreciation	-	(5.981.580)	(3.135.709)	(2.716.878)	-	(1.279.948)	-	-	-	-	-	-	-	-	(13.114.115)
	-	6.198.872	3.801.139	3.273.283	-	1.634.928	-	1.090.279	-	-	-	-	-	-	15.998.501
In progress	-	1.252.690	1.175.238	567.970	-	280.638	-	-	-	-	-	-	-	-	3.276.536
	-	7.451.562	4.976.377	3.841.253	-	1.915.566	-	1.090.279	-	-	-	-	-	-	19.275.037
<b>Distribution/Commercialization</b>															
In service	-	1.480	-	1.054.108	-	-	-	-	599.731	439.922	530.560	213.877	125.352	-	2.965.030
Accumulated depreciation	-	(502)	-	(478.420)	-	-	-	-	(226.590)	(193.724)	(270.146)	(55.457)	(64.952)	-	(1.289.791)
	-	978	-	575.688	-	-	-	-	373.141	246.198	260.414	158.420	60.400	-	1.675.239
In progress	-	39	-	291.518	-	-	-	-	79.545	58.907	157.361	42.905	89.820	-	720.095
	-	1.017	-	867.206	-	-	-	-	452.686	305.105	417.775	201.325	150.220	-	2.395.334
<b>Management</b>															
In service	53.704	195.521	895.235	319.186	13.137	44.586	8.418	746.544	14.005	33.493	12.925	16.759	14.555	171	2.368.239
Accumulated depreciation	(24.897)	(83.559)	(441.070)	(185.563)	(7.255)	(12.171)	(2.793)	-	(7.688)	(12.705)	(9.455)	(10.314)	(9.723)	(129)	(807.322)
	28.807	111.962	454.165	133.623	5.882	32.415	5.625	746.544	6.317	20.788	3.470	6.445	4.832	42	1.560.917
In progress	-	20.535	131.056	72.177	4.170	1.986	-	390.305	1.493	165	9	1.240	453	-	623.589
	28.807	132.497	585.221	205.800	10.052	34.401	5.625	1.136.849	7.810	20.953	3.479	7.685	5.285	42	2.184.506
	<b>28.807</b>	<b>14.336.013</b>	<b>16.280.745</b>	<b>17.558.552</b>	<b>6.480.011</b>	<b>2.043.735</b>	<b>486.334</b>	<b>17.567.061</b>	<b>460.496</b>	<b>344.221</b>	<b>421.254</b>	<b>209.010</b>	<b>358.304</b>	<b>42</b>	<b>76.574.585</b>
<b>Concession-linked obligations</b>															
(-) Amortization and reversals	-	(81.998)	-	-	-	-	-	-	(418)	-	-	-	-	-	(82.416)
(-) Consumers' contributions	-	-	(3.344)	(24.482)	-	-	-	-	-	(10.859)	(10.050)	-	(544)	-	(49.279)
(-) Federal Government's participation	-	(28.539)	(108.052)	(266.480)	(3.617)	-	-	-	-	(24.240)	(3.604)	-	(10.636)	-	(445.168)
(-) Donations and grants for investment	-	(2.003)	(43.865)	(18.260)	(204)	(6.815)	-	-	(171.502)	(4.489)	(117.091)	-	(121.938)	-	(486.167)
(-) Other	-	-	(380)	(36.072)	-	-	-	-	-	(90.438)	(2.210)	(119.786)	-	-	(248.886)
	-	(112.540)	(155.641)	(345.294)	(3.821)	(6.815)	-	-	(171.920)	(130.026)	(132.955)	(119.786)	(133.118)	-	(1.311.916)
<b>TOTAL</b>	<b>28.807</b>	<b>14.223.473</b>	<b>16.125.104</b>	<b>17.213.258</b>	<b>6.476.190</b>	<b>2.036.920</b>	<b>486.334</b>	<b>17.567.061</b>	<b>288.576</b>	<b>214.195</b>	<b>288.299</b>	<b>89.224</b>	<b>225.186</b>	<b>42</b>	<b>75.262.669</b>
<b>Annual average depreciation rate (%)</b>															
Generation	0,00%	2,20%	2,41%	2,56%	3,30%	0,00%	6,12%	0,00%	0,00%	3,17%	0,00%	0,00%	2,61%	0,00%	
Transmission	0,00%	3,00%	2,97%	2,76%	0,00%	3,19%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	
Distribution/Commercialization	0,00%	5,70%	0,00%	3,00%	0,00%	0,00%	0,00%	0,00%	4,07%	4,31%	5,40%	4,09%	1,77%	0,00%	
Management	7,95%	9,30%	6,57%	15,00%	10,00%	7,51%	12,50%	0,00%	4,94%	9,64%	5,60%	5,29%	1,64%	0,00%	

**CENTRAIS ELÉTRICAS BRASILEIRAS S.A. - ELETROBRÁS**  
**LOANS AND FINANCING OBTAINED AS OF DECEMBER 31, 2008 AND 2007**  
(In thousands of Brazilian reais)

	COMPANY								CONSOLIDATED							
	12/31/2008				12/31/2007				12/31/2008				12/31/2007			
	CURRENT		PRINCIPAL AMOUNT		CURRENT		PRINCIPAL AMOUNT		CURRENT		PRINCIPAL AMOUNT		CURRENT		PRINCIPAL AMOUNT	
	CHARGES		CHARGES		CHARGES		CHARGES		CHARGES		CHARGES		CHARGES		CHARGES	
AVERAGE RATE	VALUE	CURRENT	NONCURRENT	AVERAGE RATE	VALUE	CURRENT	NONCURRENT	AVERAGE RATE	VALUE	CURRENT	NONCURRENT	AVERAGE RATE	VALUE	CURRENT	NONCURRENT	
<b>FOREIGN CURRENCY</b>																
<b>Financial Institutions</b>																
Inter-American Development Bank - IDB	5,32%	5.489	43.482	369.600	5,62%	4.578	32.957	313.091	5,32%	5.489	43.482	369.600	5,62%	4.578	32.957	313.091
Corporación Andino de Fomento - CAF	4,76%	10.340	-	1.635.900	8,06%	1.934	6.959	184.089	4,76%	10.340	-	1.635.900	8,06%	1.934	6.959	184.089
Kreditanstalt für Wiederaufbau - KfW	5,73%	202	31.349	95.514	5,73%	199	24.773	100.540	5,73%	376	59.698	95.514	5,73%	479	47.610	123.378
AMFORP & BEPCO	6,50%	-	128	-	6,50%	-	296	303	6,50%	-	128	-	6,50%	-	296	303
Dresdner Bank	6,25%	259	31.349	95.513	6,25%	266	24.772	100.539	6,25%	331	45.110	95.513	6,25%	382	35.859	111.625
Eximbank	2,15%	2.544	56.822	482.981	2,15%	1.721	34.767	330.291	2,15%	2.544	56.823	482.981	2,15%	1.721	34.767	330.291
Other		2.510	2.359	585.322	6,40%	366	1.790	16.629		3.466	19.246	502.328		558	14.858	34.699
		21.344	165.490	3.264.830		9.064	126.314	1.045.482		22.546	224.487	3.181.836		9.652	173.306	1.097.476
<b>Bonus</b>																
Bonus - Dresdner Bank	7,75%	5.347	-	701.100	7,75%	4.052	-	531.390	7,75%	5.347	-	701.100	7,75%	4.052	-	531.390
		5.347	-	701.100		4.052	-	531.390		5.347	-	701.100		4.052	-	531.390
<b>Other</b>																
Federal treasury - ITAIPU		-	-	-		-	-	-		5.698	941.908	11.655.965		6.202	667.338	9.179.553
		-	-	-		-	-	-		5.698	941.908	11.655.965		6.202	667.338	9.179.553
		26.691	165.490	3.965.930		13.116	126.314	1.576.872		33.591	1.166.395	15.538.901		19.906	840.644	10.808.419
<b>LOCAL CURRENCY</b>																
Receivables Investment Fund (FIDC)		-	-	-		-	-	-			224.977	86.930		306.419	277.296	
Other		-	-	-		-	-	-		52.114	237.534	2.671.731		35.674	248.172	1.943.353
		-	-	-		-	-	-		52.114	462.511	2.758.661		35.674	554.591	2.220.649
		26.691	165.490	3.965.930		13.116	126.314	1.576.872		85.705	1.628.906	18.297.562		55.580	1.395.235	13.029.068

a) The debt is guaranteed by the Federal Government and/or ELETROBRÁS.

b) The total debt in foreign currency, including charges, amounts to R\$ 4.158.112 thousand (Company), corresponding to US\$ 1,779,252 thousand, and R\$ 16.738.887 thousand (Consolidated), corresponding to US\$ 7,162,553 thousand. The percentage distribution by currency is as follows:

	US\$	EURO	YEN
<b>COMPANY</b>	81%	6%	13%
<b>CONSOLIDATED</b>	93%	5%	2%

c) Loans and financing incur interest at the average rate of 6.40% p.a. in 2008 and 7.03% p.a. in 2007.

d) The long-term portion of loans and financing denominated in thousands of US Dollars matures as follows:

	2010	2011	2012	2013	2014	After 2014	TOTAL
<b>COMPANY</b>	120.731	120.731	193.841	240.325	240.327	781.063	1.697.018
<b>CONSOLIDATED</b>	657.827	514.798	648.203	646.627	618.488	4.743.566	7.829.509

**CENTRAIS ELÉTRICAS BRASILEIRAS S.A. ELETROBRÁS**  
**SUMMARIZED FINANCIAL STATEMENTS OF CONTROLLED COMPANIES AS OF DECEMBER 31**  
(In thousands of Brazilian reais)

**BALANCE SHEET**

2008								2007								
ASSETS				LIABILITIES				ASSETS				LIABILITIES				
Current	Noncurrent	TOTAL		Current	Noncurrent	TOTAL		Current	Noncurrent	TOTAL		Current	Noncurrent	TOTAL		
Other	Property, plant and equipment, Intangible Assets and Investments			Other	Property, plant and equipment, Intangible Assets and Investments			Other	Property, plant and equipment, Intangible Assets and Investments			Other	Property, plant and equipment, Intangible Assets and Investments			
FURNAS	2.242.891	2.048.138	15.998.268	20.289.297	2.461.587	4.146.167	13.681.543	20.289.297	2.026.416	2.354.090	15.184.024	19.564.530	2.773.971	3.358.851	13.431.708	19.564.530
CHESF	2.050.322	212.570	16.497.310	18.760.202	1.924.551	4.062.501	12.773.150	18.760.202	1.789.042	257.662	16.421.300	18.468.004	1.704.403	4.897.597	11.866.004	18.468.004
ELETROSUL	753.020	958.947	2.334.767	4.046.734	637.861	1.054.724	2.354.149	4.046.734	488.855	632.005	2.280.372	3.401.232	420.269	777.212	2.203.751	3.401.232
ELETRONORTE	2.237.348	570.308	15.071.074	17.878.730	2.103.273	9.586.792	6.188.665	17.878.730	2.143.497	1.093.996	17.488.676	20.726.169	2.513.896	9.594.867	8.617.406	20.726.169
MANAUS	703.626	1.204.797	1.832.093	3.740.516	935.639	2.050.907	753.970	3.740.516	273.970	603.077	1.576.054	2.453.101	652.425	1.245.551	555.125	2.453.101
BOA VISTA	61.418	50.524	129.169	241.111	132.961	46.958	61.192	241.111	53.909	46.993	85.105	186.007	43.023	45.154	97.830	186.007
ELETRONUCLEAR	863.099	891.998	6.602.538	8.357.635	429.997	3.607.901	4.319.737	8.357.635	751.170	793.831	6.486.309	8.031.310	548.126	3.027.607	4.455.577	8.031.310
CGTEE	111.518	10.876	928.849	1.051.243	123.597	577.640	350.006	1.051.243	184.785	11.213	527.777	723.775	74.988	6.579	642.208	723.775
ELETROPAR	107.033	1	93.696	200.730	82.142	1	118.587	200.730	97.209	1	93.691	190.901	72.846	1	118.054	190.901
ITAIPIU	2.226.006	3.843.996	40.811.662	46.881.664	3.474.740	43.173.224	233.700	46.881.664	1.530.658	4.437.118	31.047.697	37.015.473	2.378.875	34.459.468	177.130	37.015.473

**STATEMENT OF OPERATIONS**

2008								2007								
Net operating Revenue	Operating Expenses	Service Revenue	Other Revenue	Financial Income (loss)	Operating Income (loss)	Income Tax and Social Contribution	Income (loss) for the Year	Net Operating Income	Operating Expenses	Service Revenue	Other Revenue	Financial Income (loss)	Operating Income (loss)	Income Tax and Social Contribution	Income (loss) for the Year	
FURNAS	5.771.647	(4.858.236)	913.411	(9.851)	(318.399)	585.161	(130.643)	454.518	5.105.173	(5.140.796)	(35.623)	(66.893)	1.055.733	953.217	(276.693)	676.524
CHESF	4.826.300	(2.610.935)	2.215.365	(108.419)	(464.979)	1.641.967	(204.676)	1.437.291	3.980.753	(2.452.170)	1.528.583	(60.132)	(486.608)	981.843	(329.213)	652.630
ELETROSUL	638.958	(328.689)	310.269	(14.701)	103.626	399.194	(130.874)	268.320	549.145	(318.943)	230.202	(35.866)	101.744	296.080	(99.140)	196.940
ELETRONORTE	3.854.497	(3.663.420)	191.077	(1.120.506)	(1.495.129)	(2.424.558)	-	(2.424.558)	4.624.070	(4.426.515)	197.555	(7.466)	(688.650)	(498.561)	(43.754)	(542.315)
MANAUS	991.488	(596.472)	395.016	(28.207)	(162.558)	204.251	(5.406)	198.845	810.290	(1.338.514)	(528.224)	267	(73.749)	(601.706)	-	(601.706)
BOA VISTA	113.244	(156.612)	(43.368)	(1.278)	8.008	(36.638)	-	(36.638)	109.435	(127.098)	(17.663)	183	9.371	(8.109)	-	(8.109)
ELETRONUCLEAR	1.471.755	(1.085.042)	386.713	(330)	(589.158)	(202.775)	(79.295)	(282.070)	1.271.697	(1.092.041)	179.656	(7.494)	(53.282)	118.880	(1.212)	117.668
CGTEE	176.206	(378.454)	(202.248)	(92.190)	2.236	(292.202)	-	(292.202)	131.122	(219.864)	(88.742)	235	19.358	(69.149)	-	(69.149)
ELETROPAR	14.122	(3.818)	10.304	(12)	428	10.720	(56)	10.664	19.089	(3.475)	15.614	-	609	16.223	(126)	16.097
ITAIPIU	8.001.428	(3.077.817)	4.923.610	1.770	(2.864.458)	2.060.922	-	2.060.922	5.967.576	(2.312.945)	3.654.631	(2.171)	(2.330.870)	1.321.591	-	1.321.591

Equivalence = Other income  
Profits sharing - Other income

(Convenience translation into English from the original previously issued in Portuguese)

## **CENTRAIS ELÉTRICAS BRASILEIRAS S.A.**

### **ELETROBRÁS**

(A PUBLIC COMPANY)  
*CNPJ (TIN) 00.001.180/0001-26*

#### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

(COMPANY AND CONSOLIDATED)

#### **NOTE 1 – OPERATIONS**

##### **I - General Information**

ELETROBRÁS is a public company headquartered in Brasília - DF, at Setor Comercial Norte, Quadra 4, Bloco B, 100, sala 203 - Asa Norte, registered with the Brazilian Securities and Exchange Commission (CVM) and with the Securities and Exchange Commission (SEC), whose shares are listed at the stocks exchanges of São Paulo, Brazil (BOVESPA), Madrid, Spain (LATIBEX), and New York, USA (NYSE). It has as business purpose to execute studies, projects, construction, and operation of electricity generating plants, transmission lines and energy distribution, as well as the execution of commercial transactions associated with those activities. It also has as purpose to grant financing, and offer guarantees in Brazil and overseas to companies that work in the electric power public service and that are under its stock control; grant financing and give guarantees in Brazil or abroad in favor of technical-scientific research entities; promote and support research in the electric power sector associated with the activities of generation, transmission and distribution of electricity, as well as the performance of studies about the use of hydrographical basins for multiple purposes; contribute in the formation of the necessary technical personnel to the Brazilian electric sector, besides the preparation of qualified workers through specific courses, in addition to assistance to Brazilian schools or granting of scholarships overseas and agreements with entities that cooperate in the formation of specialized technical personnel; cooperate at technical and administrative levels with the companies where it holds interests and with agencies of the Ministry of Mining and Energy.

##### **II - Stockholding Control**

ELETROBRÁS acts as holding company, managing investments in its controlled companies by holding direct interests in seven electricity generation and/or transmission companies, namely, FURNAS Centrais Elétricas S.A. (FURNAS), Centrais Elétricas do Norte do Brasil S.A. (ELETRONORTE), MANAUS ENERGIA S.A., Companhia Hidro Elétrica do São Francisco (CHESF), ELETROSUL Centrais Elétricas



S.A., Eletrobrás Termonuclear S.A. (ELETRONUCLEAR), and Companhia de Geração Térmica de Energia Elétrica (CGTEE) besides investments in four power distribution companies - ELETROACRE, CERON, CEAL and CEPISA.

The Company also holds interests in Eletrobrás Participações S.A. (ELETROPAR) (previously called LIGHTPAR Participações S.A.) and is a jointly-owner of ITAIPU Binacional, under the terms of the International Treaty signed by the Governments of Brazil and Paraguay.

The Company has indirect interests in the company Boa Vista Energia S.A., a wholly-owned subsidiary of ELETRONORTE, which generates and distributes electricity in States of Amazonas and Roraima.

### III - Business abroad

On April 7, 2008, Law 11.651 was enacted. It authorizes ELETROBRÁS to make direct associations with other companies - or indirectly through its subsidiaries - to organize business consortia or hold participating interests in enterprises overseas - with or without contribution of capital - with the purpose of direct or indirect production or transmission of electricity.

### IV - Sale of electric power

The Company is also the agent responsible for the commercialization of the electric power generated by ITAIPU Binacional and through PROINFA (Incentive Program for Alternative Sources of Electricity), a Federal program that aims to diversify the Brazilian energetic matrix and seek regional solutions by renewable energy sources.

### V - Management of Sectorial Funds

The Company is responsible for the management of federal government funds, represented by the Global Reversal Reserve Quota (RGR), the Electric Development Account (CDE), the Use of Public Assets (UBP), and the Fuel Consumption Account (CCC). They finance the following programs of the Brazilian federal government: universalization of the access to electricity, efficient public lighting, incentives for alternative sources of electricity, electricity conservation and acquisition of fossil fuels used in the isolated systems of electricity generation, whose operations do not affect the Company's financial numbers.

## NOTE 2 – PUBLIC SERVICE CONCESSIONS

ELETROBRÁS, through its controlled companies, holds various electricity public service concessions, whose details, installed capacity, and maturities are listed below (See note 17 and Attachments IV and IVa):

### I – Electricity Generation

	<u>RIVER NAME</u>	<u>CAPACITY IN MW</u>	<u>MATURITY</u>
IN OPERATION			
UHE FURNAS	Grande	1,216	July 2015

UHE Estreito	Grande	1,050	July 2015
UHE Marimbondo	Grande	1,440	March 2017
UHE Itumbiara	Paranaíba	2,082	February 2020
UHE Serra da Mesa	Tocantins	1,275	May 2011
UHE Luiz Gonzaga	São Francisco	1,479	October 2015
UHE Xingo	São Francisco	3,162	October 2015
UHE Sobradinho	São Francisco	1,050	February 2022
UHE Tucuruí	Tocantins	8,370	July 2024
UHE Complexo Paulo Afonso	São Francisco	3,880	October 2015
UTE Santa Cruz	-	766	July 2015
Other generation concessions	-	2,552	Until 2035

#### IN CONSTRUCTION

UHE Simplício	Paraíba do Sul	334	August 2041
UHE Baguari	Doce	140	August 2041
UHE Batalha	São Marcos	53	August 2041
		28,848	

The total installed capacity of the plants of ELETROBRÁS, including ITAIPU Binacional and ELETRONUCLEAR, is about 39,402 MW. The electricity generation considers the following assumptions:

- a) Existence of periods, along the day and during the year, where there are higher or lower demands of power in the system, for which the plant or generation system was dimensioned;
- b) Existence of periods where machines are removed from operation for execution of preventive or corrective maintenance, and
- c) The water availability of the river where it is located.

The production of electricity of the plants is a responsibility of the Energy Operation Planning and Scheduling Area (Planejamento e Programação da Operação Eletroenergética), with planning and details that range from annual levels to daily schedules. The Electric Power National Operator (ONS) currently prepares the planning and defines the amounts and origin of the necessary generation to meet the Brazilian demand in an optimized manner. That is based on the water availability in the hydrographical basins and machines in operation, as well as on the cost of generation and feasibility of transmission of that power through the interlinked system.

#### II - Electric Power Transmission

The transmission capacity of ELETROBRÁS system is as follows:

	Lines in Km	Substations	Maturity
FURNAS	19,278	47	July 2015
ELETRONORTE	10,574	59	July 2015
CHESF	18,468	83	June 2037
ELETROSUL	10,075	36	July 2015
MANAUS	613	22	July 2015
	59,008	247	

### III - Electricity Distribution

Company	Geographic Region	Municipalities served	Concession Term
ELETROACRE	State of Acre	25	2015
CERON	State of Rondônia	52	2015
CEAL	State of Alagoas	102	2015
CEPISA	State of Piauí	224	2015
MANAUS ENERGIA	State of Manaus	62	2015

### NOTE 3 – PRESENTATION OF THE FINANCIAL STATEMENTS

The individual and consolidated financial statements of the Company are a responsibility of its management and are presented in accordance with the accounting practices adopted in Brazil, and in consonance with the provisions of the Corporate Law (no. 6.404/76), and regulations and complementary instructions of the Committee of Accounting Pronouncements (CPC), Federal Accounting Council, Brazilian Securities and Exchange Commission (CVM) and Brazilian Electric Power Agency (ANEEL).

Law 11.638/2007 of December 28, 2007 and Executive Act 449/2008 of December 3, 2008, whose period was extended for sixty day by National Congress Act No. 3 of March 4, 2009 starting on March 15, 2009, amended and canceled certain provisions of Law 6.404/76. They aim to coordinate the accounting practices adopted in Brazil with International Financial Reporting Standards (IFRS) and the Committee of Accounting Pronouncements (CPC) was created to align Brazilian technical accounting practices with international standards.

The Company fully adopted for the first time the applicable pronouncements issued by the Committee of Accounting Pronouncements (CPC) in the preparation of the Financial Statements of the year 2008, without any qualifications. The initial adjustments of January 1, 2008, the established transition date, were reflected in the account of retained earnings, as allowed by CVM Decision 565/2008, without retrospective effects to the Financial Statements of 2007 prepared according to the previous accounting practices accepted in Brazil and in effect until December 31, 2007.

Executive Act 449/2008 also established the Tax Transition Regime (RTT) providing the tax treatment to the effects of the introduction of the new Brazilian accounting regulations.

The date for conclusion of the financial statements was set by the Board of Directors on March 20, 2009 and sent to the Executive Board.

The changes introduced in the Brazilian accounting practices can be summarized as follows:

#### I - Changes affecting the preparation and presentation of the Company's financial statements and the ones of its controlled companies.

a) **Statement of Changes in Financial Position**

The Statement of Changes in Financial Position will be not longer used. Instead, it was introduced the Statement of Cash Flows. In compliance with item 51 of CPC Pronouncement 13, the Company is not presenting a Statement of Changes in Financial Position for the year ended December 31, 2007 and had already adopted the practice of presenting a Statement of Cash Flows.

b) **Statement of Added Value**

Inclusion of the presentation of a Statement of Added Value. It has as purpose to demonstrate the value added by the Company, as well as the origin and destination of the funds generated. The Company had already adopted the practice of presenting such statement.

c) **Intangible Assets**

Creation in the balance sheet of a new group of accounts called Intangible Assets. It should be used to record non-physical items destined for the maintenance and operation of the Company.

d) **Deferred Assets**

Elimination of the group of accounts called Deferred Assets. The Company opted to transfer to other groups (Property, plant and equipment and Intangible assets) the items recorded in the under the old caption or those arising from the write-off of deferred expenses that could not be allocated in assets at the transition date, by recording the value against accumulated earnings or loss, net of tax effects.

e) **Accumulated Financial Statements Translation Adjustments**

Creation in Shareholders' Equity of a subgroup of accounts called Accumulated Translation Adjustments, destined to recognize the effects of exchange variation on investments and translation of Financial Statements presented in a functional currency different from the one of the investor.

f) **Revaluation Reserve**

The new accounting rules no longer allow the revaluation of assets and recognition of the result in a revaluation reserve. The Company has that type of record associated with investments in related companies valued under the equity method. In relation to that, the Company has been following the procedures adopted by its controlled companies CELPA and CEMAT that revalued their property, plant, and equipment in the past.

a) **Non-Operating Income**

The separation between operating and non-operating income was eliminated. The amounts until then recorded in non-operating income accounts are now classified and presented in Other Revenue or Other Expenses in the Operating group.

h) **Financial Instruments**

The classification of financial instruments into a certain category should be made at the moment of their recognition. During the initial application of the Law, their classification at the transition date is allowed. The Company applied the classification and measuring rule established in CPC Pronouncement 14 - Financial Instruments: Recognition, Measuring, and Supporting Documentation.

#### **i) Adjustment to Present Value**

In compliance with Decision CVM no. 564 of December 17, 2008 that approved CPC Pronouncement 12, the Company and its subsidiaries recognized the applicable adjustments to present value of long-term assets and liabilities. Until December 31, 2007, the corresponding balances were recorded and presented at face value. According to the definitions included in CPC Pronouncement 13 - Initial Adoption of Law 11.638/2007, as well as Executive Act 449/2008, approved by Decision CVM no. 565/2008, such adjustments were made at the transition date against accumulated earnings or losses.

#### **j) Asset Recovery Value (Impairment)**

Pursuant to the requirements of Decision CVM 527/2007 of November 1, 2007, that approves CPC Pronouncement 1 - Reduction in the Recoverable Value of Assets, the Company and its subsidiaries carried out the necessary tests to check the recoverability of their assets taken as a whole, that is, as cash-generating units.

#### **k) Equity Method**

Following the changes in the parameters to define which investments should be appraised under the equity method, the Company and its subsidiaries started applying that type of valuation to permanent investments in companies where they hold 20% or more interests in the voting capital or have significant influence on the investee's management.

#### **l) Capital Reserve - Donations and Subsidies for Investment**

In accordance with Law 11.638/2007, Executive Act 449/2008, and CPC Pronouncement 7 – Subvention and Governmental Grants, the Company started recognizing the corresponding amounts as operating income. As establishes CPC Pronouncement 13 - Initial Adoption of Law 11.638/2007 and Executive Act 449/2008, the balance of capital reserves, donations and subsidies for investment will be kept in the account until totally used.

#### **m) Tax Effects of the Initial Application of Law 11.638/2007 and Executive Act 449/2008**

The Company opted for the Transition Tax Regime (RTT) established by Executive Act 449/2008, whereby the determination of Corporate Income Tax (IRPJ), Social Contribution Tax (CSLL), Contribution for the Social Integration Program (PIS/PASEP) and Contribution for Social Security Funding (COFINS) for the two-year period 2008 - 2009 will continue being determined under the methods and accounting criteria defined by Law 6.404, of December 15, 1976 in effect until December 31, 2007. Therefore, following CVM instruction no. 371/2002, deferred income, and social contribution taxes, calculated on the adjustments associated with the adoption of the new practices, were recorded in the Company's financial statements, where applicable.

## **II – Changes not affecting the preparation and presentation of the Company's financial statements and the ones of its subsidiaries.**

#### **a) Lease-Purchase Agreements**

New requirement of recording in Property, Plant, and Equipment the Company's rights on physical goods destined to maintain its activities related to lease-purchase agreements where there is transfer to the lessee of benefits, risks and control of the assets. The management of the Company and its controlled companies did not identify any operations classified under CPC Pronouncement 6 – Lease-Purchase Agreements.

#### b) Share-Based Compensation

The costs related to compensations based on shares granted to the executives of an enterprise should be recognized in the entity's financial statements. The Company and its subsidiaries do not use any type of compensation classified under CPC Pronouncement 10 - Share-based payments.

#### c) Deferred Income

Elimination in the Balance sheet of the group of accounts called Deferred Income.

#### d) Equity Valuation Adjustment

A new subgroup in Shareholders' Equity was created, according to paragraph 3 of article 182 of the Brazilian Corporate Law (6.404/76), with text provided by Executive Act 449/08. It should be used to recognize increases and decreases in the value of assets and liabilities caused by their valuation at fair value.

### III – We present below the effects on net income and on shareholders' equity of the new accounting practices adopted this year:

	COMPANY	
	2008	
	Net	Shareholders
	Income	Equity
Balance according to previous accounting practice - Law no. 6.404/1976	6,408,768	86,126,893
Adjustments referring the effects of the initial adoption of Law 11.638/2007 and of Executive Act no. 449/2008:		
Company:	7,159	(762,139)
Write-off of deferred expenses with studies and projects	-	(292,579)
Temporary income and social contribution taxes differences	-	99,477
Adjust to present value of founders' shares	7,159	(569,037)
Controlled companies valued under the equity method:	(279,430)	258,654
- Adjustment to present value - ICMS Credits on Fixed Assets	1,239	(4,659)
- Adjustment to present value - Decommissioning of Nuclear Plants	106,296	264,686
- Write-off of deferred expenses	(892)	(7,646)
- Temporary income and social contribution taxes differences	(36,543)	(88,061)
- New companies valued under the equity method.	70,618	94,334
- Tax incentives	341,360	-
- Provision for reduction in the recoverable value of assets (Impairment)	(761,508)	-
Balance according to the current accounting practice	<u>6,136,497</u>	<u>85,618,361</u>

The reclassifications made to the financial statements of December 2007 do not refer to adjustments stemming from the changes introduced by Law 11.638/2007 of December 28, 2007, and Executive Act 449/2008 of December 3, 2008. They refer to the effects of the consolidation of the distribution companies and the reclassification mentioned in note 28.

#### **NOTE 4 - SUMMARY OF MAIN ACCOUNTING PRACTICES**

The following accounting practices have been adopted in the preparation of the individual and consolidated financial statements:

##### **I - GENERAL**

###### **a) Cash and Cash Equivalents**

Stated at cost, they are represented by short-term financial investments, plus yield obtained until the closing date of the financial statements and do not exceed market value (See note 6).

###### **b) Financial Instruments**

Investments are recognized and written-off at the transaction date, within a timetable established by the market to which they belong. The financial instruments the Company and its controlled companies keep are classified as: (a) trading financial instruments, recognized at fair value; and (b) financial assets and liabilities held to maturity.

The classification depends on the purpose to which the financial assets and liabilities were acquired or contracted, and the Company's management and its subsidiaries classify their financial assets and liabilities at the beginning of the operations.

The only financial instruments measured at fair value are derivatives, classified as trading financial instruments. Financial instruments of that type are classified as current and are recognized at acquisition cost at the date they are contracted. Subsequently, they are measured at fair value, and gains or losses recorded as financial income or expenses for the year.

Other financial instruments comprise financial investments, securities, loans and financing, held to maturity and measured at contracting cost, plus yield earned, according to periods and conditions set in the contracts. They are recognized in income under the accrual basis and are adjusted to their probable realizable value.

#### c) **Accounts Receivable and Allowance for Doubtful Accounts**

Trade accounts receivables (consumers and resellers) are composed of receivables from the electricity sold to final consumers and concessionaires, including those stemming from the power traded at the Electricity Commercialization Chamber - CCEE.

They are recognized at acquisition cost, less allowance for doubtful accounts based on a realization risk analysis, at levels the Company's management and its controlled companies consider sufficient to cover possible losses (See Attachment I).

Accounts receivable are usually settled in a period of up to 45 days, and for that reason, their book values are represented by fair values at accounting closing dates.

#### d) **Loans and Financing Granted**

Granted loans and financing and the respective charges recognized until the balance sheet date are adjusted according to the monetary and exchange variation indexes established in the contracts (See Attachment II).

#### e) **Investments**

Interests held in controlled companies and jointly-owned subsidiaries with stockholding corresponding to or exceeding 20% of the total capital of investees are valued under the equity method.

According to CPC Pronouncement 2, in determining the result of the valuation under the equity method and consolidating interests held in companies with functional currency different from the one of the investor, gains and losses with exchange variation during the translation of the Financial Statements into reais should be recognized under the caption Accumulated Translation Adjustments in Shareholders' Equity. Subsequently, they should be recorded in the income of the year during the disposal of the investment.

The statement of operations and shareholders' equity position of investees valued under the equity method employing a functional currency different from the one of presentation of consolidated financial statements should be translated into the consolidation currency.

#### f) **Transactions in Foreign Currency**

The balances of monetary items in foreign currency are presented at the prevailing exchange rate at the balance sheet date.

For non-monetary items valued at cost, the rate used is the one of the date of the transaction and for non-monetary items appraised at fair value, the rate to be utilized is the one of the date where the value is determined.

Gains and losses with exchange variation determined during the settlement of operations or translation into reais of monetary assets and liabilities in foreign currency are recognized in income.

#### g) **Intangible Assets**

Expenditures incurred in obtaining non-physical items are recognized as intangible assets, in special computer program licenses that are capitalized and amortized over the license term. Costs associated with the maintenance of computer software are recognized as expense of the year, when incurred.



#### h) Expenses with Studies and Projects

These refer mainly to costs the Company incurs on feasibility studies focusing the use of hydrographical basins and transmission lines. They are recognized as operating expense when incurred until the moment that proof of the economic feasibility of its exploitation is obtained or the concession granted or authorized. After the concession and/or authorization for exploitation of the service is granted or proof of the economic feasibility of the project obtained, the Company starts capitalizing expenses incurred as project development cost.

#### i) Valuation of the Recoverable Value of Assets

The management of the Company and its subsidiaries annually analyze the recoverability of the book value of their assets, or whenever any circumstances indicate such need. If evidence of non-recoverability is found, the management estimates their possible recoverable value. When the accounting residual value of the assets exceeds the recoverable value, a reduction of the carrying amount of the asset is recognized (impairment). The impairment corresponding to the non-recoverability of the asset or cash-generating unit is recognized in the income of the year.

When it is not possible or practical to individually estimate the recoverable amount of an asset, the Company and its subsidiaries obtain an estimation of the possible recovery of the cash-generating unit to which the asset belongs. During the determination of fair value, estimated future cash flows rates used are discounted at present value based on a discount rate before taxes that reflects market conditions, current money value at such time and specific risks related to the asset or group of assets.

The recoverable value of an asset or cash-generating unit can be reviewed and, if it increases in the future, the provision for impairment recognized in the past is fully or partially reversed, with effects to the income of the year where the recovery is observed. Then, the book value of the asset is adjusted to its new and probable recovery value, limited to the original carrying amount of the asset or cash-generating unit.

The recoverable amount, identified by the management of the Company and its subsidiaries corresponds to the fair value of the asset, group of assets or cash-generating unit.

#### j) **Financing and Loans Obtained**

Loans and financing obtained are recognized at fair value when the funds are received, net of the costs of the transaction. After that, they are valued at amortized cost, plus charges, interest and monetary and/or exchange variations determined in the contract terms, and incurred until the balance sheet date. See Attachment V.

#### k) **Income and Social Contribution Taxes on Net Income**

Corporate Income Tax - IRPJ is calculated under the annual taxable income method, at the rate of 15% and surtax of 10% on taxable income, as defined by the prevailing tax law. Social Contribution Tax on Net Income - CSLL is calculated at the rate of 9% on adjusted income under the terms of the applicable law.

In compliance with CVM Decision 273 of August 20, 1998, and CVM Instruction 273 of August 20, 1998, and CVM Instruction 371 of June 27, 2002, deferred tax assets and liabilities, calculated on temporary differences and tax losses carryforwards are recorded in current and noncurrent assets and noncurrent liabilities (See notes 12 and 24);

#### l) **Financial Income and Expenses**

They are composed of interest, monetary and exchange variations associated with financial investments, loans and financing granted and obtained, as well as operations with financial instruments.

#### m) **Complementary Pension Funds**

The Company and its subsidiaries adopt the accounting practices provided by CVM Decision 371/2000 for recognition of the actuarial valuation of their employees' pension funds. Actuarial gains with defined benefit plans are only recognized up to the value of the financial instruments not included in the fair value of the foundation's assets. Actuarial gains and losses generated by adjustments and changes in actuarial assumptions of pension and retirement plans and the actuarial obligation related to medical assistance plans are recognized in income according to the corridor method.

#### n) **Provisions for Contingencies**

Provisions are recognized when a past event can generate a future obligation, whose probability of utilization of funds and value can be clearly estimated. The value recognized as provision is the best estimate of fulfillment of a probable obligation at the date of the financial statements, taking into account the related risks and uncertainties.

#### o) **Accounting Estimates**

Accounting estimates are those arising from the application of subjective and complex judgment on the part of the management of the Company and its subsidiaries, frequently stemming from the need of recognizing significant amounts and appropriately demonstrate the equity position and results of the companies. Accounting estimates become increasingly critic as the number of variable and assumptions that affect the future condition of those uncertainties increase, making the judgment even more subjective and complex.

In the preparation of these financial statements, the management adopted estimates and assumptions based on historic and other factors they understand as reasonable and significant for an adequate presentation of the statements. Even if those estimates and assumptions are constantly monitored and reviewed, the

materialization of the book value of assets and liabilities and results of operations is inherently uncertain, as they are the result of judgment.

About accounting estimates deemed more critical, the bases for judgment of future events, variables and assumptions are as follows:

I) Deferred Tax Assets - the same method used to determine Corporate Income Tax (IRPJ) and Social Contribution Tax (CSLL) losses is applied in the determination of deferred IRPJ and CSLL generated by temporary differences between the book value of assets and liabilities, in addition to their respective tax values to be offset with tax loss carryforwards. Deferred tax assets and liabilities are calculated and recognized based on the rates applicable to taxable income in the years where those temporary differences should be realized. The future taxable income can be higher or lower than the estimates considered by the management when defining the need of recognizing or not deferred tax assets.

II) Provision for impairment - the management of the Company and its subsidiaries adopt variables and assumptions to test the recovery of long-term assets and calculate their recoverable value, recognizing impairment where necessary. In this procedure, judgment is used based on the history of the asset, group of assets or cash-generating unit. The projected amounts may not be realized in the future, including the estimated economic useful lives of long-term assets, based on practices established by ANEEL for concession-linked assets, and could vary during the periodic analysis of economic useful lives of the goods after January 1, 2009. A number of inherently uncertain events also have impact on the determination of the variables and assumptions the management employs in determining the discounted future cash flow to recognize the recoverable value of long-term assets. Among them, we can mention the maintenance of the electricity consumption levels, growth in the economic activity rate in Brazil, availability of water, besides those inherent to the end of the concession periods held by the subsidiary companies, in special the reversal value at the end of the concession term. The management has adopted as assumption the compensation established in contract where applicable, based on the existing residual book value at the end of the concession period for electric power generation, transmission and distribution. Therefore, actual results of the estimates used in these financial statements can be different in the presence of variables, assumptions, and conditions diverse from the ones existing and used at the time the judgment was rendered.

**p) Interest on Equity Capital**

For corporate and accounting purposes, the income of the year is directly recognized into Shareholders' Equity, observing specific tax regulations that determine that the interest on equity capital should be recorded in income.

According to legal requirements, the interest on equity capital applied on the dividends of the year is limited to a percentage of shareholders' equity and is based on the Long-Term Interest Rate (TJLP) established by the Brazilian Government. The limit is the higher between 50% of the net income for the year or 50% of the surplus reserve, before including the income of the own year.

**q) Current and Noncurrent Assets and Liabilities**

Assets are demonstrated at their realizable value and liabilities at known or estimated values, plus charges incurred, where applicable. Rights realizable and obligations maturing after 12 months of the date of the Financial Statements are considered noncurrent.

**r) Determination of the Result of Operations**

Revenue and expenses are determined under the accrual basis.

Tax incentives were recorded in the income statement as a reduction of income tax, in compliance with CPC Pronouncement 7. The portion of income associated with those tax incentives was fully recorded under a caption of the Surplus Reserve called Tax Incentive Reserve, and excluded from the tax basis of mandatory dividends, as provided by article 195-A of Law no. 6.404/1976. Those funds can only be used for increase in capital stock or absorption of losses.

## II - SPECIFIC PRACTICES OF THE ELECTRIC SECTOR

### a) Depreciation of Property, Plant, and Equipment in Service

Depreciation is calculated under the straight-line method, and annual depreciation rates are estimated in conformity with Instruction ANEEL 44, as of March 17, 1999 (See note 17 and attachments IV and IV.a).

### b) Property, Plant and Equipment in Construction

In accordance with the Accounting Manual for Electricity Utilities, interest and other financial charges (monetary and exchange variation), related to loans obtained with third parties applied in constructions in progress, are recorded as part of construction costs.

General management fees are recognized in property, plant, and equipment in construction. The recognition of direct costs with personnel and third party services is allowed based on the criteria established by the Regulating Agency (See note 20 and Attachments IV and IVa).

### c) Property, Plant and Equipment

Valuated at acquisition or construction cost, plus interest capitalized during the construction period, where applicable.

As provided in CPC Pronouncement 13 - Initial Adoption of Law 11.638/2007 and Executive Act 449/2008, the Company and its subsidiaries will prepare periodic analysis of economic useful lives of their goods starting from January 1, 2009. For public service concession linked goods, the controlled companies will follow the estimate of economical useful lives established by ANEEL.

Physical assets destined to the maintenance of the activities of the Company and its subsidiaries associated with lease-purchase agreements are recorded in property, plant and equipment, with a corresponding entry to financing debt, where applicable. Assets are subject to depreciation, observing their estimated economic useful lives.

The Company and its subsidiaries review the book value of their long-term assets used in their operations whenever events or changes in the circumstances indicate that the carrying amount of an assets or group of assets is not recoverable.

### d) Concession-Linked Obligations

Obligations are recorded with a corresponding entry to the contributions received from the Federal Government and consumers, exclusively for investment in the electricity distribution grid. Obligation are recorded as reducers of property, plant and equipment, and at the end of concession, offset against the corresponding assets, including those acquired with the contributions received from the Government and from consumers. Public service concession periods are established by ANEEL (See note 17 and Attachments IV and IVa).

e) **Storeroom**

Storeroom materials, classified as current assets, are recorded at the average acquisition cost. Those destined to the construction of property, plant, and equipment are classified in noncurrent assets, at acquisition cost. Recognized amounts do not exceed replacement costs or realizable values.

f) **Stemming from the General Electric Sector Agreement**

In accordance with the provisions of ANEEL Decision 72 of February 7, 2002, the amounts referring to the Extraordinary Tariff Adjustment (RTE) are presented in the account “Consumers and resellers,” as defined in Decision 91 of the Electricity Crisis Management Chamber - GCE, of December 21, 2001 and Law 10,438, of April 26, 2002 (See note 13).

g) **Obligations Assumed for the Release of Assets**

As established in the Accounting Manual for Electricity Utilities of ANEEL, a provision is recognized along the useful economic lives of thermonuclear plants with the purpose of recognizing the costs to be incurred with their technical-operational deactivation to the respective accrual period, at the end of their useful lives, estimated as being forty year.

The amounts recognized to the result of operations are based on annual quotas established in American dollars at the ratio of 1/40th of estimated expenditures, immediately recorded and translated according to the exchange rate of the end of the accrual month. Liabilities referring to the decommissioning of plants are adjusted according to the American dollar variation (See note 31).

h) **Stocks of Nuclear Fuel**

The uranium concentrate in stock, the corresponding services and the available nuclear fuel elements inside the reactor and in the so-called pool destined to the elements used, are recorded at acquisition cost.

The consumption of the nuclear fuel elements is recognized to income (loss) of the year as they are used in the generation of power (See note 14).

i) **Scheduled Stops**

The costs incurred before and during scheduled stops are initially recorded in Current assets. After operations are resumed at the plant, the costs are taken to the result of operations in monthly quotas, until the beginning of the next scheduled stop.

j) **Fuel Consumption Account (CCC)**

Under the terms of Law 8.631 of March 04, 1993, ELETROBRÁS manages the amounts paid by holders of public electric power service concessions to be credited against the Fuel Consumption Account (CCC), corresponding to the annual share of expenditure with fuels for electricity generation. The amounts recorded in current assets, with a corresponding entry to current liabilities, correspond to the funds available kept in a blocked bank account and to the shares unsettled by concession holders.

k) **Global Reversion Reserve Quota (RGR)**

Drafts made by ELETROBRÁS in the account of RGR for concession of loans and financing to the concession holders are recorded as liabilities. Interest of 5% per annum is applied on such drafts, starting from the enactment of Law 8.631 in March 04, 1993 (See note 23).

### l) Compulsory Loan

It is recorded at principal amount, plus monetary variation, based on the IPCA-E index and interest of 6% per year (See note 22).

### III - SPECIFIC ACCOUNTING PRACTICES OF ITAIPU BINACIONAL

In accounting for its operations, Itaipu Binacional follows accounting practices generally accepted in Brazil and Paraguay, with due regard for specific provisions of the International Treaty signed by the Brazilian and the Paraguayan governments on April 26, 1973, which regulates ITAIPU Binacional. Below, the main provisions departing from accounting practices applicable in Brazil:

a) Depreciation of facilities is not recorded, as the revenue is calculated based on charges on liabilities, not being included in the "Cost of Electricity Service", according to Attachment C to the Brazil-Paraguay International Treaty;

b) Retained earnings are not part of the Stockholders' Equity, being appropriated to "Results to be Offset" and reclassified to property, plant and equipment; and

c) In determining the return on equity capital, the realized profits are not taken into consideration, but shown as operating expenses under "Income."

### NOTE 5 - CONSOLIDATION PROCEDURES

I) The Consolidated Financial Statements reflect the balances of assets and liabilities as of December 31, 2008 and 2007, and the results of the operations for the years then ended of the Company, its direct and indirect controlled companies and of the ones with shared control. For equity method and consolidation purposes, financial statements prepared in a functional currency different from the one of the Company are translated into the currency used in the presentation of the statement in Brazil and include the figures of ELETROBRÁS and the ones of the following controlled companies:

	ELETROBRÁS'S INTERESTS	
	2008 and 2007	
	Direct	Indirect
FURNAS	99.54%	-
CHESF	99.45%	-
ELETROSUL	99.71%	-
ELETRONORTE	98.68%	-
ELETRONUCLEAR	99.81%	-
ITAIPU BINACIONAL (*)	50.00%	-
CGTEE	99.94%	-
ELETROPAR	81.61%	-
CERON	99.96%	-
CEAL	75.16%	-
CEPISA	98.56%	-
ELETROACRE	93.29%	-
MANAUS ENERGIA (**)	100.00%	-
BOA VISTA ENERGIA (***)	-	100.00%
FIDC FURNAS I (****)	-	100.00%
FIDC FURNAS II (****)	-	100.00%

(\*) - Under joint control with ANDE (Paraguay)

- (\*\*) - Indirect interest through ELETRONORTE until May 2008
- (\*\*\*) - Indirect interest through ELETRONORTE
- (\*\*\*\*) - Indirect interest through FURNAS

II) The Balance Sheets and the Statements of Operations for the years ended December 31, 2008 and 2007 of consolidated companies are summarized in Attachment VI.

III) We presented below the main consolidation practices adopted:

- a) Elimination of the investors' investments in the investees, with a corresponding entry to its interests in the respective shareholders' equities;
- b) Elimination of intercompany balances receivable and payable;
- c) Elimination of intercompany revenues and expenses;
- d) Separate identification of the interests held by other shareholders in the equity and in results of the consolidated investees; and
- e) In view of the non-existence of unrealized income in intercompany operations, the net income and shareholders' equity of the controlling company is the same as the one consolidated.

IV) Consolidation procedures of the controlling company in relation to ITAIPU Binacional

- a) The Financial Statements of ITAIPU Binacional are prepared originally in North American dollars (functional currency). Assets and liabilities were translated into reais at the exchange rate published by Brazilian Central Bank on December 31, 2008 - US\$ 1.00 : R\$2.3370 (US\$ 1.00 : R\$ 1.7713 on December 31, 2007). Income accounts were converted at the monthly average rate;
- b) The income to offset of ITAIPU Binacional was adjusted in the consolidated property, plant and equipment;
- c) The compensation on equity capital paid by ITAIPU Binacional was recorded as income of the controlling company and eliminated in the consolidation; and
- d) All income generated by ITAIPU Binacional in the account "Income to offset of ITAIPU Binacional." was eliminated in the consolidation.

For analytical purposes, a summary of the consolidated balance sheet and statement of operations excluding the effects of ITAIPU Binacional's proportional consolidation is presented below. It is intended to show the influence of ITAIPU Binacional's financial statements in the consolidated financial statements of ELETROBRÁS. Given its specificities, this information should by no means be construed as representing the consolidated financial statements of ELETROBRÁS.

R\$ thousand  
**CONSOLIDATED BALANCE SHEET**  
 (for informative purposes only)

	2008	
	EXCLUDING ITAIPU	INCLUDING ITAIPU
Assets		
Current		
Consumers and resellers	4,286,208	4,341,459
Loans and financing	1,523,743	1,493,271
Other	19,556,500	19,762,927
	<u>25,366,451</u>	<u>25,597,657</u>
Noncurrent		
Long-term assets		
Loans and financing	22,580,924	13,467,643
Other	12,261,085	12,453,283
	<u>34,842,009</u>	<u>25,920,926</u>
Investments	6,013,715	5,896,865
Property, plant and equipment, deferred charges, and intangible assets	58,567,363	80,638,485
	<u>64,581,078</u>	<u>86,563,350</u>
<b>Total assets</b>	<u><b>124,789,538</b></u>	<u><b>138,053,932</b></u>
Liabilities and shareholders' equity		
Current		
Loans and financing	764,989	1,714,610
Trade accounts payable	3,263,717	2,594,567
Other	9,300,650	9,977,839
	<u>13,329,356</u>	<u>14,287,016</u>
Noncurrent		
Loans and financing	6,702,608	18,297,562
Other	18,906,546	19,618,326
	<u>25,609,154</u>	<u>37,915,888</u>
Shareholders' interest – ANDE	232,667	232,667
Shareholders' equity	<u>85,618,361</u>	<u>85,618,361</u>
	<u>85,851,028</u>	<u>85,851,028</u>
<b>Total liabilities and shareholders' equity</b>	<u><b>124,789,538</b></u>	<u><b>138,053,932</b></u>



R\$ thousand  
STATEMENT OF OPERATIONS  
(for informative purposes only)

	2008	
	EXCLUDING ITAIPU	INCLUDING ITAIPU
Operating revenues		
Electricity sale and transmission	31.285.832	31.450.764
Deductions	(2.176.281)	(2.176.281)
Other	791.867	791.867
	29.901.418	30.066.350
Operating expenses		
Energy purchased for resale	(11.707.884)	(8.832.314)
Depreciation and amortization	(2.339.904)	(2.339.904)
Itaipu's income to be offset	-	(835.885)
Other	(11.327.052)	(12.522.627)
	(25.374.840)	(24.530.731)
Operating income before financial income	4.526.578	5.535.619
Financial income (expenses)	4.393.502	3.383.768
Income from participating interests held	665.533	665.533
Other revenues and expenses	(32.951)	(32.258)
Income before Corporate Income Tax (IRPJ) and Social Contribution Tax (CSLL)	9.552.662	9.552.662
CSLL and IRPJ	(3.226.515)	(3.226.515)
Income before ownership interests	6.326.147	6.326.147
Profit sharing	(176.817)	(176.817)
Minority interest	(12.833)	(12.833)
Net income	6.136.497	6.136.497
Earnings per share	R\$5,42	R\$5,42

## NOTE 6 - CASH AND CASH EQUIVALENTS

	R\$ thousand			
	Company		Consolidated	
	2008	2007	2008	2007
Cash in hand and in banks	8,548	25,383	169,244	288,334
Financial investments	9,361,493	4,937,593	12,662,756	7,264,721
	9,370,041	4,962,976	12,832,000	7,553,055
<b>Restricted Cash</b>				
CCC	156,354	212,191	156,354	212,191
Commercialization of ITAIPU's energy	151,135	6,991	151,135	6,991
PROINFA	426,897	615,552	426,897	615,552
<b>Total</b>	<b>10,104,427</b>	<b>5,797,710</b>	<b>13,566,386</b>	<b>8,387,789</b>

Cash and cash equivalents are held at Banco do Brasil S.A., under the terms of specific legislation (Decree Law no. 1.290 of December 3, 1973) applying to mixed-capital companies under federal control, and amendments arising from the Brazilian Central Bank Resolution no. 2.917 of December 19, 2001, which determined new investment mechanisms for companies integrating indirect Federal Administration.

Readily realizable short-term investments are part of off-the-market investment funds, the return on which is calculated based on the Average SELIC Rate.

## NOTE 7 - MARKETABLE SECURITIES

ELETROBRÁS and its subsidiaries classify securities as held to maturity based on the management's strategies for those assets.

Securities held to maturity are recognized at acquisition cost, plus interest and monetary variation with effects to income. Such instruments are adjusted at their probable realizable value, where applicable.

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2008	2007	2008	2007
<b>NONCURRENT</b>				
CFT-E1	208,761	194,405	208,761	194,405
NTN-P	136,160	126,395	140,675	129,737
Partnership results	165,442	313,145	165,442	313,145
Founders' shares	90,697	652,575	90,697	652,575
Other	12,314	3,152	12,314	3,152
	613,374	1,289,672	617,889	1,293,014

a) CFT-E1 - These non-interest bearing government securities are subject to the General Market Price Index (IGP-M) variation and mature in August 2012. ELETROBRÁS maintains a valuation allowance set up in previous years and adjusted based on discounts applied in Capital Market corresponding to R\$ 105,464 thousand as of December 31, 2008 (R\$ 91,761 thousand on December 31, 2007), and shown as a reduction of the corresponding asset.

b) NTN-P - These securities, received in payment during the investees' privatization process, by the disposal of corporate investments according to the National Privatization Program (PND). They are remunerated based on the TR – Reference Rate published by the Central Bank of Brazil, bearing interest at 6% p.a. on the restated value as of the redemption date as from February 2012.

c) PARTNERSHIP RESULTS - These refer to the revenues receivable on investments, under a partnership scheme (See note 16), with an average remuneration equivalent to the IGP-M variation plus interest varying from 12% to 13% p.a. on the capital contributed, as follows:

	R\$ thousand	
	COMPANY AND CONSOLIDATED	
	2008	2007
EATE	49,353	60,839
TANGARÁ	64,620	48,181
ELEJOR	16,226	50,459
ITIQUIRA	-	122,131
Other	35,242	31,535
	<u>165,442</u>	<u>313,145</u>

d) FOUNDER'S SHARES - These arise from restructuring of investment in INVESTCO S.A., with annual earnings in the equivalent to 10% of said companies' profits, payable together with dividends and redeemable by October 2032 through conversion in preferred shares of capital stock in the companies and values listed below:

	R\$ thousand	
	COMPANY AND CONSOLIDATED	
	2008	2007
PAULISTA LAJEADO	49,975	49,975
LAJEADO ENERGIA	266,798	266,798
EDP LAJEADO	184,577	184,577
CEB LAJEADO	151,225	151,225
Face value	652,575	652,575
Adjustment to present value	(561,878)	-
Present value	<u>90,697</u>	<u>-</u>

As described in note 2, following Law 11.638/07, such securities should be valued at fair value in compliance with CVM Decision 564/2008 that approved CPC Pronouncement-12.

e) Others - Refer to investment certificates of governmental grants destined for projects executed by the controlled companies CHESF and ELETRONORTE, called FINOR/FINAM. The Company keeps a provision for losses, set up based on the market value, corresponding to R\$ 283,690 thousand (R\$ 284,414 thousand on December 31, 2007) and shown as a reduction of the corresponding asset.

## NOTE 8 - CONSUMERS AND RESELLERS OF ELECTRICITY

I - The receivables relating to consumers and resellers are detailed in Attachment I to these notes and include the regulatory assets described in item I of note 13.

II - Sale of the electricity generated by ITAIPU Binacional

Under Law 10.438 of April 26, 2002, ELETROBRÁS is responsible for the sale in Brazil of the electricity produced by ITAIPU BINACIONAL.

In the year 2008, the equivalent to 86,568 GWh was distributed with the tariff for electricity supplied (purchase) by ITAIPU at US\$ 21.99/kW and the tariff for energy transfer (sale) at US\$ 23.03/kW.

The results of the ITAIPU Binacional's electricity sales, under the terms of Decree 4.550, of December 27, 2002, observing the amendments introduced by Decree 6,265, of November 22, 2007, will be appropriated as follows (See item II, of note 13):

- a) If positive, to the Residential and Rural consumers of the National Interconnected Power System using up to 350 kWh, through apportionment ratably to the individual consumption and credit of bonuses in the electricity bills.
- b) If negative, it is included by ANEEL in the calculation of the contracted power tariff in the year subsequent to the result formation.

In the year 2008, the activity was positive by R\$ 389,862 thousand, and respective obligations included in the account "Refund Obligations."

III - Commercialization of electricity - PROINFA

Sales within the scope of PROINFA generated a positive net income in 2008 of R\$ 35,643 thousand (R\$ 250,414 thousand on December 31, 2007), not producing effects on ELETROBRÁS's net income for the year. That is included under the caption "Refund Obligations."

IV - Electricity Commercialization Chamber - CCEE

The amounts relating to operations performed in CCEE's sphere of action are recorded based on the information given by CCEE itself.

As a result of those operations in 2008, a net credit of R\$ 2,585 thousand was generated for ELETROBRÁS and its controlled companies.

Controlled company FURNAS recorded R\$ 293,560 thousand of credits relating to distribution of energy by the former MAE in the period between September 2000 and September 2002. The respective financial settlements have been suspended due to preliminary orders granted in the course of legal actions filed by electricity distribution concessionaires against ANEEL and MAE, presently CCEE. Due to the uncertainty of realization, the Company keeps an Allowance for Doubtful Accounts, corresponding to the full amount of credit taken in the last quarter of 2007.

In accordance with the rules established by the Market Agreement, the resolution of those disputes would imply a new recording, and the attendant settlement between the parties would occur without CCEE's intervention. To this end, negotiations were initiated with the participation of ANEEL, CCEE and the agents

involved, in order to solve judicial disputes connected with the accounting process and liquidation, and enable negotiation of a solution for those actions.

#### V - Allowance for doubtful accounts

The Company set up and maintains an allowance for doubtful accounts in accordance with rules established by ANEEL, based on an analysis of the overdue receivables and past experience with losses, at an amount deemed sufficient to cover possible losses on any such accounts. The balance as of December 31, 2008 corresponded to R\$ 1,546,967 thousand (R\$ 1,749,356 thousand on December 31, 2007), and had the following composition:

	R\$ thousand	
	CONSOLIDATED	
	2008	2007
RTE (Free Electricity - loss of revenue and Portion A)	66,998	309,732
Consumers and resellers		
Companhia de Eletricidade do Amapá (CEA)	566,283	413,302
Other	620,126	732,762
	<u>1,186,409</u>	<u>1,146,064</u>
Short-term energy – CCEE	293,560	293,560
	<u>1,546,967</u>	<u>1,749,356</u>

For taxation purposes, the excess of provision recorded, taking into account the provisions of Law 9.430/1996 is added to the Taxable Income for IRPJ - Corporate Income Tax - calculation purposes, and to the CSLL – Social Contribution Tax, too.

#### NOTE 9 - LOANS AND FINANCING GRANTED

Following CPC Pronouncement 14 – Financial instruments, financing and loans granted are classified as financial assets, to be held to maturity. Financing and loans granted (See Attachment II) and their respective charges are recognized until the balance sheet date and are adjusted according to monetary or exchange variation indexes established in contracts.

The market values of those assets correspond to their carrying amounts.

Loans and financing are granted with ELETROBRÁS' own funds, besides funds of the sector, external funds raised with international development agencies, financial institutions, and issuance of bonds in the international financial market.

All loans and financing are supported by contracts signed with sector companies. Most of these amounts are expected to be amortized in monthly installments over an average 10-year period, at an average of 9.73% p.a. interest rate, weighted by the debt balance.

Loans and financing granted under foreign-currency-restatement clauses represent nearly 50% of the total loan portfolio, whereas those based on indexes representing domestic price levels account for 24% of the portfolio.

## I - Receivables of AES-ELETROPAULO - Lawsuit

In 1989, ELETROBRÁS filed a collection action against Eletropaulo, aiming to receive credits from financing not settled at the respective maturities, according to criteria and conditions established in the contract clauses.

A decision was rendered in April 1999, whereby ELETROPAULO was condemned to pay the unsettled financed amount. Subsequently, a final and unappealable decision was rendered, meaning that ELETROPAULO did not file any appeal against the lower court decision. Therefore, an action for the execution of the decision establishing payment was filed by ELETROBRÁS at the 5th Civil Court of Rio de Janeiro.

However, in January 1998, there was a partial spin-off of the assets of ELETROPAULO, giving rise to three different companies - Empresa Metropolitana de Águas e Energia S.A. (EMAE), Empresa Paulista de Transmissão de Energia S.A. (EPTE) and Empresa Brasileira de Energia S.A. (EBE). ELETROPAULO - Eletricidade de São Paulo S.A., had its name changed to Eletropaulo Metropolitana Eletricidade de São Paulo S.A.

ELETROPAULO challenged the legitimacy of the Partial Spin-off Agreement, which was dismissed and the continuation of the execution ordered. In December 2003, ELETROPAULO filed an interlocutory appeal, requesting the suspension of effects against the decision determining the execution. It was granted due to the understanding that ELETROPAULO would not be legitimate to bear the execution, but CTEEP – Companhia de Transmissão de Energia Elétrica Paulista (the former EPTE), due to the effects of the mentioned partial spin-off agreement.

Extraordinary and Special appeals were filed by ELETROBRÁS discussing the decision about the appeal of ELETROPAULO, being granted in the sense that the execution should continue and that the defense of ELETROPAULO should be challenged through motion to stay collection filed by the debtor and not through a plea of lack of jurisdiction. ELETROPAULO filed a motion for clarification of judgment, a special appeal according to specific court regulations and finally a request for resolution of conflict in decision. A final decision was rendered in November 2007, denying all the Appeals of ELETROPAULO. After exhausting all possibility of success before the Superior Court of Justice - STJ, ELETROPAULO presented an extraordinary appeal to the Supreme Federal Court - STF, which was denied by the decision of a single Judge, as published on March 28, 2008.

In view of that scenario, the management of ELETROBRÁS will go ahead with the execution and, supported by the opinion of its legal advisors, considers the realization of the credit as practically certain.

As of December 31, 2008, such credits corresponded to R\$ 385,171 thousand, considering the original clauses of the contract with ELETROPAULO, which, adjusted according to the indexes practiced by the justice, reach the amount of R\$ 1,061,329 thousand. The Company's management, in a conservative posture, did not record the adjustment portion based on criteria different from those agreed upon in the contracts, opting to wait for the execution.

## II - Allowance for Doubtful Accounts

The Company conservatively maintains a provision for doubtful accounts referring to the principal and debt service of several default other companies in the amount of R\$ 117,675 thousand (R\$ 80,630 thousand on December 31, 2007). These allowances are deemed sufficient by the Company's management to cover possible losses on any such accounts, based on analyses of the portfolio.

## NOTE 10 - RESCHEDULED RECEIVABLES

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2008	2007	2008	2007
<b>CURRENT</b>				
CEB	8,450	54,347	40,807	91,834
CELG	63,617	48,217	88,076	72,392
AES-SUL	12,288	10,227	12,288	10,227
CEMAT	-	-	108,694	25,034
Rollover of States' debts	-	-	141,130	188,867
Other	16	12	228,876	137,921
	<u>84,371</u>	<u>112,803</u>	<u>619,871</u>	<u>526,275</u>
<b>NONCURRENT</b>				
CEB	475	1,201	185,826	181,341
CELG	181,307	175,636	467,404	476,199
AES-SUL	17,852	27,114	17,852	
Rollover of States' debts	-	-	586,157	965,006
Other	12	8	813,063	298,220
	<u>199,646</u>	<u>203,959</u>	<u>2,070,302</u>	<u>1,920,766</u>
	<u>284,017</u>	<u>316,762</u>	<u>2,690,173</u>	<u>2,447,041</u>

The rescheduled receivables are formalized through agreements stipulating repayment of accumulated debt in installments and interest rates and monetary restatement, as well as the term for amortization of the principal and charges. The Company deems all these receivables recoverable, the following being worth mentioning:

a) Receivables arising from Electricity passed on to CEB

ELETROBRÁS has receivables from CEB arising from sale by FURNAS of electricity generated by ITAIPU Binacional, which have been subrogated since January 2003. In that year, these receivables were rescheduled due to default on the part of Distrito Federal corresponding to R\$ 163,892 thousand. Through the rescheduling, among other things, the repayment of overdue debt by the end of 2008 (i.e., in 60 months' time) is stipulated, with SELIC-rate based restatement and collaterals, through direct transfer to ELETROBRÁS by the financial institution working for CEB of 4% of the latter's gross monthly sales. The amount receivable as of December 31, 2008 was R\$ 8,450 thousand (R\$ 54,347 thousand on December 31, 2007).

FURNAS also rescheduled receivables from CEB, in the amount of R\$ 191,129 thousand, referring to its own energy, payable in 144 monthly installments beginning in August 2003, each installment corresponding to 3% of its gross sales, with the possibility of automatic extension to the date of the final payment. As of December 31, 2008, the balance adjusted according to the IGP-M index, plus 1% interest p.m. was R\$ 217,708 thousand (R\$ 218,828 thousand on December 31, 2007), from which, and amount of R\$ 185,351 was recorded in noncurrent assets (R\$ 181,341 thousand on December 31, 2007). Part of these credit rights corresponding to R\$ 162,000 thousand was assigned to the FIDC – Credit Rights Investment Fund – FURNAS II (See note 23).

b) Receivables from electricity passed on to CELG

In 2003, ELETROBRÁS rescheduled with CELG the receivables arising from ITAIPU Binacional's pass-on of energy to CELG and subrogated by FURNAS to ELETROBRÁS, in the amount of R\$ 392,021 thousand. The terms of the rescheduling establish the realization of those receivables by direct transfer by the financial

institution who collects CELG's bills, of 3.34% of the latter's gross monthly sales. The period for the payment is 216 months from January 2004 on and with the debt balance subject to restatement based on the U.S. dollar variation against the real. The amount receivable as of December 31, 2008 corresponded to R\$ 244,924 thousand (R\$223.853 thousand on December 31, 2007), of which R\$ 181,307 thousand was recorded in noncurrent assets (R\$ 175,636 thousand on December 31, 2007).

In a similar way, in December 2003 the controlled company FURNAS rescheduled R\$378,938 thousand, referring to own energy credits, payable in 216 months and subject to monthly restatement based on the IGP-M variation and bearing interest at 1% p.m. The monthly payment corresponds to 2.56% of CELG's gross sales, with guarantee supported by a blocked bank account. The debt balance as of December 31, 2008, was R\$ 310,557 thousand (R\$ 324,738 thousand on December 31, 2007). Part of these credit rights corresponding to R\$ 258,000 thousand was assigned to the FIDC – Credit Rights Investment Fund – FURNAS II (See note 23).

c) Rollover of States' debts

In accordance with the Public Sector Financial Recovery Program implemented by Law No 8.727/93, FURNAS entered into a receivables assignment agreement with the Federal Government in order to refinance CELG's power purchase debt existing at that time, which have been paid in 240 monthly installments since April 1994. Receivables are restated by the IGP-M at 11% p.a., and amounted to R\$ 571,615 thousand as of December 31, 2008, (R\$527,027 thousand on December 31, 2007), of which R\$ 458,379 thousand was recorded in noncurrent assets (R\$ 438,455 thousand on December 31, 2007). Part of these credit rights corresponding to R\$ 228,000 thousand was assigned to the FIDC – Credit Rights Investment Fund – FURNAS II (See Note 23).

Also, the controlled company ELETROSUL had receivables amounting to R\$676,230 thousand as of December 31, 2008 (R\$ 626,846 thousand on December 31, 2007), against the Federal Government, which are restated by the IGP-M, bearing interest of 12.68% p.a., arising from the assumption of the controlled company's rights against the state-controlled electricity concessionaires, which have been realized since April 1994, in 240 monthly installments.

In accordance with the legislation in force, should any receivable balance still remain after the 20-year period has elapsed, the repayment may be extended for another 10 years. Such hypothesis is foreseen, since the Federal Government only passes on the resources actually received from the States, which are legally limited to the commitment of the revenues.



## NOTE 11 - RETURN ON INVESTMENTS

This refers to dividends and interest on equity capital, net from Withholding Income Tax, arising from investments of permanent nature held by ELETROBRÁS and breakdowns as follows:

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2008	2007	2008	2007
FURNAS	251,607	164,121	-	-
CHESF	541,878	238,680	-	-
ITAIPU Binacional	14,022	10,628	-	-
ELETROSUL	135,713	46,842	-	-
ELETRONUCLEAR	28,749	27,893	-	-
ELETROPAR	8,268	-	-	-
CEMAR	48,340	57,990	48,340	57,990
CTEEP	102,156	33,295	102,156	33,295
Other	82,233	55,908	110,597	61,183
	<u>1,212,966</u>	<u>635,357</u>	<u>261,093</u>	<u>152,468</u>

## NOTE 12 - TAX CREDITS AND DEFERRED TAX ASSETS

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2008	2007	2008	2007
<b>CURRENT ASSETS</b>				
Withholding income tax (IRRF)	749,478	1,386,390	818,616	1,448,174
Prepaid Corporate Income Tax (IRPJ) and Social Contribution Tax (CSLL)	663,844	383,218	776,102	397,724
Tax loss carryforwards	-	-	28,880	19,423
Temporary IRPJ/CSLL differences	-	-	293,631	408,102
PASEP/COFINS (taxes on sales) to be offset	5,031	3,607	74,308	50,381
Recoverable ICMS (State VAT)	-	-	72,169	67,899
Other	-	-	18,144	89,296
	<u>1,418,353</u>	<u>1,773,215</u>	<u>2,081,850</u>	<u>2,480,999</u>

The above tax credits will be offset upon filing of the Company's 2009 Income Tax Return for calendar year 2008 against corporate income and social contribution tax liabilities (See note 24).

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2008	2007	2008	2007
<b>NONCURRENT</b>				
Recoverable ICMS	-	-	781,341	948,318
Tax loss carryforwards	-	-	-	50,895
Provision for interest on equity capital	583,187	239,185	583,187	239,185

Temporary differences	-	-	173,062	83,549
Provision for contingencies	481,718	457,407	481,718	469,115
Allowance for doubtful accounts	48,874	67,155	40,874	69,527
Provision for reduction in market value	132,312	127,899	132,312	130,049
Adjustment as per Law 11.638/07 - RTT	102,077	-	-	-
PIS/COFINS			564,384	
Other	-	460,216	30,070	535,575
	<u>1,348,168</u>	<u>1,351,862</u>	<u>2,786,948</u>	<u>2,526,213</u>

Deferred tax credits refer to temporary differences in IRPJ and CSLL tax bases, and will be used as these differences are realized.

Considering the Company's profitability record and the expected taxable income generation in the next years, the recognition of those assets depends on the realization of the recorded deferred tax assets. This realization is grounded in the analysis of future trends and technical studies based on internal assumptions, macroeconomic, commercial and tax scenarios that may change in the future.

Given the nature of tax credits, their realization is expected for the next five to eight fiscal years, when triggered by taxable events.

Circular Letter no. 2.775/2008 - SFF/ANEEL of December 24, 2008, provides among other things procedures for the closing of the Financial Statements of 2008 of concession holders, the return to the Fuel Consumption Account of the amounts corresponding to PIS/PASEP and COFINS credits taken on the fuel acquired for the generation of electricity under the non-cumulative system in period between 2004 and 2008.

The management of the subsidiary company Manaus Energia understood until the year 2007 that the fuel bought to generate power, subsidized by CCC, did not entitle rights to credits in the determination of PIS/PASEP and COFINS and acted accordingly. In view of the new facts, the management of that controlled company, based on the opinion of their legal counselors, gathered information on all acquisitions of oil made in the period ANEEL established, determining a tax credit of R\$ 460,493 thousand that was recognized in Noncurrent assets, observing the assessment periods of the last five years.

The use of the tax credits recognized in 2008 depends upon the future operations that generate debt, a fact that, in the opinion of the management of that subsidiary, will occur, even if the oil is replaced by natural gas as input in the generation of electricity.

However, to avoid possible risks of the statute of limitations period of such credits recognized under the provisions of Laws 10.637/2002 and 10.833/2003, the management of the controlled company, instructed by their legal advisors, filed a motion to toll the statute of limitations with the Federal Government.

The corresponding CCC debits related to ICMS (State VAT) are recognized at their original values and at the ratio established in Law 8.631/1993. The one referring PIS/PASEP and COFINS (sales taxes) were determined observing the amounts that exceed the percentages defined in Law 8.631/1993. However, ANEEL, through Technical Note SFF/ANEEL no. 359/08 of August 11, 2008, expressed the understanding that the reimbursement should be made at the full recoverable value.

The management of the controlled company, supported by their legal advisors, requested at court the suspension of the effects of the mentioned regulating agency's decisions, that is, Decisions ANEEL 432/2007 and 303/2008 and Circular Letter 2.775/2008 - SFF/ANEEL, that had their effects suspended.

Unconstitutionality of PIS/PASEP and COFINS: The Supreme Court declared unconstitutional the section 1, art. 3 of Law 9.718/98, which expanded the PIS/PASEP and COFINS tax bases, and renewed the billing concept so it now encompasses all revenues earned by legal entities, regardless of the type of activity carried out and the accounting classification adopted. That provision had no legal supporting basis, which is why it was subsequently amended.

Based on the CTN, Brazilian Tributary Code, the ELETROBRÁS System's companies filed an appeal claiming for recognition of the right to, and actual reimbursement of the amount paid in excess, because the expansion of PIS/PASEP and COFINS tax bases is unconstitutional. To the date of completion of these financial statements, the claims had not been judged.

The ELETROBRÁS System's companies hold potential PIS/PASEP and COFINS credits waiting for a decision, and therefore, not recognized on these Financial Statements, given that the decision on the unconstitutionality of the matter only benefits the companies whose appeals have already been judged.

### **NOTE 13 - REGULATORY ASSETS**

#### **I - General Agreement for the Electricity Sector**

In 2001, the Brazilian electricity sector was subjected to an Emergency Electricity Consumption Reduction Program, with the Federal Government forming the Electricity Crisis Management Chamber to manage demand adjustment programs, coordinate actions to increase energy supply, and implement emergency measures during the rationing period which lasted from June 1, 2001 to February 28, 2002.

Under Law 10.438/2002, which put into practice the legal instruments for implementation of the General Electric Sector Agreement due to the Reduction Program, ANEEL was authorized to implement the RTE – Extraordinary Tariff Adjustment, with the objective of standing up to the financial impact on the Brazilian Interconnected Electric System, then under the effect of the said program.

In that scenario, electricity generating companies recognized credits related to 'free energy', revenue loss and 'Portion A', realizable under the terms of the General Agreement for the Electricity Sector, through Extraordinary Tariff Adjustment (RTE) and collected from final consumers, with variable maturities defined by ANEEL for the different distributors.

In compliance with Circular Letter ANEEL 2.409, of December 14, 2007, the Company recognized losses stemming from 'free energy' not billed by distributors within the period established in the regulations, corresponding to R\$ 268,612 thousand (R\$ 299,686 thousand). That is recorded in the account "Losses in the recovery of assets" in the group of operating expenses, which was fully accrued for until the fourth quarter of 2007.

The net residual amounts deriving from the General Electric Sector Agreement which were recorded as regulatory assets can be seen under “Consumers and Resellers” (See Attachment I) as follows:

	R\$ thousand
	<u>CONSOLIDATED</u>
RTE – Portion A, Free Energy and Generating Company	
Reimbursement	
Balance as of December 31, 2007	526,702
(-) Losses	(268,612)
(-) Actual	(160,213)
Realizable balance as of December 31, 2008	<u>97,877</u>
Allowance for doubtful accounts	
Balance as of December 31, 2007	(309,732)
(+) Reversal	257,309
(-) Recognition	(14,575)
Realizable balance as of December 31, 2008	<u>(66,998)</u>
	<u>30,879</u>

Under the terms of the mentioned ANEEL Circular Letter No. 2,409/2007, the realizable balance corresponding to ‘free energy’, net of losses already recognized, is R\$ 97,877 thousand (R\$526,702 thousand on December 31, 2007) and will receive the same treatment in case it is not realized within the established periods. Most of the amounts will mature by 2009.

In accordance with the terms of the same ANEEL Circular Letter, and supported by studies prepared by management, the Company has set up an allowance for doubtful accounts of R\$66,998 thousand on December 31, 2008 (R\$ 309,732 thousand on December 31, 2007), deemed sufficient to cover possible losses that may be sustained until the end of the realization period.

## II – Resulting from the sale of electricity generated at ITAIPU Binacional

Pursuant to Law No. 11.480/2007 the adjustment rate applied to the financing contracts entered into with ITAIPU Binacional and the credit assignment agreements entered into with the Federal Treasury starting in 2007 was withdrawn. Accordingly, ELETROBRAS is entitled to fully maintain its flow of receipts.

Besides, Decree 6.265 of November 22, 2007 was also issued with the purpose of regulating the sale of ITAIPU Binacional’s electricity, defining the different rate to be applied to the energy transfer rate, creating a regulatory asset for the annual difference calculated, corresponding to an annual adjustment factor taken from financing contracts to be annually included in the energy transfer rate starting in 2008.

Accordingly, from 2008, the rate charged for transferring the energy from ITAIPU Binacional includes the difference caused by the elimination of the annual adjustment factor, whose amounts should be annually defined through an Interministry Ordinance issued by the Finance Ministry and Ministry of Mining and Energy. The energy transfer rate in effect in 2008 includes an amount of R\$ 502,429 thousand, (or US\$ 214,989 thousand), approved by the Finance Ministry and Ministry of Mining and Energy Interministry Ordinance No. 398/2008.

The balance of regulatory assets represented by the caption “Rights to reimbursement” in non-current assets results from the sale of ITAIPU Binacional’s electricity in the period from January to December 2008. It totals R\$ 4,312,809 thousand, corresponding to US\$ 1,845,447 thousand.

Therefore, the loss of financial revenue of ELETROBRÁS caused by the elimination of the adjustment factor from financing contracts executed with ITAIPU Binacional was offset by its addition to the energy transfer tariff, not generating losses to the Company.

The method for determination of the regulatory asset was defined by Interministry ordinance MME/MF 313/2007 of December 11, 2007.

#### **NOTE 14 - NUCLEAR FUEL INVENTORIES**

The nuclear fuel used in Angra I and Angra II thermonuclear plants comprises elements produced with metal alloys and uranium pellets.

In this initial stage, the uranium ore, and the services required for its production are acquired and accounted for as non-current long-term assets under Nuclear Fuel Inventories. After the production process is finished, the portion to be consumed during the following 12 months is classified as current assets under the caption “Storeroom.” As of December 31, 2008, the amount totals R\$ 323,064 thousand (R\$ 286,315 thousand on December 31, 20067).

The monthly amortization is recognized as operating expenses in a proportionate manner, taking into account the energy actually generated monthly, in comparison with the total energy calculated for each fuel element. Periodically, inventories and assessments of the nuclear fuel elements, which have been through the electricity generation process and are stored at the spent fuel deposit, are performed.

Nuclear fuel inventories for the operation of Angra I and Angra II thermonuclear plants were as follows as of December 31, 2008:

	R\$ thousand	
	CONSOLIDATED	
	2008	2007
NONCURRENT		
Nuclear fuel inventories		
Uranium concentrate	104,442	71,301
Ready elements	146,736	194,633
Storeroom supplies	259,213	242,615
Ongoing services - nuclear fuel	214,751	148,639
	725,142	657,188

#### **NOTE 15 - ADVANCES FOR AN INCREASE IN PARENT COMPANY’S OWNERSHIP INTEREST**

The amounts referring to advances for future capital increase of the companies listed below are recorded by ELETROBRÁS under Noncurrent assets:

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2008	2007	2008	2007
Controlled companies:				
FURNAS	31,154	31,154	-	-
CHESF	294,397	294,397	-	-
ELETROSUL	94,576	94,576	-	-
ELETROPAR	62,285	62,285	-	-
ELETRONORTE	-	1,337,552	-	-
ELETRONUCLEAR	-	264	-	-
CEAL	158,300	121,675	-	-
ELETROACRE	85,542	80,553	-	-
	726,254	2,022,456	-	-
Other investments	4,027	4,027	4,027	4,027
	730,281	2,026,483	4,027	4,027

ELETROBRÁS decided to pay in the entire advance for future increase in capital granted to ELETRONORTE, during general meetings that controlled company held on May 28, 2008 and December 11, 2008.

#### NOTE 16 - INVESTMENTS

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2008	2007	2008	2007
Equity in earnings of controlled companies				
a) Controlled companies (Attachment III)	39,935,810	39,344,716	-	-
b) Affiliated companies				
CEEE-D (b)	9,499	18,951	9,499	18,951
CEEE-GT (b)	127,368	105,234	127,368	105,234
EMAE (b) (c)	267,765	252,219	267,765	252,219
CEMAT (b) (c)	456,883	455,384	456,883	455,384
CTEEP (a) (c)	1,447,818	1,393,534	1,447,818	1,393,534
CEMAR (a)	197,943	169,790	197,943	169,790
CELPA (b)	366,953	379,584	366,953	379,584
LAJEADO ENERGIA (a) (c)	219,806	218,446	219,806	218,446
CEB LAJEADO (b) (c)	78,173	61,233	78,173	61,233
EDP LAJEADO (a) (c)	103,771	102,957	103,771	102,957
PAULISTA LAJEADO (b) (c)	23,380	23,380	23,380	23,380
ENERPEIXE (d)	-	-	420,960	350,763
STN (d)	-	-	112,780	97,020
ARTEMIS (d)	-	-	68,142	64,976
SC ENERGIA (d)	-	-	110,396	69,005
RS ENERGIA (d)	-	-	61,847	73,492
UIRAPURU (d)	-	-	20,212	19,600
ETAU (d)	-	-	12,487	11,713

TRANSELESTE (d)	-	-	13,420	11,896
TRANSIRAPÉ (d)	-	-	6,029	5,474
TRANSUDESTE (d)	-	-	8,500	7,500
CENTROESTE DE MINAS (d)	-	-	6,514	6,440
CHAPECOENSE (d)	-	-	270,855	230,000
INTESA (d)	-	-	91,566	73,505
AMAZÔNIA – AETE (d)	-	-	25,200	21,300
ENERGÉTICA (d)	-	-	123,970	74,240
SERRA DO FACÃO (d)	-	-	273,713	95,743
RETIRO BAIXO (d)	-	-	67,188	-
BAGUARI ENERGIA (d)	-	-	61,925	-
BRASNORTE (d)	-	-	39,600	-
AMAPARI (d)	-	-	41,423	-
ENERGIA SUSTENTÁVEL (d)	-	-	100,004	4
Other (d)	-	-	6,473	48,888
	<u>3,299,359</u>	<u>3,180,712</u>	<u>5,242,563</u>	<u>4,442,271</u>

Acquisition cost

CESP	268,679	268,679	268,679	268,679
CELESC	28,241	28,241	28,241	28,241
AES TIETÊ	23,046	23,046	23,046	23,046
COELCE	15,328	15,328	15,328	15,328
CDSA	11,801	11,801	11,801	11,801
SAELPA	11,272	11,272	11,272	11,272
EATE	16,960	17,548	16,960	17,548
TANGARA	21,738	28,016	21,738	28,016
ELEJOR	9,829	44,606	9,829	44,606
GUASCOR	3,300	3,300	3,300	3,300
ITIQUIRA	-	41,339	-	41,339
Other investments	37,355	43,534	244,108	257,691
	<u>447,549</u>	<u>536,710</u>	<u>654,302</u>	<u>705,867</u>
	<u>43,682,718</u>	<u>43,062,138</u>	<u>5,896,865</u>	<u>5,193,138</u>

- (a) Financial statements audited by other independent auditors.
- (b) Audit opinion of the independent auditors related to the Financial Statements not available until the closing date of these financial statements.
- (c) It does not have an interest in voting capital. However, it has a significant influence on the Company's management.
- (d) Indirect interests through subsidiaries of the Company.

Several lawsuits against ELETROBRÁS are under way, whose proceedings are at different stages (See Note 30). The assets below, representing 6.32% of the total investment portfolio, were pledged as guarantee for the Company to appeal against court decisions on these lawsuits:

Investments	R\$ thousand	Blocking percentage	R\$ thousand
	Investment amount		Blocked investment
CTEEP	1,447,818	91.71%	1,327,794
EMAE	267,765	100.00%	267,765
CESP	269,679	95.82%	258,406
AES TIETÊ	23,046	89.19%	20,555
COELCE	15,328	100.00%	15,328
DUKE	3,344	62.48%	2,089
CEMAT	456,883	86.64%	395,843
CEB	3,528	50.00%	1,764
CELPA	366,953	96.99%	355,908
CELPE	4,689	71.55%	3,355
CELESC	28,241	15.24%	4,304
CEEE-GT	127,368	87.39%	111,307
	<u>3,014,642</u>		<u>2,764,418</u>
Other investments	40,668,076	-	-
	<u>43,682,718</u>	6.32%	<u>2,764,418</u>

Over the last few years ELETROBRÁS entered into partnerships in projects with private investors in which ELETROBRÁS acts as minority stockholder, owning preferred shares. These enterprises' objective is to operate in the electricity generation and transmission areas. The invested amounts are classified as Noncurrent assets - Investments.

Likewise, considering the needs of investment of the Electric Sector and in accordance with the Federal Government's intention to obtain new resources under the conditions established by Law 10.438/2002, the ELETROBRÁS' controlled companies participate as minority shareholders in companies formed to exploit the electricity service concessions. These operations are classified as Acquisition Cost – Others where applicable.

a) ENERPEIXE - Refers to the 40% interest of FURNAS in the capital stock of Enerpeixe S.A, which has as purpose the construction and operation of UHE Peixe Angical, located by the river Tocantins, whose generation capacity is 452 MW. It started operations in May 2006.

b) Empresa Sistema de Transmissão Nordeste S.A (STN) was formed by CHESF and Alusa - Cia. Técnica de Engenharia Elétrica for exploitation of a 546 km, 500 kV transmission line concession in the region between Teresina (State of Piauí) Sobral and Fortaleza (State of Ceará). The capital of Empresa Sistema de Transmissão Nordeste S.A. is distributed in the following proportion: Alusa holds 51% and CHESF 49% of the capital stock of STN. The enterprise was concluded in December 2005 and commercial operations began in January 2006.

c) TRANSLESTE – A specific purpose company incorporated in 2003 with the objective of implanting and exploiting for a period of 30 years a transmission line connecting Montes Claros and Irapé (both in the State of Minas Gerais), with a voltage of 345 kV, and 150 km of extension. The interest of the controlled company FURNAS in that company corresponds to 24% of capital stock. The operation of the transmission line started in 2005.



d) TRANSIRAPÉ - A company incorporated in 2004, with the purpose of constructing, operating, and maintaining the facilities of the electricity transmission line between Irapé and Araçuaí (both in the State of Minas Gerais), with a voltage of 230 kV and 65 km of extension. The interest that FURNAS holds in that company corresponds to 24.5% of capital. The operation of that transmission line started in 2007.

e) ARTEMIS Transmissora de Energia S.A. - is a company whose objective is the exploitation of 525 kV transmission lines, connecting Salto Santiago and Ivaiporã and Ivaiporã and Cascavel D'Oeste, where the controlled company ELETROSUL holds 46.5% of the shares. Operations began in October 2005.

f) SC ENERGIA - Empresa Transmissora de Energia Elétrica de Santa Catarina S.A. is a company whose objective is the exploitation of a 375 Km, 525 kV transmission line, connecting Campos Novos with Blumenau (both in the State of Santa Catarina). ELETROSUL holds 100% participating interests in its capital stock. Operations began in September 2006.

g) TRANSUDESTE - a company incorporated in 2004, with the purpose of implanting and exploiting for a period of 30 years the transmission line connecting Itutinga with Juiz de Fora (both in the State of Minas Gerais), with a voltage of 345 kV, and 140 km of extension. The interest that FURNAS holds in that company corresponds to 25% of capital. The operation of that transmission line started in 2007.

h) CENTROESTE DE MINAS - company incorporated in 2004 with the objective of implanting and exploiting for a period of 30 years the transmission line connecting Furnas and Pimenta (both in the State of Minas Gerais), with a voltage of 345 kV, and 75 km of extension. The interest that FURNAS holds in that company corresponds to 49% of capital.

i) Chapecoense Geração S.A. - A specific purpose company that has as objective to build and exploit UHE Foz do Chapecó, located by river Uruguai. FURNAS holds interest of 49% in the capital of the company that will manage the plant, with capacity of 885 MW, which will be operated by the consortium composed of CPFL, with 51%, CHAPECOENSE, with 40%, and CEEE GT with 9% interest. FURNAS will be responsible for the performance of engineering activities. The operation of the first machine is projected to start in 2010.

j) RS ENERGIA - Empresa de Transmissão de Energia do Rio Grande do Sul - A specific purpose company organized in 2005, for the construction, operation and maintenance of 274 Km of 525 kV transmission lines, connecting Campos Novos (State of Santa Catarina) and Nova Santa Rita (State of Rio Grande do Sul), with a concession period of 30 years. The beginning of operations is projected to the first half of 2009. ELETROSUL holds 100% of shares representing the capital of RS ENERGIA.

k) Uirapuru Transmissora de Energia S.A. - Empresa de Transmissão de Energia do Rio Grande do Sul. A specific purpose company organized in 2004, for the construction, operation and maintenance of the 274 Km, 525 kV transmission line, connecting Ivaiporã and Londrina (both in the State of Paraná), with a concession granted for 30 years. ELETROSUL holds 49% of shares of Uirapuru, and the company Cymi Holding S.A. holds the remaining 51%. The operation of the transmission line started in 2006.

l) ETAU - Empresa Transmissora do Alto Uruguai S.A. - A specific purpose company organized for the construction, operation and maintenance of a 187 Km, 230 kV transmission lines, connecting Campos Novos and Barra Grande (both in the State of Santa Catarina), with a concession granted for 30 years. ELETROSUL holds 27.4% of the shares of the capital stock of ETAU, and the companies Terna Participation S.A., DME Energética Ltda., and Companhia Estadual de Energia Elétrica - CEEE hold 52.6%, 10%, 10% respectively. The operation of that transmission line started in 2005.

m) INTESA - Integração Transmissora de Energia S.A. - A specific purpose company incorporated for construction, implantation, operation, and maintenance of a 500 kV Transmission line connecting Colina and

Serra da Mesa 2, 3rd circuit, with a concession granted for 30 years. The capital of INTESA is distributed as follow: ELETROBRÁS holds 49% (CHESF - 12% and ELETRONORTE - 37%) and Fundo de Investimentos em Participações Brasil Energia - FIP, holds 51%. Commercial operations started in 2008.

n) Amazônia Eletronorte Transmissora de Energia S.A. - A specific purpose company incorporated for the construction, operation, and maintenance of 2 transmission lines with capacity of 230 KV, connecting Coxipó and Cuiabá (both in the State of Mato Grosso), with an extension of 25 km and from Cuiabá to Rondonópolis (also in the State of Mato Grosso) with an extension of 168 km. It started its operations in September 2005. ELETRONORTE holds 49% of the capital stock of AETE.

o) Energética Águas da Pedra S.A. - A specific purpose company had as origin the Aripuanã Consortium, for contracting of energy from new enterprises, with subsequent grant of a concession within the Regulated Contracting Environment, for implantation of UHE Dardanelos. ELETROBRÁS holds 39% interests of in that company (CHESF – 24.50% and ELETRONORTE. 24.50%) together with Neoenergia S.A. that holds 51%. The Plant will be implanted by river Aripuanã, located in the northern region of the State of Mato Grosso, with an assured capacity of 261 MW, and total energy of 154.9 average MW. The first machines are scheduled to start operations in 2011, and 147 average MW were sold for the period 2011 to 2041, within the 30 year-concession period.

p) Serra do Facão S.A. - A specific purpose company incorporated with the objective of constructing and operating UHE Serra do Facão, with an installed capacity of 210 MW, located by the river São Marcos, in the State of Goiás. The stockholding of FURNAS in the mentioned consortium through Serra do Facão Participações S.A. is 79.79%. The beginning of operations of the first machine is projected to 2010.

q) Consórcio MESA S.A. - A specific purpose company organized in 2007 with the objective of building and operating the project of construction of UHE Santo Antônio, by river Madeira, in the State of Rondônia. FURNAS holds 39% interests in the capital stock of Consórcio MESA. Odebrecht Investimentos holds 17.6%), Andrade Gutierrez Participações 12.4%, CEMIG 10%, Fundos de Investimentos e Participações da Amazônia 20% and Construtora Norberto Odebrecht 1%.

r) RETIRO BAIXO – A specific purpose company organized with the purpose of implanting and managing UHE Retiro Baixo, with an installed capacity of 82 MW, located by River Paraopeba, along the municipalities of Curvelo and Pompeu. FURNAS holds interests of 49% in its capital stock. The work started in March 2007 and the beginning of the commercial operation of the first machine is projected to January 2009.

s) BAGUARI ENERGIA - A specific purpose company incorporated to implant and operate UHE Baguari, located by River Doce, in the State of Minas Gerais, with capacity of 140 MW and implantation projected to the second half of 2009. FURNAS holds interests corresponding to 30.61% in its capital stock.

t) ENERGIA SUSTENTÁVEL DO BRASIL S.A. - A specific purpose company that aims to operate the concession and sale of power from UHE Jirau, by River Madeira, State of Rondônia, with minimum installed capacity 3,300 MW, and beginning of operations projected to 2013. ELETROBRÁS holds 40% participating interests in the capital of the company (CHESF 20% and ELETROSUL 20%) together with the companies Suez Energy South America Participações Ltda. (50.1%) and Camargo Corrêa Investimentos em Infraestrutura S.A. (9.9%). The concession period is 35 years.

u) Brasnorte Transmissora de Energia S.A – A specific purpose company organized in 2007, with the objective of managing the public service concession of Transmission Line Juba -Jauru, a lined of 230 kV, with 129 Km of extension; Transmission Line Maggi – Nova Mutum, 230 kV line, with 273 Km of extension; Substation Juba, (230/138 kV) and Substation Maggi (230/138 kV). ELETRONORTE holds 45% in interests in that company, TERNA PARTICIPAÇÕES S/A holds 35% and BIMETAL IND. E COM. DE PRODUTOS METALÚRGICOS LTDA holds 20%.

v) Amapari Energia S.A. – A specific purpose company organized in 2007 in a partnership between MPX Energia S.A. and ELETRONORTE. Its purpose is being an Independent Producer of Electricity, with initial installed capacity of 23.33 MW. That is a diesel-based thermoelectric plant (UTE), located in the Municipality of Serra do Navio, in the State of Amapá. ELETRONORTE hold 49% interests in its capital and MPX Energia holds 51%.

x) ELETRONET – The controlled companies FURNAS, CHESF, ELETROSUL, and ELETRONORTE started operating the transmission of information signals, using part of their electricity transmission infrastructure, with intermediation of the controlled company LIGHTPAR, in a joint venture with private companies, where it holds minority interest in the capital stock of ELETRONET, a company formed specifically for rendering feasible the business of providing transmission for information signals and telecommunication services

To assure the feasibility of the business, the companies identified the need of an association with private companies and with a company of ELETROBRÁS system to be an intermediate, and act as representative on behalf of the companies and under their guidance in achieving the business targets in the use of their infrastructure along with the private partner.

ELETROPAR holds minority interest in the capital of Eletronet S.A. - ELETRONET (49%) and acts as the representative of the interests of the other companies electricity supplying companies controlled by ELETROBRÁS. ELETROPAR transfers the earnings of the business to the other companies, and is compensated for the management service. The expenses it incurs in relation to that business are refunded.

Since September 20, 2002, ELETROPAR assumed the management of ELETRONET, due to delinquency on the part of the majority shareholder - AES Bandeirante Empreendimentos Ltda. - in contributing with the value of monetary restatement referring to the fourth portion of capital stock.

In 2003, the administrative council of ELETRONET, decided to declare it bankrupted, as all possible other measures to assure its maintenance and reach a final solution had been exhausted.

The declaration of bankruptcy was approved in the extraordinary meeting at ELETRONET, held in April 2003, which authorized the managers to take all applicable legal measures.

In May 2003, ELETRONET, represented by its managing partners, requested the filing of its statement of bankruptcy with the Judiciary, together with a preliminary request to continue in business. The 5th Business Bankruptcy Court declared the bankruptcy under the requested manner. In that condition, ELETRONET continued its operations under the management of the Judiciary.

In June 2006, ELETROPAR along with Bankrupt ELETRONET S.A. was notified by CHESF, ELETRONORTE, ELETROSUL, and FURNAS, called assignor companies, about the termination of contract no. ECE-1166/99, executed with ELETROPAR on June 29, 1999 and its amendments. The referred contract allowed the transfer to ELETRONET, as well as the reimbursement of 50% of the cost incurred by the latter in the management of the communication structure. We point out, however, that such termination does not cancel the rights of receiving the credits corresponding to the due reimbursements payable and collectible until December 31, 2006. Based on contract clauses, the assignor companies claim the following out of the court: i) to regain possession of the assets comprising the implemented infrastructure for the rendering of telecommunications services; ii) the right to claim the optical cables; and iii) determining the maintenance of the essential services to the national integrated electricity transmission system, as well as the continuance of the services rendered by ELETRONET employees. On the same date, the assignor companies filed an injunction at the 5th Business Lower Court of Rio de Janeiro about the issue mentioned above, which was granted, on January 14, 2008, and which still waits for the deposit in the checking account of ELETRONET's bankrupt estate of the amount of R\$ 380,000 thousand, determined according to the

report drawn up by an expert. In view of that decision, the assignor companies and LT BANDEIRANTES EMPREENDIMENTOS Ltda. (successor of AES Bandeirantes Empreendimentos Ltda and partner of ELETROPAR in ELETRONET S/A) and the bankrupt estate of ELETRONET S.A. filed Interlocutory appeal against interim decision. Neither an interim relief nor a stay of proceedings was granted in any of the cases.

It is worth mentioning the existence of an understanding on the part of the 5th Bankruptcy Court, dated May 09, 2007, included in page 4.781 of the bankruptcy proceedings, declaring that there is no evidence of bankruptcy crime, a fact that, besides the statute of limitations occurred on May 15, 2007, made unnecessary the execution of a court investigation.

#### I) Corporate Restructuring of Controlled Companies

On March 28, 2008, during a shareholders meeting, the Companhia Energética do Amazonas S.A. - CEAM approved its merger by Manaus Energia S.A. - MESA, a wholly-owned subsidiary of Centrais Elétricas do Norte do Brasil S.A. - ELETRONORTE. ELETROBRÁS held 97.96% of the capital stock of CEAM and holds 98.66% of the capital of ELETRONORTE.

Because of the merger, a provision for CEAM's investments in the amount of R\$697,150 thousand was fully reversed with an offsetting entry to operations in the first quarter of 2008. The provision for shareholders' deficit corresponding to R\$657,508 thousand was also reversed in the first quarter, totaling a reversal of R\$1,354,658 thousand.

At the same time, the Company's management recognized the loss in the realization of the asset corresponding to the investment in CEAM, based on an appraisal report prepared to support the merger process of CEAM, by MESA that corresponds to R\$ 1,436,223 thousand, recognized through debit to the income (loss) of the first quarter of 2008. The operation has an effect of R\$ 81,565 thousand the on the numbers of 2008.

CEAM and MESA supply electricity to the interior and the capital of Amazonas State, respectively. The transaction, made in compliance with ELETROBRÁS' Corporate Governance policy, created a single company to serve Amazonas State as a whole and will provide more operating synergy.

#### NOTE 17 – PROPERTY, PLANT AND EQUIPMENT

The value of property, plant and equipment items, detailed in Attachment IV and IVa, is rectified taking into account obligations arising from the Public Electricity Service concession, which comprise amounts received from the Federal, State and the Municipal Governments and the consumers, as well as donations not committed to return to the donor. Settlement is due for the end of the respective concession. Property, plant and equipment breakdown as follows:

	CONSOLIDATED	
	R\$ thousand	
	2008	2007
Participating interests of the Federal Government	744,613	445,168
Amortization	82,416	82,416
Consumers' contributions	62,672	49,279
Donations and grants for investment	291,079	486,167
Other	168,469	248,886
	1,349,249	1,311,916

- 
- a) Federal Government's Participation - this refers to funds received from the federal government to be used in priority electricity generation and transmission works.
  - b) Amortization and reversals - originated from the "Amortization Reserves" set up until 1971, under the Federal Decree no. 41.019/57, which were used for expanding the Public Electricity Service until that year.
  - c) Consumers' contributions - these refer to resources received to enable conducting the necessary enterprises for meeting unforeseen electricity demand and not projected in the service expansion planning.
  - d) Donations and grants for investment - refer to pure and simple donations, not conditioned on any return to the donor, and grants for investments in the Public Electricity Service.

According to the Federal Decree 41.019, of February 26, 1957, assets and facilities used in generation, transmission, distribution, and commercialization are linked to these activities, and accordingly, cannot be removed, disposed of, assigned or hypothecated without the Regulating Agency's prior and express authorization.

#### I) Recovery Value of Assets:

In compliance with CPC Pronouncement 1 - Reduction in the Recoverable Value of Assets, the management of the Company and its subsidiaries valued this year, and will appraise on an yearly basis, or whenever the circumstances require a new valuation, the recoverability of long-term assets, specially property, plant and equipment held and used in operations. That aims to identify possible depletion of those assets or groups of assets that could lead to partial recovery.

The Company defined as cash-generating unit all generation, transmission, and distribution assets. Therefore, a detailed analysis per plant, transmission line, or other groups of assets is not prepared.

The Company's management, supported by their legal counselors, considered the reversal of the residual net value of assets at the end of the electric power public service concession, at book value. The Company also took into consideration the depreciation, based on the useful lives of the asset, and not the concession term.

During the determination of fair value, estimated future cash flows rates were used that are discounted at present value based on a discount rate before taxes. They reflect market conditions, current money value at such time and specific risks related to the asset or group of assets.

The Company recognized in income an amount of R\$ 770,231 thousand as a provision for reduction in the recoverable value of assets (impairment).

#### NOTE 18 - INTANGIBLE ASSETS

Specific expenses with the formation or acquisition of rights, including the ones on software programs, are recorded in this account, plus respective implantation costs, where applicable. They are amortized under the straight-line method.

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2008	2007	2008	2007
In service	61,114	61,114	357,822	429,986
(-) Reintegration	(7,408)	(5,556)	(78,388)	(21,345)
In progress	-	-	96,377	65,844
	<u>53,706</u>	<u>55,558</u>	<u>375,811</u>	<u>474,485</u>

#### NOTE 19 - TRADE ACCOUNTS PAYABLE

Includes, mainly, the energy purchased from ITAIPU Binacional (See note 8, item II), which breaks down as follows:

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2008	2007	2008	2007
<b>CURRENT</b>				
Goods, material, and services	206,241	51,805	1,170,045	1,182,007
Electricity network use	-	-	3,038	97,982
Energy purchased for resale	1,445,709	1,188,771	1,376,508	1,060,773
Short-term energy - CCEE	<u>24,121</u>	<u>28,789</u>	<u>44,976</u>	<u>135,382</u>
	<u>1,676,07</u>	<u>1,269,365</u>	<u>2,594,567</u>	<u>2,476,444</u>

#### NOTE 20 - ADVANCES FROM CONSUMERS

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2008	2007	2008	2007
<b>CURRENT</b>				
ALBRÁS	-	-	37,778	35,191
PROINFA	<u>15,381</u>	<u>202,250</u>	<u>15,381</u>	<u>202,250</u>
	<u>15,381</u>	<u>202,250</u>	<u>53,159</u>	<u>237,441</u>
<b>NONCURRENT</b>				
ALBRÁS	-	-	1,018,488	1,056,761
	<u>15,381</u>	<u>202,250</u>	<u>1,071,647</u>	<u>1,294,202</u>

## I - ALBRÁS

In 2004, the controlled company ELETRONORTE was the outbidder in the electricity auction organized by ALBRÁS for the sale of electricity to be supplied for a 20-year, equivalent to 750 MW on average per month until December 2006 and 800 MW on average per month from January 2007 to December 2024. ALBRÁS set a parameter for agreeing on a minimum price compatible with the UHE Tucuruí's balanced tariff, plus a premium calculated based on the aluminum price in London's commodities exchange.

Under these conditions, ALBRÁS made an energy purchase pre-offer, with a view to reducing the base price. The prepayment for this offer is constituted by energy credits for amortization over the supply period, in fixed monthly installments in medium MW, at the tariff ruling on the month of sale.

The schedule for prepayment is as follows:

	R\$ thousand	
	COMPANY AND CONSOLIDATED	
	2008	2007
Advances received		
2004	300,000	300,000
2005	500,000	500,000
2006	250,000	250,000
2007	150,000	150,000
Total	1,200,000	1,200,000
Amortization	(143,734)	(108,048)
Total liabilities	1,056,266	1,091,952

## II - PROINFA

Established by Law 10.438/2002 and its amendments, PROINFA's purpose is the diversification of the Brazilian energetic matrix and the search for regional solutions based on renewable electricity sources, available input and the applicable technology, given the increased participation in electricity production from those sources.

The program guarantees to ELETROBRÁS the purchase of the energy to be produced for a period of 20 years from 2006. This energy will be transferred to distribution concessionaires, free consumers and self-producers, excluding low-income consumers, in the proportion of its use.

Distribution and transmission concessionaires pay ELETROBRÁS the annual value of the costing quota corresponding to the participation of captive and free consumers and self-producers connected to its electricity facilities in twelfth parts, in the month prior to the month when energy consumption is properly recognized.

In addition to the regular payments of the current year quotas to PROINFA generators, distribution and transmission concessionaires advanced the payment of one twelfth of the annual quota, considering the total contracting of all projects carried out under PROINFA.

Accordingly, as of December 31, 2008, the Company had an amount of R\$ 15,381 thousand (R\$ 202,250 thousand on December 31, 2007), which will be demanded as PROINFA develops and the corresponding supply of electric power.

## NOTE 21 - LOANS AND FINANCING OBTAINED

The breakdown of loans and financing obtained, including charges, whose funds are assigned to the investment program of ELETROBRÁS System, is presented in Attachment V (See note 43).

ELETROBRÁS performed the following fund raising operations, during the year 2008:

a) Conclusion, in August 2008, of the process to obtain a syndicated loan, of the type A/B Loan, with *Corporación Andina de Fomento – CAF*. The loan, at an amount US\$ 600,000 thousand, was structured in the following manner: Part A, of US\$ 150,000 thousand, with CAF, with a period of 12 years; Part B, corresponding to US\$ 450,000 thousand, with a union of banks, led by Citi, BNP Paribas and Societé Generale, with a term of 7 years.

The contracted average interest rate was 1.64% over 6-month LIBOR, corresponding to its actual cost.

b) Contracting of a loan with *Kreditanstalt für Wiederaufbau – KfW*, at an amount of €37,200 thousand, with surety of the Brazilian Federal Government. In December 2008, the contracts referring the first € 13,300 tranche was executed between ELETROBRÁS and the bank. The funds will be used in the projects of construction of 4 small water-based plants, under the responsibility of ELETROSUL.

c) Beginning of the process to obtain authorization from the National Treasury to raise US\$400,000 thousand, under the form of bonus in the international market. However, after obtaining the authorization at the end of November 2008, the bonus market lost its attractiveness, a fact that determined the postponing of the mentioned issuance. The authorization already obtained is valid for the year 2009.

d) Negotiation with IBRD and regulatory agencies were started to obtain a loan of US\$500,000 thousand, destined to the Company's investment program.

### I - Credit Rights Investment Fund (FIDC)

#### a) FIDC FURNAS I

1. Set up by its administrator, Banco Santander Brasil.
2. The assignment to Fundo FURNAS I was formalized through a Private Instrument of Receivables and Other Assets Assignment and Acquisition signed in September 2004.
3. The discount rate is 1.38% p.a.
4. The assignment flow is restated based on the annual SELIC rate set by Central Bank of Brazil (BACEN) for the period from the assignment date to the last business day before the payment date.
5. The controlled company FURNAS remained as the collection agent.
6. The assignment was performed under Furnas' co-obligation to pay for the Receivables, as provided under the Brazilian Civil Code.



7. Assigned receivables:

Receivables Assigned	Realization Period	R\$ thousand Amount Assigned
RTE	Jan/2007 to Jan/2008	126,000
Financing - CEMAT	Oct/2004 to Mar/2009	164,000
Energy - PROMAN	Oct/2004 to Dec/2006	52,000
Total assigned		342,000

b) FIDC FURNAS II

1. Jointly set up by Banco Santander Brasil and Bradesco, BB Banco de Investimento, Itaú BBA and Votorantim, under administration of BEM Distribuidora de Títulos e Valores Mobiliários LTDA.
2. The assignment to Fundo FURNAS II was formalized through a Private Instrument of Receivables and Other Assets Assignment and Acquisition signed in May 2005.
3. The discount rate is 1,80% p.a.
4. The assignment flow is restated based on the annual SELIC rate set by Central Bank of Brazil (BACEN) for the period from the assignment date to the last business day before the payment date.
5. The controlled company FURNAS remained as the collection agent.
6. The assignment was performed under Furnas' co-obligation to pay for the Receivables, as provided under the Brazilian Civil Code.

7. Assigned receivables:

Receivables Assigned	Realization Period	R\$ thousand Amount Assigned
Receivables - Law 8.727/93	Jun/2005 to May/2010	228,000
Energy refinancing - CEB	Jun/2005 to May/2010	162,000
Energy refinancing - CELG	Jun/2005 to May/2010	258,000
Sundry agreements	Jun/2005 to Feb/2008	255,050
Total assigned		903,050

The consolidated statements, under Securities and Exchange Commission (CVM) Instruction no. 408/2004 and taken into account the characteristics of the funds, consider the receivables as an integral part of assets, recorded under the original captions, and the FIDC's assets amount reflected as long-term and short-term financing and loans, whose total balance as of December 31, 2008 was R\$ 311,907 thousand (R\$ 583,715 thousand on December 31, 2007). See Attachment V.

**NOTE 22 - COMPULSORY LOAN**

The Compulsory Loan, instituted by Law 4.156/62 to fund the expansion of the Brazilian electricity sector, was extinguished by Law 7.181 of December 20, 1983, which established the end of the collection term for December 31, 1993.

In the first phase of that compulsory loan, ended with enactment of Law 1.512/76, which levying reached several classes of energy consumers and taxpayers' credits were represented by Bearer Bonds that ELETROBRÁS issued.

In a second moment, after the enactment of the cited Law, the compulsory loan started being paid only by industries with monthly consumption exceeding 2,000 kWh and taxpayers' credits no longer were represented by bearer bonds, which ELETROBRÁS simply started recognizing.

The remaining credits of the Compulsory Loan, after the fourth conversion into capital, on April 30, 2008, of the credits constituted from 1988 to 2004, are recorded as current and noncurrent liabilities maturing as from 2008 and continue to be remunerated at 6% p.a. plus monetary restatement based on the Extended Consumer Price Index (IPCA-E) variation. These funds corresponded to R\$ 215,071 thousand as of December 31, 2008, (R\$ 299,084 thousand on December 31, 2007), of which R\$ 129,866 thousand is recorded as noncurrent (R\$ 202,375 thousand on December 31, 2007).

#### I - Conversion of compulsory loan credits into shares

In 2008, there was the 4th conversion of the shares representing the capital stock of ELETROBRÁS into class B nominative preferred shares. That comprised all the compulsory loan credits as of December 31, 2007, corresponding to 202,375 thousand, taken after the 3rd conversion approved in a extraordinary meet held on April 28, 2005.

The issuance price of the stocks will take as basis the book value per share of ELETROBRÁS as of December 31, 2007, corresponding to R\$ 70.79, under the terms of article 4 of Law 7.181/83.

#### II – Bearer Bonds issued by ELETROBRÁS

The Bearer bonds issued because of the compulsory loan do not constitute securities, are not negotiable at Stock Exchanges, do not have quotation and are unenforceable. Therefore, the management of ELETROBRÁS clarifies that the Company does not have outstanding debentures.

The issuance of those bonds was associated with a legal obligation and not with a business decision of ELETROBRÁS. In a similar way, the bondholders did not follow an action of will, but a legal obligation under the provision of Law 4.156/62. Therefore, the provisions of Law 6.404/76 are not applicable to those bonds or of ones addressed by Law 6.385/76.

The Brazilian Securities and Exchange Commission (CVM), in the decision rendered to the administrative proceeding CVM RJ 2005/7230, filed by the holders of the mentioned bonds, stated that "the obligations issued by ELETROBRÁS in association with Law 4.156/62 cannot be considered securities."

Securities and Exchange Commission (CVM) understood that there are no irregularities in the procedures ELETROBRÁS adopted in its financial statements in relation to the mentioned obligations or in the disclosure of the existing lawsuits claiming the redemption of those bonds (See note 30).

Besides, the non-enforceability of the Bearer Bonds was reinforced by a recent decision of the Superior Court of Justice corroborating the understanding that those notes are not debentures and should not be used to guarantee executions.

The Bearer Bonds issued in the first phase of the compulsory loan, as decided by the Brazilian Securities and Exchange Commission (CVM), should not be confused with debentures. Besides, as provided by article 4, paragraph 11 of Law 4.156/62 and article 1 of Decree 20.910/32, they are unenforceable, a condition

confirmed by Notice 344 of the Superior Court of Justice (STJ), which established that those bonds cannot be used as guarantee of executions for not having liquidity and not being debentures.

Therefore, the balance of the Compulsory Loan refers solely to the 1988 – 1994 period residual credits held by industrial consumers with consumption above 2,000 kWh, that is, the second phase of that compulsory loan, as well as to the unclaimed interest related to those credits, as follows:

	R\$ thousand	
	COMPANY	
	2008	2007
CURRENT		
Interest payable	85,205	96,709
NONCURRENT		
Credits received	129,866	202,375
	<u>215,071</u>	<u>299,084</u>

#### **NOTE 23 - GLOBAL REVERSION RESERVE QUOTA - RGR**

A fund created by the Federal Government to cover expenses with compensation of reversals of electricity power public concessions. The funds, while not used for their purpose, are invested in the granting of financing to expand the Brazilian electricity sector, improvement of services and execution of the programs of the Brazilian Federal Government.

The Global Reversion Reserve (RGR) quota is funded by contributions from the concession holders of the public electricity service, which provide a quota for the reversal and expropriation of electricity services equivalent to up to 2.5% of the amount invested by concession and permission holders, limited to 3% of gross annual revenues. The value of the quota is computed as part of the service cost of those entities (See note 4, Item I. k).

The concessionaires deposit their annual quotas for the Global Reversion Reserve (RGR) in twelve equal parts, up to the last business day of each month, in a bank account created for this specific purpose. ELETROBRÁS manages the account in compliance with Law No. 5.655/71 and subsequent amendments.

Accordingly, ELETROBRÁS uses RGR funds in specific investment projects, as follows:

- I - Expansion of electricity distribution services;
- II - Incentive to alternative electric power sources;
- III - studies of inventory and feasibility of using water resources;
- IV - Implantation of power generators up to 5,000 kW, intended exclusively for public services in communities using an isolated electricity system;
- V - Efficient public lighting;
- VI - Electricity conservation through improvement in the quality of products and services;
- VII - Universalization of the access to electricity;

The Reserve is remunerated at 5% p.a., according to the funds used. The funds withdrawn as of December 31, 2008, to invest in the projects described above totaled R\$ 7,193,770 thousand (R\$ 6,769,011 thousand on December 31, 2007).

#### NOTE 24 - TAXES AND SOCIAL CONTRIBUTIONS

	COMPANY		CONSOLIDATED	
	2008	2007	2008	2007
Income Tax				
Current liabilities	928,955	763,721	1,041,225	1,016,985
Noncurrent liabilities	694,031	-	1,187,824	381,949
Social contribution tax				
Current liabilities	343,291	280,669	417,942	318,900
Noncurrent liabilities	249,851	-	428,870	138,756
PASEP and COFINS (taxes on sales)				
Current liabilities	69,366	28,234	186,139	156,678
Noncurrent liabilities	-	-	38,639	-
ICMS (State VAT)				
Current liabilities	-	-	93,940	107,444
Noncurrent liabilities	-	-	45,764	45,718
PAES (Tax Debt Refinancing Program)				
Current liabilities	-	-	129,140	121,454
Noncurrent liabilities	-	-	958,697	1,071,754
Other				
Current liabilities	22,242	19,936	207,340	234,333
Noncurrent liabilities	-	-	53,870	52,494
<b>TOTAL</b>	<b>2,307,736</b>	<b>1,092,560</b>	<b>4,789,390</b>	<b>3,646,465</b>
Current liabilities	1,363,854	1,092,560	2,075,726	1,955,794
Noncurrent liabilities	943,882	-	2,713,664	1,690,671

Obligations referring Corporate Income Tax (IRPJ) and Social Contribution Tax on Net Income (CSLL) regarding the year 2008 will be fully offset with existing tax credits. (See note 12).

#### b) Tax Incentives - SUDENE

Executive Act 2.199-14 of August 24, 2001, amended by Law no. 11.196 of November 21, 2005, allows companies located in the Northeast region to reduce the value of the income tax payable to invest in installation, expansion, modernization or diversification projects. That is contingent upon having enterprises within the infrastructure sector considered a priority for the development of the region, as established by an act of the Executive Branch.

In 2008, the controlled company CHESF obtained the right to a 75% reduction in income tax, calculated on operating income. Such incentive was granted for the years between 2008 and 2017.

The abovementioned tax incentive totaled R\$ 343,251 thousand in 2008, and was recorded in the income of the year as a reduction to the income tax, in compliance with CPC Pronouncement 7. The portion of income related to those incentives was fully recorded under a surplus reserve called 'Tax incentives reserve' and

excluded from the tax basis of the mandatory dividend, pursuant to the provisions of article 195-A of Law 6.404/1976. Those funds can only be used to increase capital stock or to absorb losses.

b) Reconciliation of income and social contribution tax expense

The reconciliation of IRPJ and CSLL amounts recorded as expenses in the years 2008 and 2007 and those calculated at nominal rates is as follows:

	COMPANY			
	2008		2007	
	IRPJ	CSLL	IRPJ	CSLL
Income (loss) before IRPJ and CSLL	8,481,396	8,481,396	1,401,020	1,401,020
Total IRPJ and CSLL calculated at the rates of 25% and 9%, respectively	2,120,349	763,326	350,255	126,092
Effects of add-back (deductions):				
Revenue from dividends	(22,161)	(7,978)	(200,971)	(72,349)
Equity in loss	(57,028)	(20,530)	(211,343)	(76,083)
Interest on equity capital	(428,814)	(154,373)	(175,872)	(63,314)
Losses with investments	-	-	143,794	51,766
Provision for reduction in the market value	71,985	25,915	-	-
Other add-backs (deductions)	16,428	14,780	(52,839)	16,027
Total IRPJ and CSLL expenses	<u>1,700,759</u>	<u>621,140</u>	<u>(146,976)</u>	<u>(17,861)</u>

c) Tax Debt Refinancing Program - PAES

The controlled companies FURNAS, ELETROSUL, ELETRONORTE, MANAUS, and CEAL opted for the Special Tax Debt Refinancing Program (PAES). The rescheduled amount is payable in up to 180 months and the debit balance is restated based on the Long-term Interest Rate (IJLP).

The debt payable under PAES as of December 31, 2008, is as follows:

	CONSOLIDATED
	R\$ thousand
PAES balance as of December 31, 2006	<u>1,328,256</u>
Monetary restatement	78,407
Payments made	(121,403)
ILL (Net income tax) credit offset	(7,872)
Adjustment to balance based on the variation of the Long-Term Interest Rate (IJLP)	(99,020)
PAES balance as of December 31, 2007	<u>1,178,368</u>
Monetary restatement	44,549
Inclusion of debits	2,535
Payments made	(137,615)
PAES balance as of December 31, 2008	<u>1,087,837</u>

## NOTE 25 - REGULATORY FEES

	R\$ thousand	
	CONSOLIDATED	
	2008	2007
CURRENT		
Global Reversion Reserve Quota – RGR	99,039	71,559
CCC (Fuel Consumption Account) / CDE (Energy Development Account)	33,112	30,615
Financial compensation of water resources	536,133	382,438
Inspection feed – ANEEL	11,965	4,416
PROINFRA (Alternative Electricity Sources Incentive Program)	27,427	25,248
Other	609	-
	<u>708,285</u>	<u>541,968</u>

## NOTE 26 - SHAREHOLDERS' COMPENSATION

Under the Company's by-laws, stockholders are entitled to a minimum compulsory dividend of 25% of net income, adjusted in accordance with the Brazilian corporate law, respecting the minimum remuneration of 8% of capital stock for the preferred class "A" shares and 6% for preferred class "B" shares.

The table below demonstrates the adjusted net income and the value of the mandatory minimum dividend, under the terms of Law 6.404/76, as well as, the total value of compensation proposed to stockholders, to be approved in a general ordinary meeting:

	R\$ thousand	
	COMPANY	
	2008	2007
Net income	6,136,497	1,547,857
Legal reserve	(306,825)	(77,393)
Adjusted net income	<u>5,829,672</u>	<u>1,470,464</u>
Mandatory minimum dividend - 25%	<u>1,457,418</u>	<u>367,616</u>
Compensation proposed to shareholders in the form of interest on equity capital		
Common shares	1,343,855	363,416
Class "A" preferred shares	319	297
Class "B" preferred shares	371,080	339,773
	<u>1,715,254</u>	<u>703,486</u>

### Proposed compensation per share in reais

	2008	2007
Common shares - 6.4283% of capital (2007 – 1.8714%)	1.48	0.40
Class "A" preferred shares - 9.4118% of capital (2007 - 9.4118%)	2.17	2.02
Class "B" preferred shares - 7.0711% of capital (2007 – 7.0588%)	1.63	1.51

(\*) 2007 considers a reverse stock split

Therefore, ELETROBRÁS recorded an amount of R\$ 1,715,254 thousand as compensation to stockholders and interest on equity capital referring the year 2008, which was added to the minimum obligatory dividend in accordance with the statutory provisions.

Under prevailing tax legislation, withholding income tax is levied at the rate of 15% on the remuneration proposed to stockholders as interest on equity capital.

Shareholders' compensation for the year 2008 corresponds to 29.41% of adjusted net income under the terms of Law 6.404/76 (2007 - 41.65%) and will be restated based on the SELIC rate, established by the Brazilian Central Bank, according to the terms of Decree 2,673 of July 16, 1998 that regulates the payment on the part of federal state companies of dividends or interest on equity capital.

The adjustment is applicable for the period starting on January 01, 2008 to the date where it is started the payment of the compensation. Such date will be decided during a general ordinary meet, where the financial statements will be analyzed and the proposed destination for income of the year established. There will be the levying of Withholding Income Tax at the rate of 20% on the portion referring to the monetary restatement according to SELIC.

In compliance with CVM Decision 207/96, and to meet tax standards, ELETROBRÁS accounted for that interest against financial expenses, taking them to a specific account, opting to not present them in the statement of operations to not produce an effect on the income of the year, but only the effects recognized in the accounts of social contribution and income taxes.

Under the decision of the 48th ordinary general meeting, held on April 30, 2008, the payment of the compensation to shareholders related to the year 2007 in the form of interest on equity capital, started on June 30, 2008 for shareholders registered as of May 2, 2008, paid as follows:

Type /Class	In reais / per thousand shares	
	Gross value as of Dec. 31, 2007	Adjusted gross value as of Jun. 30, 2008
Common shares	0.401555200	0.423939988
Class "A" Preferred shares	2.019497311	2.129057146
Class "B" preferred shares	1.514622982	1.596792859

The balance of compensation to stockholders demonstrated in current liabilities contains a portion of R\$ 198,968 thousand (R\$ 177,516 thousand on December 31, 2007) regarding unclaimed compensation of the years 2005, 2006 and 2007.

According to the terms of the Company's by-laws, the period for payment of the unclaimed compensation referring to the year 2004 and preceding years is expired.

## NOTE 27 - PAYABLES TO THE BRAZILIAN FEDERAL TREASURY

	R\$ thousand			
	COMPANY AND CONSOLIDATED			
	CURRENT		NONCURRENT	
	2008	2007	2008	2007
Acquisition of interests in CEEE-GT and CEEE-D	62,231	50,439	362,601	386,888
Rights to reimbursement (See note 13)	-	-	2,450,772	302,279
Other	10,005	7,711	40,828	37,822
	<u>72,236</u>	<u>58,150</u>	<u>2,854,201</u>	<u>726,989</u>

## NOTE 28 - COMPLEMENTARY PENSION FUNDS

Pension Plan and Other Benefits to Employees

### 1. COMPANY

#### 1.1 - Pension plan

ELETROBRÁS sponsors ELETROS, a pension plan fund with its own equity segregated from that of the sponsor. The objective of ELETROS is to manage a pension plan for supplementing the retirement and pension benefits of the sponsor's employees who enroll.

ELETROS manages two benefit plans sponsored by ELETROBRÁS, detailed as follows:

a) Defined benefit, that offers the following pension plans:

- Complementary disability benefit
- Complementary benefit for years of service (or years of contribution);
- Complementary special benefit and veteran pension;
- Complementary benefit for age;
- Additional retirement income
- Pension
- Annual bonus benefit

Besides the abovementioned benefits, the defined benefit plan entitles the following rights: minimum benefit, redemption of contributions, deferred proportional benefit, self-sponsoring and annual minimum guarantee.

b) Defined contribution plans that offer the following benefits:

- Normal retirement benefit
- Anticipated retirement benefit
- Disability benefit
- Death benefit
- Unemployment benefit



Minimum benefit  
 Assured benefit  
 Annual bonus benefit  
 Portability

The actuarial regime of capitalization prevails, with periodic valuations carried out in accordance with private pension funding regulations, which are reported to an inspection agency and are under the control of the Brazilian Social Security Ministry.

The Company adopts the procedures recommended by CVM Decision no. 371/2000, and annually performs an actuarial revaluation of the benefit plan it sponsors, as well as of the required actuarial liability coverage associated with post-employment benefits. The criteria and assumptions adopted in that independent revaluation follow standards recommended by CVM and IBRACON and can differ from those adopted by the management of the program, which follows specific laws, therefore, impeding a simple comparisons of results.

The contributions charged as administrative expenses corresponded to R\$ 19,968 thousand in the year ended December 31, 2008 (R\$ 12,073 thousand on December 31, 2007).

As of December 31, 2008, following the provisions of CVM Decision no. 371/2000, the present value of the Company's obligations with the complementary pension plan program was R\$ 1,927,732 thousand. Accumulated assets and investments in the financial market through ELETROS, at the same date, corresponded to R\$ 2,045,822 thousand, revealing an excess coverage of R\$ 118,090 thousand.

CVM Decision no. 371 allows the Company to recognize only the portion of actuarial gain or loss exceeding 10% of the total Actuarial Obligation or of the total Guaranteed Assets (the higher between the two amounts). The excess should be recognized in a period equals the average remaining time of service the beneficiaries have to render to the Company until retirement. As of December 31, 2008, that corresponded to 8.6 years.

After such deferral, the Company opted for not booking the resulting net assets of R\$357,348 thousand, following the application of Rule 49.g, of CVM Decision 371/2000.

Although those plans are separately appraised, the statement of liabilities and assets of the Company's pension plan program is consolidated.

We demonstrate below the breakdown as of December 31, 2008 of the obligation referring the Company's pension plan program, according to the rates applicable of item 81 of CVM Decision 371/2000:

POPULATION	2008		
	DB Plan	DC Plan	Total
1. Active participants	551	1,007	1,558
2. Beneficiaries:			
2.1. Retired employees	1,315	44	1,359
2.2. Pensioners	304	-	304
Sum (2)	1,619	44	1,663
Total (1+2)	2,170	1,051	3,221

POPULATION	2007		
	DB Plan	DC Plan	Total
1. Active participants	480	142	622
2. Beneficiaries:			
2.1. Retired employees	1,186	11	1,197
2.2. Pensioners	261	-	261
Sum (2)	1,447	11	1,458
Total (1+2)	1,927	153	2,080

Participant Ages:	2008		2007	
	DB Plan	DC Plan	DB Plan	DC Plan
1. Active participants				
1.1. Average age	49	43.3	48	53
1.2. Credited services (total)	20.2	-	20	-
1.3. Time until retirement	8.6	14	8	-
2. Retired employees	-	-	-	-
2.1. Average age	65.9	57	65.7	56
3. Pensioners	-	-	-	-
3.1. Average age	63	-	-	-

ACCUMULATED (GAINS) LOSSES	R\$ thousand		
	2008		
	DB Plan	DC Plan	Total Consolidated Value
(a) At beginning of year	205,651	-	205,651
(b) Stemming from obligations of the year	21,760	-	21,760
(c) Arising from guaranteed assets	(3,718)	-	(3,718)
(d) Amortization	-	-	-
(e) At end of year	223,694	-	223,694
(f) Deferral limit	154,938	-	154,938
(g) Deferral period (years)	8.6	-	8.6
(h) To be recognized in the following year	7,994	-	7,994

PERIODIC COST OF THE PLAN	R\$ thousand		
	Projection for 2009		
	DB Plan	DC Plan	Total Consolidated Value
(a) Service cost	7,104	2,486	9,590
(b) Interest cost	143,550	35,369	178,919
(c) Return expected on assets	(136,492)	(56,650)	(193,142)
(d) Contributions of participants	(3,546)	-	(3,546)
(e) Amortization	7,995	-	7,995
Total short-term cost	18,611	(18,795)	(185)

R\$ thousand	
RECONCILIATION OF LIABILITIES	
2008	
Total net (liabilities) /assets	
Value at beginning of year	302,815
Cost of current services	(5,647)
Cost of interest	(122.600)
Expected yield on the assets of the plan	160.972
Amortization	-
Actuarial gains or losses	-
Contributions paid	21.809
Benefits paid by the plan	-
Changes in the plan	-
Entrance of participants - DC Plan	-
Anticipated reduction in obligations	-
Advanced elimination of obligations	-
Special unemployment benefits	-
Other expenses	-
Other adjustments - Effect of Rule 49.g	-
Value at end of year	357,349

R\$ thousand			
FLOW OF PAYMENTS OF LONG-TERM BENEFITS			
Year	DB Plan	DC Plan	Total
2009	115,425	10,202	125,627
2010	116,904	11,834	128,738
2011	118,235	14,473	132,708
2012	119,933	16,812	136,745
2013	121,880	19,517	141,397
2014	123,444	21,949	145,393
2015	124,460	23,958	148,418
2016	124,387	25,713	150,100
2017	123,827	27,408	151,235
2018	123,029	28,761	151,790
2019	121,783	29,913	151,696
2020	119,782	30,838	150,620
2021	117,060	31,351	148,411
2022	114,375	31,758	146,133
2023	110,959	32,464	143,423

## 1.2 - Other Benefit Programs Group

### Life Insurance Program

The Company sponsors 82.08% of the life insurance prizes of a group life insurance policy for active employees, but extends the possibility of adhesion to retired employees of any type, provided that they paid the full premium. Post-employment liabilities are identified, seeing that the premium is collective and standardized for both populations (active and retired employees). As the premium separately calculated for inactive employees is significantly higher than the one of active employees, there is a transfer of amounts between the retired and active populations of the premium paid, including the subsidy the Company gives. As of December 31, 2008, the obligation was R\$ 46,676 thousand to be recognized in 8.6 years.

## II – CONSOLIDATED

Besides ELETROS, which is sponsored by ELETROBRÁS, the controlled companies of ELETROBRÁS sponsor their own pension funds organized in a similar way, with the objective of supplementing their employees' retirement and pension benefits through benefit and contribution plans. Below, a list of these funds:

Sponsor	Pension fund
FURNAS	REAL GRANDEZA
CHESF	FACHESF
ELETROSUL	ELOS
ELETRONORTE, MANAUS and BOA VISTA	PREVINORTE
ELETRONUCLEAR	NUCLEOS and REAL GRANDEZA
ITAIPU	FIBRA (Brazil) and CAJA (Paraguay)
CGTEE	ELETROCEEE
CEAL	FACEAL

Each controlled company established their own programs, determining technical standards and assumptions different from those adopted by the Company, as described below:

Contributions, which are charged to administrative expenses, totaled R\$ 277,632 thousand in the year ended December 31, 2008 (R\$ 299,448 thousand on December 31, 2007).

In accordance with the plan's regulations and IBRACON's technical pronouncement approved by CVM Deliberation no. 371/2000, the companies perform an actuarial evaluation of their obligations arising from supplementary benefits granted to employees, the need for coverage of which is reflected in the financial statements corresponding to R\$ 2,069,701 thousand, thus divided: R\$ 502,699 thousand under the current liability portion (R\$ 368,950 thousand on December 31, 2007) and R\$ 1,567,002 thousand as the noncurrent portion (R\$1,841,685 thousand on December 31, 2007), under the caption Supplementary pension plans.

In 2007, the controlled companies FURNAS and ELETRONUCLEAR recorded in the income for the year, the portion related to the surplus from the actuarial revaluation of post-employment benefits related to contracts executed with Fundação Real Grandeza, corresponding to R\$ 1,137,904 thousand, introduced as a reducer of liabilities. In 2008, for a better presentation, and in compliance with CVM Decisions 489/2005 and 371/2000, the Company started presenting such portion under assets, observing the limit of the contracted obligation. As under the terms of CVM Decision 371/2000, the mentioned contracts are not included in the fair values of the assets of the foundation, and because the sponsors are the guarantors and parties responsible for the formation and realization of that asset, the right was recognized as a deferral, subject to future actuarial revaluations.

The amounts agreed between the parties are now amortized and aim to cover past shortages in assets stemming from actuarial valuations.

The surplus observed, besides the realization of the mentioned financial instruments, minimizes the risk of future unexpected actuarial liabilities. In accordance with the conditions established by CVM Decision 371/2000, the Company did not recognize the positive result, besides the amounts not included in the fair value of the assets.

The actuarial valuation is intrinsically uncertain and, therefore, is subject to changes during the annual actuarial review.

## NOTE 29 - PROVISION FOR SHAREHOLDERS' DEFICIT IN CONTROLLED COMPANIES

CVM Instruction 247/96 establishes that the recognition of losses with investments appraised under the equity method in enterprises that need financial support of the investor or to stop their businesses should be limited to the value of the investment recorded in the controlling company. If applicable, shareholders' equity deficit should be absorbed and recognized by the investor and recorded under a specific liabilities caption, with a corresponding entry to the expenses of the year.

The controlled companies CEPISA and CERON present shareholders' equity deficit of R\$258,975 thousand and R\$ 106,125 thousand, respectively, besides indications of the need of financial support from ELETROBRÁS. The investor intends to keep its financial support to the investees, so the Company keeps a provision of R\$ 353,921 thousand for that shareholders' equity deficit (R\$ 875,777 thousand on December 31, 2007). See note 16.

## NOTE 30 – PROVISION FOR CONTINGENCIES

At the closing date of the financial statements, the Company had the following provisions for contingencies:

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2008	2007	2008	2007
<b>CURRENT</b>				
Labor	-	-	507,195	418,775
Tax	-	-	181,853	32,770
Civil	-	-	778,660	713,349
Other	-	-	186,594	118,241
(-) Escrow deposits	-	-	(172,593)	(187,283)
	-	-	1,481,709	1,095,852
<b>NONCURRENT</b>				
Labor	88,574	17,072	461,831	306,641
Tax	-	-	60,147	129,361
Civil	1,328,244	1,328,244	1,899,297	1,884,573
(-) Escrow deposits	(407,304)	(308,124)	(725,719)	(439,284)
	1,009,514	1,037,192	1,695,556	1,881,291
	1,009,514	1,037,192	3,177,265	2,977,143

There are several lawsuits, mainly labor and civil suits, at different trial stages against ELETROBRÁS and its controlled companies. According to resolution 489/2005 of the Securities and Exchange Commission (CVM), the Company's management adopts the procedure of classifying the lawsuits against the Company according to the risk of loss, based on the opinion of its legal counselors, as follows:

- For lawsuits for which an unfavorable outcome is considered as probable, provisions are set up;
- For lawsuits for which an unfavorable outcome is considered as possible, the related information is disclosed in Notes to the financial statements, and
- For lawsuits for which an unfavorable outcome is considered as remote, only the information deemed relevant by management is disclosed in the Notes to the financial statements.

Accordingly, provisions for the contingencies mentioned above have been set up. According to the Company's management and its legal counselors, those provisions, net of escrow deposits, are deemed sufficient to cover for losses from lawsuits of different nature. In the year, they developed as follows:

	R\$ thousand	
	COMPANY	CONSOLIDATED
Balance as of December 31, 2006	1,158,355	3,018,725
Provisions set up	-	444,330
Reversal of provisions	-	(185,758)
Payments	-	(140,787)
Monetary restatement	-	19,886
Escrow deposits	(121,163)	(185,074)
Escrow deposits survey	-	5,821
Balance as of December 31, 2007	1,037,192	2,977,143
Provisions set up	71,502	682,870
Reversal of provisions	-	(311,265)
Payments	-	(42,240)
Monetary restatement	-	24,592
Escrow deposits	(99,180)	(168,997)
Escrow deposits survey	-	15,162
Balance as of December 31, 2008	1,009,514	3,177,265

I - Lawsuits against the Company and its subsidiary companies rated as probable losses:

1) Lawsuits in controlled companies:

CHESF:

a) The controlled company CHESF has filed a civil lawsuit claiming for partial annulment of an amendment to the Xingó Hydroelectric Power Plant construction contract (Fator K – Analytical price correction), signed with the Consortium formed by Companhia Brasileira de Projetos e Obras - CBPO, Constran S.A.– Construções e Comércio e Mendes Júnior Engenharia S.A. and reimbursement of approximately R\$ 350 million, corresponding to twice as much as the amounts paid.

The suit was filed with the Federal Justice, but a decision from the Federal Regional Court of the 5th Region determined that the suit be handled by the State of Pernambuco Justice. As of December 31, 2008, the proceeding had not been judged yet.

The suit filed by the company was considered groundless. The counterclaim filed by the defendant was deemed groundful by the 12th Civil Court of the Judicial District of Recife, and the decision was upheld by the 2nd Civil Chamber of the Federal Court of Pernambuco. Chesf filed appeals for clarification of some of the counterclaim's points that were omitted from the decision of the 2nd Civil Chamber. These appeals were judged and denied by the 2nd Civil Chamber. After that, Chesf's management filed a Special Appeal and an Extraordinary Appeal against the decision issued by the 2nd Civil Chamber on the prior counterclaim. As of March 31, 2004, the special appeals filed by Chesf were accepted by the Court of Justice of the State of Pernambuco, but the extraordinary appeals also filed were not. Because of that, Chesf filed the proper bills of review. As of June 30, 2005, the said appeals were sub judice at the Higher Courts. After that date and as of March 31, 2006, the bills of review filed by Chesf with the Federal Supreme Court (STF) were denied, and the Special Appeal filed by Chesf and the Federal Government with the Superior Court of Justice (STJ) was accepted by the Federal Public Prosecution Office, which issued its opinion requesting the annulment of the suit due to the total inability of the State Justice to handle the case and the reexamination of the merits of the case by proper court. As of September 30, 2006, the proceeding awaited a final decision.

In November 1998, the defendants filed a request for temporary execution of the decision, amounting to R\$245 million, but the procedures were suspended as determined by STJ's President (PET 1621). This request was object of a special appeal according to specific court regulations filed by the Consortium and judged on June 24, 2006. The unanimous decision was for the upholding of the decision previously granted by STJ's President. Accordingly, the possibility of the Consortium obtaining an interim relief was eliminated.

Later, the defendants filed a settlement action in order to calculate the amount of the decision then, in case all CHESF's and Federal Government's appeals were denied. As of September 30, 2005, expert works were being conducted, as determined by the judge ruling the process, in order to calculate the actual amount of the suit. After the first report was presented by the expert, the parties requested clarifications to the report, and the proceedings are again being examined by an expert.

Based on the opinion of its legal counselors and calculations that considered the suspension of Fator K's payments of installments and monetary restatement, the company's management set up a provision, recorded under Non-current Liabilities and amounting to R\$ 357,067 thousand as of December 31, 2008, to cover possible losses resulting from this subject. This provision corresponds to the partial disallowance of Fator K from July 1990 to December 1993, pursuant to Law No. 8.030/1990, and total suspension of Fator K's payment from January 1994 to January 1996, according to the company's understanding.

As of December 31, 2007, the special appeal and the bill of review brought by the company awaited decision at the Superior Court of Justice and Federal Supreme Court, respectively, and the court records had already been completed for the Reporting Judge's examination. The settlement action filed with the 12th Civil Court of the Judicial District of Recife was under way at the state level and a hearing to discuss the expert report was scheduled for February 19, 2008.

The judge recognized that the Federal Court is competent to decide on the settlement action, considering that the Federal Government is a party to it. The Xingó Consortium filed a motion for clarification of judgment, and the judge upheld his decision against the appeal and sent the case records to the Federal Court. Dissatisfied with the decision, the Xingó Consortium filed a bill of review that, as of September 30, 2008, was sub judice at the Court of Justice of the State of Pernambuco. As of December 31, 2008, the proceeding had not been judged yet.

b) Suit for damages to be paid for the 14,400 hectares of land at Fazenda Aldeia filed at Sento Sé District by the trustees of the estate of Aderson Moura de Souza and his wife (Lawsuit 0085/1993). The lower court decision considered the request groundful and sentenced Chesf to pay R\$ 50 million, corresponding to the principal amount plus interest and monetary restatement. As of December 31, 2008, Chesf filed an appeal with Court of Justice of the State of Bahia.

#### CGTEE:

The civil contingencies of that subsidiary company refer mainly to disputes with suppliers, whose probable loss according to the Company's legal advisors corresponded to R\$ 270 thousand on December 31, 2008 (R\$155 thousand on December 31, 2007).

#### 2) Labor Lawsuits

##### 2.a) Company

a) The Company has set up a provision of R\$ 88,574 thousand to face possible losses with labor contingencies.

##### 2.b) Controlled companies

#### FURNAS:

##### a) Compensation of engineers

The Union of Engineers of the State of Rio de Janeiro filed labor actions claiming the recovery of salary differences caused by a change in the base date of the raise in the compensation of that company's engineers. Currently, the proceedings are in the process of being terminated. The estimated and booked amount corresponds to R\$ 83,436 thousand (R\$71,500 thousand in 2007), of which R\$ 16,747 thousand refers to employees transferred to ELETRONUCLEAR due to the 1997 spin-off of the nuclear-related activities.

##### b) Bonuses for hazardous working conditions

Various lawsuits were filed claiming hazardous working conditions extra pay, under the assumption that the full percentage should be paid to all employees who provide services in the electricity area and not proportionally. The estimated amount to cover possible losses as of December 31, 2008 is R\$ 62,597 thousand.

##### c) Retirement complementary benefit

An amount of R\$ 58,808 thousand refers to supplementary retirement benefits for equivalence with the earnings of active employees.

##### d) Sundry actions

As of December 31, 2008, a provision of R\$ 121,982 thousand (R\$ 61,602 thousand on December 31, 2007) was kept to cover various civil and labor lawsuits filed against the Company.

#### CHESF

The contingencies in the labor area of CHESF are chiefly composed of actions referring bonuses for hazardous working conditions, overtime, jointly contributions to the FACHESF pension fund, and termination amounts arising from the delinquency of third party companies. The main ones are commented below:



a) An action is in progress at the Regional Labor Court of the State of Bahia, filed by the Union of Electric Sector Workers of Bahia, claiming the payment to the employees of *Gerência Regional de Paulo Afonso – GRP*, city of Paulo Afonso – State of Bahia, the salary difference caused by the application of Decree-Law no. 1971 and of the annual increase on the value of bonuses for hazardous working conditions, estimated at R\$ 7,500 thousand. The Company filed a review appeal with the Superior Labor Court (TST) that was denied. The process received a final and unappealable decision and CHESF was condemned to pay the amount. The execution has started and an amount of R\$ 3,700 thousand was paid to a significant part of the employees. A portion of R\$ 3,800 thousand remains to be paid. As of December 31, 2008, the situation was unchanged, and the company waited for the settlement.

b) An action was filed with the 8th Labor Court of Fortaleza - State of Ceará by the Union of Electricity Sector Workers of the State of Ceará - SINDELETRO, aiming the refund of losses incurred by the employees of *Gerência Regional Norte – GRN* (Ceará and Rio Grande do Norte), stemming from the cancellation of transportation services, whose proceeding has an estimated value of R\$ 6,000 thousand. The request for the transportation to be resumed was granted in a partial execution and the Company is complying. The Union asked for complementary transportation services and daily fine to be applied against the Company. CHESF challenged the claim. The Labor Judge, after a hearing held on August 23, 2005 for presentation of the arguments of CHESF, changed his previous understanding, determining the re-establishment of the transportation services only to the extent previously provided. Still in the same decision, the parameters for the settlement of the decision were established and the labor credit was reduced to R\$ 1,300 thousand. The Trial Labor Court of the city of Fortaleza is processing the execution, and rendered a final and unappealable decision. As of December 31, 2008, CHESF still waited for the judgment of the bill of review filed by the plaintiff.

c) An action was filed with the 4th Labor Court of Recife - State of Pernambuco by the Union of the Workers of Urban Industries of the State of Pernambuco (URBANITÁRIOS) representing 460 employees who work in Recife, claiming the payment of hazardous working conditions extra pay on all amounts of salary nature, what corresponds to R\$ 4,000 thousand. Due to the principle of *lis alibi pendens*, the Judge of the Trial Court excluded from the proceeding 300 of the represented employees and judged the claim groundless. The Union filed an ordinary appeal with the Labor Court of the 6th Region that was granted. The proceeding was then sent for analysis of an expert. As of June 30, 2008, the expert work had been completed and the court determined the value of the action as R\$ 3,300 thousand. According to the calculations of the Company's legal counselors, the debt amounts to R\$2,900 thousand and the difference will be challenged through motion for stay of execution. As of December 31, 2008, the situation was unchanged.

### 3) Lawsuits in controlled companies

#### FURNAS:

a) That controlled company, based on the latest decisions of the Brazilian Federal Revenue Service, recognized a provision of R\$ 83,424 thousand for PASEP/COFINS applicable on the exclusion of the Global Reversal Reserve Quota (RGR) from the tax basis for the periods between October 1995 and September 2000 and October 2005 to March 2007.

#### b) Assessment of deficiencies - FINSOCIAL, COFINS, and PASEP

On May 3, 2001, the controlled company FURNAS received a notice assessing deficiencies in FINSOCIAL, COFINS and PASEP, in the restated amount of R\$ 1,098,900 thousand (historic value - R\$ 791,796) due to deductions from related tax bases, especially of the revenues from the pass-on and transmission of ITAIPU's electricity for a ten-year period. These deficiencies are in addition to others assessed in 1999 for an inspection period of five fiscal years, corresponding to R\$ 615,089 thousand, which were included in a tax debt

refinancing program (REFIS) in March 2000 and transferred in July 2003 to the Special Tax debt refinancing program (PAES).

According to bill No. 8 of Superior Court Federal (STF), of June 12, 2008, that limited in 5 (five) years the term of loss of procedural right of these contributions, the amount of the assessment was reduced from R\$ 1,098,900 thousand to R\$ 228,592 thousand.

The Company, based on the latest decisions of the Federal Revenue Service, recognized a provision of tax contingencies of R\$ 83,424 thousand for PASEP/COFINS applicable on the exclusion of the Global Reversal Reserve Quota (RGR) from the tax basis for the periods between October 1995 and September 2000 and October 2005 to March 2007. The R\$145.168 thousand difference refers to other exclusions from the mentioned tax basis, not judged yet, where there are chances of a favorable result to FURNAS, according to the understanding of its legal area.

#### ELETRONORTE

a) That controlled company is involved in some actions involving ICMS (State VAT) and has recognized a provision of R\$ 53,033 thousand to cover possible losses.

#### CHESF

a) That subsidiary is involved in lawsuits for cancellation of assessments of deficiency and request of refund of credits (PIS/PASEP, COFINS), among others. The company has set up a provision of R\$ 8,770 thousand (R\$ 8,321 thousand as of December 31, 2007).

II - Lawsuits against the Company and its subsidiary companies rated as possible losses:

#### 1) Civil lawsuits

##### 1.a) Company

a) The Company's provision for civil contingencies, in the amount of R\$ 1,328,244 thousand (R\$ 1,328,244 thousand on December 31, 2007), refers to Compulsory Loan-related lawsuits, taken on behalf of ELETROBRÁS starting in 1978, with monetary restatement criteria different from those established in the specific Law.

Those actions should not be confused with those filed claiming the redemption of the currently unenforceable Bearer Bonds issued in association with the compulsory loan.

The proceedings accrued for challenged the calculation system of monetary restatement determined in the law that governs the compulsory loan, used for adjustment of the credits taken starting in 1978. Those credits have been fully paid by ELETROBRÁS through conversions into shares as defined in the 72nd, 82nd, and 142nd extraordinary meetings of ELETROBRÁS.

There are 3,578 lawsuits under way at different stages, aiming at recognition of the right to receive full monetary restatement on the amounts paid as compulsory loan. Supported by their legal counselors' opinion, ELETROBRÁS management estimated at eight to ten years, the average term for a final lawsuit settlement.

Under this criterion, ELETROBRÁS management, based on its legal counselors' opinion, evaluates that the risk of loss on the Compulsory Loan-related lawsuits as possible.

However, due to the substantial amounts involved, management, on a conservative basis and taking into account lower-court unfavorable decisions and the lack of judgment by the Higher Court of Justice on the merits of the cause, adopts the practice of setting up a provision for contingencies, which was made in prior years, to cover possible losses on unfavorable legal decisions.

In this scenario, therefore, the Company's management, due to the importance of the issue, decided to carefully consider matters affecting the company's assets, in case something changes the course of the trials. Through this, the Company fulfills its duty to best protect the users of the Financial Statements, mainly regarding the assessment of its liabilities, and, consequently, of its stockholders' equity, trying to avoid extremely optimistic analyses in making decisions based on account information.

Thus, the accumulated amount provisioned, corresponding to R\$ 1,328,244 thousand, despite the classification of possible risk, is considered sufficient by the Company's management and it is in conformity with the different stages of the lawsuits and their natures. It is not possible, at the current stage and circumstances, to get to a conclusion about the outcome of the proceedings that may reach an approximate amount of R \$ 3,350,000 thousand.

#### 1.b) Controlled companies

##### CHESF

a) Two indemnity actions filed against CHESF by the Consortium formed by CBPO/CONSTRAN/Mendes Júnior claiming the controlled company's payment of an additional financial compensation, due to the delayed payment of invoices under the Xingó Hydroelectric Power Plant construction contract. One of these actions, filed in June 1999, referred to invoices issued as from April 1990 and the other, filed in May 2000, referred to invoices issued until then. The plaintiffs' general claims under these actions were restricted to the existence of an alleged right to financial compensation, the determination of the respective amounts being postponed to the end of the action.

The Company challenged the actions and requested the Federal Revenue Service to be included in the action and the proceeding to be transferred to one of the courts of the Federal Justice in Pernambuco. The Consortium filed a motion addressing the request of the inclusion of the Brazilian Federal Government in the proceeding.

After presentation of the expert's work and additional explanations, a hearing was held in August 2005. It was determined the presentation of the closing arguments until October 17, 2005. Currently, the proceeding was sent to the judge under advisement and there will probably be a pretrial order for rendering of a decision. As of December 31, 2008, the situation remained unchanged.

b) A public civil action filed against the Company by *Associação Comunitária do Povoado do Cabeço e Adjacências* (Community Association of the Town of Cabeço and Surrounding Areas), in the State of Sergipe, corresponding to R\$ 100,000 thousand, with the 2nd Federal Court of Sergipe. It aims a financial compensation associated with alleged environmental damages caused to the fishermen of Cabeço, resulting from the construction of the Xingó Hydroelectric Power Plant.

The action was filed with a federal court on June 27, 2002, and was challenged within the legally established period. After a series of proceeding occurrences that have not affected the claim, on August 31, 2005, a judge determined the inclusion of the Brazilian Federal Government, IBAMA (Brazilian Institute of the Environment), IMA-AL (Environment Institute of the State of Alagoas), CRA-BA (Regional Administration Council of the State of Bahia), and ADEMA-SE (State Environment Administration of the State of Sergipe) in lawsuit, ordering the delivery and service of the summons to those entities.

As of September 30, 2005, the company was waiting for the service of process to take place. On September 30, 2006, the proceeding was sent to the Judge under advisement, after the entrance in the docket of CHESF's new defenders. On December 31, 2006, the proceeding was suspended by a decision of the Judge, awaiting judgment of the interlocutory appeal filed by the author of the lawsuit with Federal Court of Appeals of the 5th Region. That has not been judged yet.

The co-parties of CHESF (the Brazilian Federal Government, IBAMA, IMA-AL, CRA-BA and ADEMA-SE) have already been summoned. On September 12, 2007, the judge issued a pretrial order with the following contents: "Await information on the final and unappealable decision of the appeal, which should be communicated to CHESF." Considering that the interlocutory appeal CHESF filed was refused, that company filed a motion for resettlement against that decision, which, as of March 31, 2008 had not been judged yet.

On June 13, 2008, a pretrial order of the judge determined the summoning of the Brazilian Federal Government and of IBAMA, as well as summoning the author of the suit to discuss the terms of the action. As of September 30, 2006, the case records were with IBAMA. As of December 31, 2008, the subsidiary was waiting for the conciliation hearing, set up for February 19, 2009. As the hearing did not take place on that date, the judge ordered new steps for the continuation of the proceeding.

c) A public civil action was also filed against controlled company CHESF, in the district of Brejo Grande/SE, involving R\$100 million, with the same claims of the action referred to above, but abandoned by the plaintiff in February 2005. The latest proceeding was performed in November 2007, when the judge determined that the Public Prosecution Office presented its arguments regarding the civil action. As of March 31, 2008, the action remained stalled and with no position from the Public Prosecution Office. As of June 30, 2008, the judge from Brejo Grande District issued a decision recognizing the inability of the State Justice to handle the case and determining that the case records are sent to the Federal Justice. As of September 30, 2008, these case records were with IBAMA. On December 31, 2008, IBAMA had not returned the records yet.

According to the opinion of Company's legal counselors, the risk of an unfavorable outcome for those actions (items b and c) is possible, but the loss amount is not known.

#### CGTEE

CEEE-D filed a lawsuit claiming the amounts related to the transference action of CGTEE by CEEE to ELETROBRÁS. The value of the action amounts to R\$ 3,650 thousand, and according to the analysis of the legal advisors, it is rated as a possible loss for the Company.

#### III - Lawsuits against the Company and its controlled companies rated as remote losses:

##### 1.a) Company

ELETROBRÁS has been named as a defendant in an action filed by Brazilian Association of the Consumers of water and Electric Power – ASSOBRÁEE with the 17th Federal Court in Brasília. The plaintiff claim the use of the market value of ELETROBRÁS' shares as the price of the stocks issued for paying compulsory loan credits, instead of the book value currently set as parameter for the issue. The amount claimed totals R\$2,397,003 thousand, and according to legal advisors, the chance of unfavorable outcome is remote.

ELETROBRÁS is also a party to other lawsuits whose purpose is the redemption of the Bearer Bonds issued by the Company in connection with the compulsory loan collected between 1964 and 1976. Pursuant to the provisions of article 4, paragraph 11 of Law No. 4.156/62 and article 1 of Decree No. 20.910/32, these obligations are unenforceable.

The Company's management, supported by its legal counselors, considers that the possibility of an unfavorable outcome for ELEKTROBRÁS of these ongoing lawsuits is remote, considering that case law on the issue is unanimous on the statute of limitations period for the right to claim redemption of the obligations issued for the compulsory loan and the unenforceability of these notes (See note 22).

## 2.a) Controlled companies

### CHESF

Despite considered by CHESF's legal counselors as a remote risk of loss, there is a collection action filed by the company Mendes Júnior, engaged for the UHE Itaparica construction, claiming for indemnification of alleged financial losses caused by the delayed payment of invoices on the part of the controlled company.

Said collection lawsuit is based on the Declaratory Action found valid for the purposes of declaring the existence of a Mendes Júnior's credit against CHESF, thus ensuring financial refunding.

After the decision of the Superior Court of Justice to not recognize the special appeal filed by Construtora Mendes Júnior, and confirm the decision of the 2nd Civil Chamber of the Federal Court of Pernambuco, which annulled the decision and determined the remand of the case records to one of Pernambuco's lower courts, the lawsuit was sent to the 12th Federal Court under number 2000.83.00.014864-7, for a new expert work and render of a new decision.

The expert work report was presented and in reply to CHESF'S question stated *"based on an analysis of Mendes Junior's accounting records, it is impossible to confirm that in the periods of delayed invoice payment, Mendes Junior actually raised funds in the money market, specifically for funding the Itaparica construction works."* This answer was confirmed by the analysis made by CHESF'S Technical Assistant, which included a detailed exam of Mendes Junior's financial statements. Based on these results, CHESF requested the suit to be considered totally groundless.

The Federal Public Prosecution Office presented its request to nullify the action. And, on the merits of the case, requested the suit to be considered groundless.

The suit was considered valid in part, according to a decision issued on March 8, 2008.

Mendes Júnior filed an appeal for clarification of the sentence, requesting the total approval of the report prepared by the Official Expert. The Federal Public Prosecution Office filed a request for the judgment to be considered entirely groundless.

The appeals filed by Mendes Júnior and Federal Public Prosecution Office were rejected by The Judge of the 12th Federal Court.

CHESF and the Federal Government filed appeals for clarification, both granted by the Judge, whose sentence clarified some of the prior sentence's points on the assessment of a possible debt owed by CHESF to Mendes Júnior. This sentence clarified the point that determines that, on the assessment of a possible debt owed by CHESF to Mendes Júnior, any and all payments of the principal, and any and all financial compensations paid by CHESF, according to the contract, must be discounted.

CHESF appealed the decision requesting the suit to be considered entirely groundless, since this collection suit required Mendes Júnior to prove that it raised funds specifically for funding the Itaparica construction work, because of the delayed payment of some invoices on the part of CHESF, and in amounts above the late payment fines paid by CHESF, in order to be entitled to any financial compensation, according to the Declaratory Action previously mentioned. In December 2008, the Brazilian Federal Government, CHESF and Mendes Júnior, had already filed appeals, and the period established for the Public Prosecution Office to present its arguments is in progress.

Accordingly, considering the elements already included in the suit, we see that Mendes Júnior has not taken any loan to specifically finance Itaparica's construction works (or at least, not in the amounts stated). Also considering the calculations already made by CHESF, and that, according to the court decision, all the benefits granted to Mendes Júnior during the execution of the contract must be compensated; CHESF'S legal counsel supports the Company's management position and considers the probability of unfavorable outcome *remote*.

#### **NOTE 31 - OBLIGATIONS ASSUMED FOR THE DECOMMISSIONING OF ASSETS**

The Company recognizes obligations assumed for the decommissioning of thermonuclear plants. This consists of a program of activities demanded by the National Nuclear Safety Authority (Brazilian Commission of Nuclear Energy - CNEN) that allows nuclear facilities to be safely dismantled, with minimum impact to the environment. In the case of Brazilian thermonuclear plants (Angra 1 and Angra 2), the option chosen was the decommissioning program known worldwide as "SAFSTOR," which comprises the total dismantlement of the plant after a period of dormancy of 15 years.

The calculation of the liabilities arising from the decommissioning program is based on prevailing Brazilian and international laws and regulations, the technology currently available to carry out such activities, and the costs specific to the place where the plants are located.

According to Law No. 10.308/2001, Eletronuclear is legally responsible for the initial deposits of waste arising from the decommissioning of Angra I and Angra II and, accordingly, it bears the costs of this obligation. Under the provisions of Law No. 10.308/2001, CNEN is responsible for and bears the costs of implementing the intermediate and final deposits of waste. Therefore, these costs are not included in the calculation of the liabilities resulting from the decommissioning of thermonuclear plants, though the costs for the storage of the waste are. Article 18 of the mentioned Law establishes that intermediate and final waste storage services will have their respective costs reimbursed to CNEN by the depositors, according to a table approved by CNEN Advisory Commission to be in force starting on the first business day following the publication on the federal official gazette.

With Angra II starting operations in 2000, new studies on decommissioning costs were conducted on the basis of estimates applicable to a set of 17 US plants and 10 European, Canadian and Japanese plants which are at different decommissioning stages, as well as criteria set by the US NRC – *Nuclear Regulatory Commission*. These criteria were used in studies of plants similar to the Brazilian ones, including a specific study conducted at the *Kriskeo* plant, which is considered as Angra I's twin sister.

Angra I's and Angra II's decommissioning cost is estimated at US\$197,816 thousand and US\$240,000 thousand, and the end of the plants' useful lives forecast for December 2014 and August 2030, respectively.

In 2007, the Company's management reviewed and adjusted the values, besides defining parameters and regulations for setting up the necessary financial reserves to cover the plant decommissioning costs. Therefore, the adjusted costs are US\$307,000 thousand and US\$426,000 thousand for Angra I and Angra II, respectively. The useful economic life of the plants was set to be 40 years. As a result of that revaluation, total obligation changed from US\$437,816 thousand to US\$733,000 thousand.

As of December 31, 2008, when discounted to present value - in compliance with CVM Instruction 469/2009 – these amounts correspond to US\$ 82,372 thousand (Angra I) and US\$33,520 thousand (Angra II). The total balance of liabilities corresponding to the obligations for deactivation of the nuclear plants Angra I and II is R\$ 266,168 thousand (R\$ 451,017 thousand on December 31, 2007). A discount rate adequate to the business risk was used to calculate the present value of decommissioning obligations.

The amounts recorded as liabilities incurred with decommissioning thermonuclear plants are estimated and will be revised through the economic lives of the plants, considering technological advances with the purpose of allocating the costs to be incurred with their deactivation to the respective accrual period.

No specific legislation tackling the decommissioning of thermonuclear plants is currently in effect in Brazil and, accordingly, the conditions for the decommissioning, the procedures to be implemented, amounts to be spent and the measures to be taken if these amounts are insufficient or in excess, are not established.

ELETRONUCLEAR manages low, medium, and high radioactivity waste. Low activity waste comprises disposable materials used in the operation and maintenance of the nuclear plants. Medium activity waste is the water purification resin and filters. High activity waste is the fuel used. High activity waste is the fuel used.

Accordingly, ELETRONUCLEAR has already built a Waste Management Center - CGR for the storage of low and medium activity wastes, located in Angra dos Reis, Rio de Janeiro State.

For high activity waste, ELETRONUCLEAR operates 2 (two) initial deposits (spent fuel pool) inside the respective Angra I and Angra II plants. There is also the project of another storage pool for spent fuel elements, located outside the plants, which will increase the storage capacity of the Nuclear Center and allow it to store all the fuel used by Angra 1 and Angra 2 reactors, throughout the useful lives of those units.

Decommissioning costs include services referring to the removal, transportation and final disposal of low and medium activity waste generated during the decommissioning program. They also include the removal and transportation of the used fuel elements to be stored where established by CNEN. These costs, however, do not include the services of subsequent intermediate and final storage of those fuel elements.

These latter costs are not considered because there are no procedures, technical regulations, or specific legislation for the long-term storage of used fuel elements. The used fuel may be recycled in the future through reprocessing techniques, as currently made in countries such as France and Japan. That might generate enough funds to pay for the costs of the final storage of the resulting high activity waste.

Given the specific characteristics of a thermonuclear plant operation and maintenance, whenever the estimated decommissioning costs change, due to new studies applying more advanced technology, the decommissioning quotas must be changed accordingly, so the liabilities can be adjusted to the new reality.

## NOTE 32 - SHAREHOLDERS' EQUITY

### I - Capital Stock

The Company's capital stock amounts to R\$ 26,156,567 thousand (R\$24,235,829 thousand on December 31, 2007), and its shares have no nominal value. Preferred shares are non-voting and non-convertible to common, but are entitled to liquidation preference and dividend distribution at the annual rates of 8% for class "A" shares (subscribed prior to June 23, 1969) and 6% for class "B" shares (subscribed as from June 24, 1969), calculated ratably to the capital corresponding to each class of shares.

Capital stock comprises 1,132,357,090 shares, thus distributed by major stockholders and types of shares:

SHAREHOL DER	NUMBER OF SHARES						TOTAL CAPITAL	
	COMMON		PREFERRED			NUMBER	%	
	NUMBER	%	Class A	Class B	%			
Brazilian Federal Government	488,656,241	53.99	-	35,191,714	15.49	523,847,955	46.26	
BNDESPAR	133,757,950	14.78	-	-	-	133,757,950	11.81	
FND (National Development Fund)	45,621,589	5.04	-	-	-	45,621,589	4.03	
FGP (Fund Guaranteeing Public Private Partnerships)	40,000,000	4.42	-	-	-	40,000,000	3.53	
Other	196,987,747	21.77	146,920	191,994,929	84.51	389,129,596	34.37	
	<u>905,023,527</u>	<u>100.00</u>	<u>146,9200</u>	<u>227,186,643</u>	<u>100.00</u>	<u>1,132,357,090</u>	<u>100.00</u>	

Of the total 389,129,596 shares held by minority stockholders, 239,401,535 shares or 61.52% are owned by non-resident investors, 132,867,994 of which are common shares, 27 preferred class "A" shares, and 106,533,514 are preferred class "B" shares.

Of the shares owned by investors domiciled abroad, 69,298,867 common shares and 33,438,069 preferred class "B" shares are under custody, to support the ADR – American Depositary Receipts - level I Program.

As of December 31, 2008, the book value per share was R\$ 75.61 (R\$ 70.79 on December 31, 2007).

### II – Converting Compulsory Loans into Shares

On April 30, 2008, the Company's 151st Extraordinary General Meeting decided on the fourth conversion of the total credits as of December 31, 2007 into class B registered preferred shares of ELETROBRAS' capital stock. These credits, corresponding to R\$202,375 thousand, were recognized after the third conversion on April 28, 2005.



Shares will be issued at a price based on the book value of ELETROBRÁS' shares as of December 31, 2007 of R\$ 70.79 pursuant to article 4 of Law No. 7.181/83. Residual values not resulting in whole shares will be paid in kind, as establishes article 10 of Decree No. 81.668/78, plus the amounts received as a result of the exercise of the preemptive subscription right by other shareholders, as established by CVM's guidelines.

The period for exercising the preemptive subscription right by the other shareholders will be set in accordance with article 171, paragraph 2 of Law No. 6.404/76, as well as the period for the delivery of the shares arising from the conversion. Those periods were 30 and 60 days, respectively, counted as of the Extraordinary General Meeting date. In addition, article 6 of ELETROBRÁS' by-laws, which addresses the composition of the Capital Stock and Shares, was amended.

### III – Capital Reserves

	R\$ thousand	
	COMPANY AND CONSOLIDATED	
	2008	2007
Compensation for insufficient remuneration - CRC	18,961,102	18,961,102
Goodwill on issuance of shares	3,384,310	3,243,272
Special - Decree Law 54.936/1964	387,419	387,419
Monetary restatement of beginning balance - 1978	309,655	309,655
Monetary restatement of compulsory loan - 1987	2,708,432	2,708,432
Donations and grants - FINOR, FINAM and others	297,424	297,424
	<u>26,048,342</u>	<u>25,907,304</u>

The CRC capital reserve (Compensation account - CRC) corresponds to ELETROBRÁS' interest in any shortfalls in the remuneration paid to its controlled companies under the former guaranteed return system prevailing in the Electricity Sector up to 1993, accounted for upon the settlement of obligations by the Federal Treasury.

### IV - Income Reserves

Under the Company's by-laws, 50% of net income should be appropriated to the investment reserve and 1% to the reserve for studies and projects. Its recognition is limited to 75% and 2% of capital stock, respectively:

	R\$ thousand	
	COMPANY AND CONSOLIDATED	
	2008	2007
Legal (article 193 - Law 6.404/76)	2,037,863	1,731,038
Statutory (article 194 - Law 6.404/76):		
Studies and projects	61,365	255,899
Investments	16,977,346	15,432,771
Other	-	11,080
Retained earnings (article 196 - Law 6.404/76)	487,476	68,748
Special (article 202 - Law 6.404/76):		
Undistributed dividends	9,336,858	8,300,832
	<u>28,900,908</u>	<u>25,800,368</u>

On December 31, 2008, the adjusted balance of the special undistributed dividend reserve (art 202. Law 6.404/76) had the following holders of common shares:

SHAREHOLDER	COMMON SHARES		RESERVE
	NUMBER	%	R\$ thousand
Brazilian Federal			
Government	488,656,241	53.99	5,040,970
BNDESPAR	133,757,950	14.78	1,379,988
FND	45,621,589	5.04	470,578
FGP	40,000,000	4.42	412,689
Minority shareholders	196,987,747	21.77	2,032,633
<b>TOTAL</b>	<u>905,023,527</u>	<u>100.00</u>	<u>9,336,858</u>

#### V - Revaluation Reserve

These comprise the reserves, accounted for on the equity method, of the relevant affiliates CELPA and CEMAT, which revalued its property, plant and equipment items.

#### VI - Advances for future increase in capital

The advances of funds received from the controlling shareholder are destined exclusively to capitalization and are classified under "Shareholders' Equity." Following Decree 2.673/98, they are adjusted according to the SELIC (Special System for Settlement and Custody) rate:

	R\$ thousand	
	COMPANY AND CONSOLIDATED	
	2008	2007
Acquisition of interests in CEEE	1,959,715	1,742,265
Acquisition of interests in CGTEE	1,882,864	1,673,938
Banabuí-Fortaleza transmission line	64,868	57,670
XINGÓ Hydroelectric Power Plant	182,257	162,034
Transmission lines in the State of Bahia	28,530	25,365
Federal Electrification Fund - Law 5.073/66	169,119	150,353
	<u>4,287,353</u>	<u>3,811,625</u>

### NOTE 33 - OPERATIONS WITH ELECTRICITY

	R\$ thousand	
	CONSOLIDATED	
	2008	2007
Power sold to final consumers	5,695,688	5,884,191
Power sold to concessionaries	9,372,059	8,385,288
Transmission	4,334,236	3,403,342
Commercialization at CCEE - short-term energy	2,604,620	1,066,798
Transference of Energy from ITAIPU	5,777,524	6,273,929
Regulatory Assets - Commercialization of ITAIPU's energy	3,666,637	590,024
	<u>31,450,764</u>	<u>25,603,572</u>

### NOTE 34 - DEDUCTIONS TO THE OPERATIONS WITH ELECTRICITY

	R\$ thousand	
	CONSOLIDATED	
	2008	2007
Global Reversion Reserve Quota – RGR	536,711	471,069
Fuel Consumption Account – CCC	332,979	452,152
Energy Development Account – CDE	66,304	70,871
Alternative Electricity Sources Incentive Program - PROINFA	73,936	57,975
Other	181,743	183,924
	<u>1,191,673</u>	<u>1,235,991</u>
ICMS (State VAT)	984,608	882,750
	<u>2,176,281</u>	<u>2,118,741</u>

### NOTE 35 - OPERATING REVENUES - OWNERSHIP INTEREST

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2008	2007	2008	2007
Investments in controlled companies				
Equity in earnings (loss)	(236,157)	1,149,525	-	-
Yield on equity capital - ITAIPU	36,157	39,325	36,157	39,325
	<u>(200,000)</u>	<u>1,188,850</u>	<u>36,157</u>	<u>39,325</u>
Investment in affiliated companies				
Equity in earnings	464,267	411,725	464,267	411,725
Interest on own capital	96,341	109,936	96,341	109,936
	<u>560,608</u>	<u>521,661</u>	<u>560,608</u>	<u>521,661</u>
Other investments				
Interest on own capital	14,171	16,942	14,171	16,942
Dividends	88,643	88,004	88,643	88,004
Return on investments in partnerships	(80,623)	67,832	(34,046)	87,360
	<u>22,191</u>	<u>172,778</u>	<u>68,768</u>	<u>192,306</u>

382,799	1,883,289	665,533	753,292
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#### NOTE 36 - PERSONNEL, MATERIAL, AND SERVICES

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2008	2007	2008	2007
Personnel	220,941	260,425	3,670,434	3,233,364
Material	2,899	2,284	260,854	234,683
Services	54,613	55,661	1,508,352	1,450,491
	<u>278,453</u>	<u>318,370</u>	<u>5,439,642</u>	<u>4,918,538</u>

#### NOTE 37 - ENERGY PURCHASED FOR RESALE AND USE OF THE ELECTRIC GRID

	R\$ thousand	
	COMPANY	
	2008	2007
Electricity network use	1,101,220	976,647
Supply of electricity	5,534,238	1,967,566
Energy from ITAIPU	2,047,016	3,320,526
Commercialization at CCEE - short-term energy	1,212,066	1,108,673
Other	38,994	23,866
	<u>9,933,534</u>	<u>7,397,278</u>

#### NOTE 38 - OPERATING PROVISIONS

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2008	2007	2008	2007
Contingencies	71,501	-	345,273	173,630
Allowance for doubtful accounts - Consumers and Resellers	-	-	40,345	272,435
Allowance for doubtful accounts - RTE	-	-	(242,734)	68,543
Allowance for doubtful accounts - CCEE	-	-	-	293,560
Allowance for Doubtful Accounts - loans and financing	37,045	29,001	37,045	29,001
Allowance for Doubtful Accounts - ICMS Credits	-	-	468,405	127,710
Allowance for Doubtful Accounts – securities	12,981	(9,007)	12,981	(9,007)
Recoverable value of assets (Impairment)	-	-	770,231	-
Deactivation of assets	-	-	-	-
Losses in the realization - advances for future increase in capital	(7,535)	42,394	-	-
Shareholders' deficit in controlled companies	135,652	532,781	-	-
Other	54,350	(8,686)	112,545	149,250
	<u>303.994</u>	<u>586.483</u>	<u>1,544,091</u>	<u>1,105,122</u>

## NOTE 39 – FINANCIAL INCOME (EXPENSES)

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2008	2007	2008	2007
Financial income (expenses)				
Revenues from interest, commission and fees	3,568,780	4,188,934	1,199,439	1,958,944
Debt charges	(479,655)	(447,237)	(1,442,159)	(1,433,014)
Charges on shareholders' funds	(1,576,023)	(1,353,792)	(1,599,504)	(1,370,808)
Revenue from financial investments	959,344	537,453	1,160,571	868,132
Other revenue (expenses)	30,068	144,973	113,007	1,333,660
	<u>2,502,514</u>	<u>3,070,331</u>	<u>(568,646)</u>	<u>1,356,914</u>
Monetary and exchange restatements				
Monetary restatements, net	997,786	528,082	320,223	42,927
Exchange restatement, net	4,297,123	(3,000,510)	3,632,191	(2,608,504)
	<u>5,294,909</u>	<u>(2,472,428)</u>	<u>3,952,414</u>	<u>(2,565,577)</u>
	<u>7,797,423</u>	<u>597,903</u>	<u>3,383,768</u>	<u>(1,208,663)</u>

## NOTE 40 - PROFIT SHARING

ELETROBRÁS, and its controlled companies, adopt a profit sharing program applicable to all employees. It has as objective to promote quality and better productivity levels and global results of the Company.

The program is based on collective bargaining agreements with employees and unions, under the terms of the prevailing federal law, and is carried out through previous negotiation of goals and commitments.

In the year 2008, ELETROBRÁS accrued for an amount of R\$ 23,000 thousand (R\$ 18,000 thousand on December 31, 2007) and R\$ 176,817 thousand in the consolidated (R\$ 159.926 thousand on December 31, 2007), corresponding to the profiting sharing of employees and management, observing Resolution 10, of May 30, 1995, of the Council for the Coordination and Control of Government-Controlled companies - CCE.

The payment of profit sharing will be discussed during an ordinary general meeting of shareholders, who will analyze the Financial Statements

## NOTE 41 - COMPENSATION OF EMPLOYEES AND MANAGEMENT

The lowest and highest compensation paid to employees, taking as basis the month of December 2008, were R\$ 1,719.03 and R\$ 24,122.80 (including transfer additional) respectively, in accordance with the salary policy of ELETROBRÁS. The highest fees attributed to a manager, taking as basis the month of December 2008, corresponded to R\$28,186.00.

The total compensation of the Company's management in the year 2008 was R\$ 3,592 thousand, of which R\$ 551 thousand for the Management Board and R\$ 3,041 thousand for the Board of Directors.

## **NOTE 42 - DISCRETIONARY RESIGNATION PROGRAM**

ELETROBRÁS implanted a Discretionary Resignation Program (PDVE), aiming a restructuring of its staff, open to all employees that fulfill the following conditions:

Participants of the Defined Benefit Plan of Fundação Eletrobrás de Seguridade Social (ELETROS) who were retired by the Federal Social Security Institute (INSS) and meet the requirements to obtain the complementary retirement benefit within twenty-four months after joining the PDVE;

- a) Participants of the Defined Contribution Plan of ELETROS who satisfy the requirements to obtain the complementary retirement benefit within twenty-four months after joining the PDVE; and
- b) Non-participants of ELETROS - who were retired by the Federal Social Security Institute (INSS) or that are in conditions to obtain retirement within twenty-four months after joining the PDVE, even if in a proportional manner, under the General Social Security Regime.

After the end of the employment period with ELETROBRÁS, the Company no longer is responsible for any contributions to the Public Social Security or private pension plan.

The incentive to the employee in relation to PDVE is made through payment of a complementary compensation, per year of service, plus the termination amounts payable for an unjustified dismissal, in accordance with the following criteria:

- a) Fifty percent of a monthly compensation per complete year of work, limited to twenty-four years and to the amount corresponding to twelve times the highest salary of the Company;
- b) Medical assistance during twelve months counted upon the dismissal date.

The period to join PDVE ended on December 31, 2007, with the inclusion of 311 employees. Sixty-eight employees were dismissed until December 2008. The dismissal of 243 employees is projected for 2009.

As of December 31, 2008, the Company had accrued for a provision of R\$ 67,835 thousand, recognized under the caption "Estimated Obligations" to cover expenses with the implantation of PDVE, to be realized until December 2009, as the dismissals take place.

## **NOTE 43 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

### **I - Management of funds**

Most of the financial investments of ELETROBRÁS are long-term loans and financing, in addition to the interests held in public service concessionaires, detailed in notes 9 and 16 and in attachments II and III.

### **II - Financial instruments**

- a) Cash and cash equivalents: the market values of those assets correspond to their carrying amounts.
- b) Marketable securities: classified as held to maturity are recognized at acquisition cost, plus interest and monetary variation with effects to the income. Such instruments are adjusted to their probable realizable value, where applicable.

c) Consumers and resellers: receivables from consumers and resellers are classified as held to maturity and are presented at their probable realizable values.

d) Rescheduled receivables: are classified as held to maturity and are presented at their probable realizable values.

e) Loans and financing granted: loans and financing granted are linked with financing in the domestic electric sector. They are restated according to an average rate of 9.73% p.a. (8.99 % p.a. on December 31, 2007).

Financing is restricted to electricity public concessionaires and, therefore, defines the market rate (or cost of opportunity of the Company's capital), taking into account the risk premium compatible with the activities of the sector. In case it is not possible to find other alternatives that not the own electric sector, the fair value of those loans corresponds to their book value.

At the end of the year, the Company had 784 agreements covering loans and financing granted, corresponding to R\$ 42,234,271 thousand (R\$ 36,522,430 thousand on December 31, 2007), as follows:

Currency	Corresponding value in US\$ thousand	%	R\$ thousand
US dollar	8,637,294	47.79	20,185,355
IGP-M	4,327,464	23.95	10,113,284
Real	4,736,721	26.21	11,069,717
Yen	261,955	1.45	612,189
EURO	108,569	0.60	253,726
Total	18,072,002	100.00	42,234,271

f) Loans and financing obtained:

Loans and financing obtained with financial institutions are recorded in long-term accounts, in particular those obtained overseas and Federal Government Funds, such as the Global Reversion Reserve Quota (RGR). The market values of those loans and financing correspond to their book values.

The funds raised are composed of contracted financing with international multilateral agencies - IBD, IBRD, ADC - and it is not practicable to discount them at a rate different from the one established in the Brazilian debt agreement. Other loans are obtained at international rates, what makes book value approximate fair value.

ELETROBRÁS ended the year 2008 with 13 contracts recorded in liabilities, among which loans, financing, and bonuses, that total R\$ 4,158,111 thousand (R\$ 1,716,302 thousand on December 31, 2007), as demonstrated below:

Currency	Corresponding value in US\$ thousand	%	R\$ thousand
US dollar	1,438,416	80.84	3,361,578
Yen	232,070	13.04	542,348
EURO	108,766	6.12	254,186
Total	1,779,252	100.00	4,158,111

The Compulsory Loan, abolished by Law 7,181 of December 20, 1993, had December 31, 1993 as limit period for payment. Now ELETROBRÁS manages the residual value of the compulsory loan collected, adjusting it according to the IPCA-E index and adding to it interest of 6% p.a., with a defined redemption period. The market values of those loans and financing correspond to their book values.

#### g) Derivatives

##### 1 - Policy

The Company has a mismatch between its foreign currency receivables and payables mainly arising from the receivables of its jointly-owned controlled company ITAIPU Binacional. These refer to its financing contracts and low indebtedness, which make the company subject to impacts on its assets and results, due to exchange rate fluctuations, particularly of the US dollar.

As from 2008, Eletrobrás started to enter into derivative agreements with the purpose of managing its exposure to exchange rate fluctuations.

The Company's policy on derivatives does not establish the use of derivatives with the purpose of credit granting, fund raising, or any kind of financial assistance. Its sole purpose is hedging Company's assets from exchange rate variations.

##### 2 - Objectives and strategies

Within the extent of its hedge policy, in 2008 the Company executed operations that amounted to US\$ 280,000 thousand to protect the receivables maturing until the end of that year. The Company made use of non-deliverable forwards based on the US dollar, matching the maturities of the contracts with the due dates of service receivables of the jointly-owned controlled company Itaipu Binacional.

As the Company had not previously used this kind of financial instrument, it created internal controls to monitor the transactions, record positions and mark the portfolio to the market.

The Company also monitors the parameters that affect the projection of exchange rate fluctuations, in order to check the adequacy of the Company's elected strategy to the risk profile and purpose of the hedging policy established by the Company's management.

These controls have been efficient, so far, both for the management of the portfolio and for providing accounting information necessary to the recognition of the portfolio's results.

Currently, Company is studying the possibility of expanding the scope of its hedge policy to encompass other market risk factors, such as indices, interest rates, and host contracts (embedded derivatives).

##### 3 - Risks

The derivative portfolio amount varies according to the US dollar rate variation and domestic interest rates in Brazilian reais (future inter-bank deposits) and in US dollars (coupon rate). Accordingly, the volatility of these risk factors affects the result of the derivatives. This risk, however, is reduced by the receivables that support the transactions before maturity, the recognition of exchange gains/losses and of gains/losses at maturity, and the receipt of the corresponding asset cash flow, which is also valued by the exchange rate in effect.

As the transactions were hired in the over-the-counter market, there is also the risk of the counterparty, that is, the possibility of default by the corresponding financial institution. To reduce this risk, the Company only signs contracts with banks minimum rated as investment grade.



#### 4 - Fair value of derivatives

As of December 31, 2008, there were no outstanding operations with derivatives in the portfolio, and, therefore, there is no fair value to be determined.

The methodology to calculate the fair value of transactions was developed by the Company's risk area based on well-known methods usually adopted in the market (mark to market). Briefly, for the derivatives currently included in the portfolio, the process consists in estimating the break-even price for each contract, at maturity, according to (1) spot rate, (2) domestic interest rate in Brazilian reais (future inter-bank deposits), and (3) domestic interest rate in US dollars (coupon rate). The comparison between the price calculated this way, and the price negotiated in each contract provides an estimate of future gain/loss, which is adjusted to present value by fixed interest rate in Brazilian reais (future inter-bank deposits).

#### 5 – Breakdown of the derivative portfolio

As of December 31, 2008, there were no outstanding operations. Negative financial adjustments, generated by the operations in the year 2008 amounted to R\$124,345 thousand.

Such negative adjustments were caused by the inversion of the trend of the US dollar rate that, after almost five years of devaluation, started having valuation after August 2008, following the reductions in the prices of main commodities, especially after October 2008, due to the worsening of the international financial crisis. In view of the hedge logics used in the operations, as well as of the large fluctuation of the futures market and the short time until the maturities of the contracts, the Company decided to settle the derivative contracts and did not reverse them.

##### g.1) Embedded Derivatives

In 2004, the controlled company ELETRONORTE signed long-term contracts for electricity supply to three of its main clients. The monthly amounts of these long-term contracts are established according to the aluminum international price (London Metal Exchange - LME), used as basic asset to define the monthly value of the contracts.

The contracts are detailed below:

Client	Contract date		Megawatt average volume
	Initial	Maturity	
			750 MW – up to 12/31/2006
Albrás	7/1/2004	12/31/2024	800 MW – as from 01/01/2007
Alcoa	7/1/2004	12/31/2024	From 304.92 MW to 328MW
BHP	7/1/2004	12/31/2024	From 353,08 MW to 492MW

These contracts include interest rate cap and floor band using aluminum price at the LME as reference rate. LME's maximum and minimum prices are limited to US\$2,773.21/tonnes and US\$1,450/tonnes, respectively.

The Company informs that it does not operate with other kinds of derivatives, except those mentioned in this explanatory note. Other information regarding this operation is presented in explanatory note 19.

### III - Risks

#### a) Regulatory Risk

The Company, through its controlled companies, holds concessions to explore electricity generation and transmission services, whose maturities under the terms of the current law are pre-established. If those concessions are not renewed or are renewed at higher costs for the Company, the current levels of profitability and activity may be changed.

b) Exchange Risk

A significant part of the Company's assets and result of operations is affected by the exchange variation risk, particularly the fluctuations in the US dollar rate. As of December 31, 2008, the Company had receivables resulting from financing granted in foreign currency in the amount of R\$ 21,051,270 thousand, corresponding to US\$ 9,007,818 thousand. When comparing payables and receivables in foreign currency, the former are covered by the latter by some 5.1 times.

c) Credit Risk

The Company, through its controlled companies, is engaged in the electricity generation and transmission markets, supported by contracts executed in a regulated contracting environment. By entering into bilateral contracts with electricity distributors, the Company aims to minimize its credit risks through collateral mechanisms involving trade receivables.

In transactions with industrial customers called 'free consumers', the credit risk is minimized through previous analyses of business conditions.

d) Price Risk

Until 2004, the prices of electricity resulting from the generation activity sold to concessionaires were determined by ANEEL. As of Auction No. 001/2004 held by the Regulatory Agency, generating companies started to sell their electricity to a larger number of clients at market prices.

Electricity transmission has its prices defined by ANEEL, according to the determination of the permitted annual revenue (RAP), deemed sufficient to cover operating costs and maintain the economic and financial balance of the concession.

e) Market Risk

A significant portion of the electricity generated by ELETROBRÁS' controlled companies is sold by means of Contracts for Selling Electricity in the Regulated Environment (CCEAR), entered into due to the controlled company's participation in electricity auctions held by ANEEL.

#### **NOTE 44 - TRANSACTIONS WITH RELATED PARTIES**

The transactions of ELETROBRÁS with its subsidiaries, controlled companies, and specific purpose companies are carried out at prices and compatible conditions with the ones used in the market. Among the main operations with related parties, we can mention the loans and financing granted at arm's-length basis and/or under specific regulations on the matter. Other operations were also established under normal market conditions.

The amounts referring the compensation of the Board of Directors and of the Management Board are presented in note 41. The Company, as mentioned in note 3, does not make use of share-based compensation.

There are no operations with individuals considered related parties, except for shareholders.

	R\$ thousand		
	COMPANY		
	ASSETS	LIABILITIES	INCOME
<b>FURNAS</b>			
Consumers and resellers	5,345	-	-
Loans and financing	1,178,001	-	-
Return on investments	251,607	-	-
Advance for future increase in capital	31,154	-	-
Sundry obligations	-	339	-
Interest, commissions and fees	-	-	105,725
	1,466,107	339	105,725
<b>CHESF</b>			
Consumers and resellers	1,875	-	-
Loans and financing	3,460,807	-	-
Return on investments	541,878	-	-
Advance for future increase in capital	294,397	-	-
Sundry obligations	-	1,368	-
Interest, commissions and fees	-	-	429,001
	4,298,957	1,368	429,001
<b>ELETRONORTE</b>			
Consumers and resellers	3,922	-	-
Loans and financing	7,589,415	-	-
Advance for future increase in capital	-	-	-
Sundry obligations	-	46	-
Interest, commissions and fees	-	-	1,008,696
	7,593,337	46	1,008,696
<b>ELETROSUL</b>			
Loans and financing	592,161	-	-
Return on investments	135,713	-	-
Advance for future increase in capital	94,576	-	-
Interest, commissions and fees	-	-	16,803
	822,450	-	16,803
<b>CGTEE</b>			
Loans and financing	574,954	-	-
Interest, commissions and fees	-	-	13,598
	574,954	-	13,598
<b>ELETRONUCLEAR</b>			
Loans and financing	2,902,701	-	-
Return on investments	28,749	-	-
Advance for future increase in capital	30	-	-
Sundry obligations	-	1,482	-
Interest, commissions and fees	-	-	321,873
	2,931,480	-	321,873

<b>ELETROPAR</b>			
Advance for future increase in capital	62,285	-	-
Return on investments	8,268	-	-
Sundry obligations	-	799	-
Interest, commissions and fees	-	-	1,931
	<u>70,553</u>	<u>799</u>	<u>1,931</u>
<b>ITAIPIU</b>			
Loans and financing	9,208,263	-	-
Return on investments	14,022	-	-
Interest, commissions and fees	-	-	506,221
	<u>9,222,285</u>	<u>-</u>	<u>506,221</u>
<b>CEAL</b>			
Loans and financing	346,965	-	-
Advance for future increase in capital	158,300	-	-
Interest, commissions and fees	-	-	37,177
	<u>505,265</u>	<u>-</u>	<u>37,177</u>
<b>CEPISA</b>			
Loans and financing	433,979	-	-
Interest, commissions and fees	-	-	44,289
	<u>433,979</u>	<u>-</u>	<u>44,289</u>
<b>MANAUS ENERGIA</b>			
Loans and financing	729,355	-	-
Interest, commissions and fees	-	-	47,723
	<u>729,355</u>	<u>-</u>	<u>47,723</u>
<b>CERON</b>			
Loans and financing	451,824	-	-
Interest, commissions and fees	-	-	45,033
	<u>451,824</u>	<u>-</u>	<u>45,033</u>
<b>ELETROACRE</b>			
Loans and financing	40,069	-	-
Advance for future increase in capital	85,542	-	-
Interest, commissions and fees	-	-	4,321
	<u>125,611</u>	<u>-</u>	<u>4,321</u>
<b>NATIONAL TREASURY</b>			
Obligations	-	2,926,437	-
Dividends payable	-	783,078	-
	<u>-</u>	<u>3,722,484</u>	<u>-</u>
<b>ELETROS</b>			
Social security contributions	-	-	19,968
	<u>-</u>	<u>-</u>	<u>19,968</u>
<b>BNDESPAR</b>			
Dividends payable	-	199,273	-
	<u>-</u>	<u>199,723</u>	<u>-</u>

	R\$ thousand		
	CONSOLIDATED		
SISTEMA DE TRANSMISSÃO NORDESTE	ASSETS	LIABILITIES	INCOME
Permanent ownership interest	112,780	-	-
Interest on equity capital / dividends receivable	9,831	-	-
Trade accounts payable	-	1,069	-
Revenue from services	-	-	1,920
Interest on equity capital / dividends	-	-	6,444
Equity in earnings	-	-	15,605
Charges on the use of the electricity network	-	-	(9,666)
	<u>122,611</u>	<u>1,069</u>	<u>14,303</u>
<b>INTESA</b>			
Permanent ownership interest	22,893	-	-
Interest on equity capital / dividends receivable	57	-	-
Equity in earnings	-	-	862
	<u>22,950</u>	<u>-</u>	<u>862</u>
<b>ÁGUAS DA PEDRA</b>			
Permanent ownership interest	61,985	-	-
	<u>61,985</u>	<u>-</u>	<u>-</u>
<b>ENERGIA SUSTENTÁVEL</b>			
Permanent ownership interest	50,002	-	-
	<u>50,002</u>	<u>-</u>	<u>-</u>
<b>FACHESF</b>			
Trade accounts payable	-	3,856	-
Normal contributions	-	6,784	-
Actuarial contracts	-	398,820	-
Financial expense	-	-	(299)
Operating expenses	-	-	(33,689)
	<u>-</u>	<u>409,460</u>	<u>(33,988)</u>
<b>ETAU</b>			
Permanent ownership interest	9,567	-	-
Advances for future increase in capital	274	-	-
Equity in earnings	-	-	2,646
	<u>9,841</u>	<u>-</u>	<u>2,646</u>
<b>ARTEMIS</b>			
Permanent ownership interest	64,976	-	-
Equity in earnings	-	-	3,166
	<u>64,976</u>	<u>-</u>	<u>3,166</u>
<b>SC ENERGIA</b>			
Accounts receivable	6,115	-	-
Permanent ownership interest	66,633	-	-
Advances for future increase in capital	30,008	-	-
Equity in earnings	-	-	13,755
	<u>102,756</u>	<u>-</u>	<u>13,755</u>
<b>UIRAPURU</b>			
Accounts receivable	4,344	-	-

Permanent ownership interest	19,600	-	-
Equity in earnings	-	-	612
	<u>23,944</u>	<u>-</u>	<u>612</u>
<b>RS ENERGIA</b>			
Permanent ownership interest	61,985	-	-
Equity in earnings	-	-	(138)
	<u>61,985</u>	<u>-</u>	<u>(138)</u>
<b>ENERGIA SUSTENTÁVEL</b>			
Permanent ownership interest	50,002	-	-
	<u>50,002</u>	<u>-</u>	<u>-</u>
<b>FUNDAÇÃO ELOS</b>			
Social security contributions	-	39,280	-
	<u>-</u>	<u>39,280</u>	<u>-</u>
<b>BRASNORTE</b>			
Permanent ownership interest	39,600	-	-
	<u>39,600</u>	<u>-</u>	<u>-</u>
<b>ÁGUAS DA PEDRA</b>			
Permanent ownership interest	61,985	-	-
Advances for future increase in capital	-	-	-
Equity in earnings	-	-	-
	<u>61,985</u>	<u>-</u>	<u>-</u>
<b>AMAPARI</b>			
Permanent ownership interest	41,423	-	-
Equity in earnings	-	-	(110)
	<u>41,423</u>	<u>-</u>	<u>(110)</u>
<b>AETE</b>			
Permanent ownership interest	25,201	-	-
Other	17	-	-
Use of the electricity network	-	179	-
Equity in earnings	-	-	(692)
	<u>27,218</u>	<u>179</u>	<u>(692)</u>
<b>INTESA</b>			
Permanent ownership interest	71,175	-	-
Other	1,580	-	-
Use of the electricity network	-	543	-
Equity in earnings	-	-	5,774
	<u>72,755</u>	<u>543</u>	<u>5,774</u>
<b>PREVINORTE</b>			
Social security contributions	-	3,902	-
	<u>-</u>	<u>3,902</u>	<u>-</u>
		-	200
<b>NUCLEOS</b>			
Normal contributions			(7,308)
Actuarial deficit		106,603	
Actuarial expenses			(6,707)
	<u>-</u>	<u>106,603</u>	<u>(14,015)</u>
<b>ENERPEIXE</b>			
Permanent ownership interest	420,960	-	-
Interest on equity capital / dividends receivable	10,108	-	-
Accounts receivable	494	-	-

Interest on equity capital / dividends receivable	-	-	34,108
Equity in earnings	-	-	52,267
Revenue from the use of the electricity network	-	-	4,593
	<u>431,562</u>	<u>-</u>	<u>90,968</u>
<b>TRANSLESTE</b>			
Permanent ownership interest	13,420	-	-
Interest on equity capital / dividends receivable	414	-	-
Trade accounts payable	-	126	-
Interest on equity capital / dividends receivable	-	-	414
Equity in earnings	-	-	1,353
Charges on the use of the electric network	-	-	-630
	<u>13,834</u>	<u>126</u>	<u>1137</u>
<b>TRANSUDESTE</b>			
Permanent ownership interest	8,500	-	-
Interest on equity capital / dividends receivable	120	-	-
Trade accounts payable	-	(78)	-
Accounts receivable	19	-	-
Interest on equity capital / dividends receivable	-	-	120
Equity in earnings	-	-	508
Charges on the use of the electric network	-	-	(396)
	<u>8,639</u>	<u>-78</u>	<u>232</u>
<b>TRANSIRAPE</b>			
Permanent ownership interest	6,029	-	-
Trade accounts payable	-	(53)	-
Equity in earnings	-	-	248
Charges on the use of the electric network	-	-	(275)
	<u>6,029</u>	<u>(53)</u>	<u>(27)</u>
<b>CENTROESTE</b>			
Permanent ownership interest	6,514	-	-
	<u>6,514</u>	<u>-</u>	<u>-</u>
<b>BAGUARI</b>			
Permanent ownership interest	61,925	-	-
	<u>61,925</u>	<u>-</u>	<u>-</u>
<b>RETIRO BAIXO</b>			
Permanent ownership interest	67,188	-	-
	<u>67,188</u>	<u>-</u>	<u>-</u>

<b>SERRA DO FACÃO</b>			
Permanent ownership interest	273,713	-	-
	<u>273,713</u>	<u>-</u>	<u>-</u>
<b>CHAPECO</b>			
Permanent ownership interest	270,855	-	-
	<u>270,855</u>	<u>-</u>	<u>-</u>
<b>ENSE</b>			
Permanent ownership interest	1,129,104	-	-
Interest on equity capital / dividends receivable	10,642	-	-
Trade accounts payable	-	(257)	-
Accounts receivable	513	-	-
Interest on equity capital / dividends receivable	-	-	34,642
Equity in earnings	-	-	54,376
Revenue from the use of the electricity network	-	-	4,593
Charges on the use of the electric network	-	-	(1,301)
	<u>1,140,259</u>	<u>(257)</u>	<u>92,310</u>
<b>REAL GRANDEZA</b>			
Accounts receivable	932,667		
Accounts payable		(11,825)	
Normal contributions		(65,021)	
Actuarial contracts		(931,046)	
Operating expenses			(189,134)
	<u>932,667</u>	<u>(1,007,892)</u>	<u>(189,134)</u>

#### NOTE 45 - INSURANCE

Main property, plant and equipment in use at ELETROBRÁS are insured in accordance with a coverage policy, taking into account the nature and degree of risk, at amounts considered sufficient to cover possible significant losses. Insurance composition is as follows:

RISK	R\$ thousand	
	COMPANY AND CONSOLIDATED	
	Amount Insured	Premium
Named perils	20,741,014	61,985
Aircraft perils	18,572	476
Various	688,672	7,411
	<u>21,448,258</u>	<u>69,872</u>



Named perils - coverage for losses and material damages stemming from fire, lightning, explosion of any kind and electric damages in the facilities.

Aircraft perils - coverage for losses incurred, refund of expenses and civil liability associated with accidents with aircrafts.

Various risks - coverage for portable equipment, local and international transportation, and others.

#### **NOTE 46 - STUDIES AND PROJECTS**

These mainly refer to costs incurred by the Company on feasibility studies focusing the use of hydrographical basins and transmission lines, for construction of new hydroelectric plants and transmission systems.

The amount of expenditures incurred used to be treated as deferred expenses and presented in long-term assets. With the enactment of Law 11.638/2007, such expenses no longer gather the necessary conditions to be represented as assets of the Company. Therefore, under the terms of CPC Pronouncement 13, accumulated expenses until December 31, 2007, corresponding to R\$ 292,579 thousand were written-off against Retained Earnings. Starting in the year 2008, expenses with feasibility studies and inventories are recognized in income and are capitalized after their economic feasibility is established.

#### **NOTE 47 - CORPORATE GOVERNANCE**

In September 2006, the Company went through a restructuring process to comply with the practices of Corporate Governance level I of BOVESPA (São Paulo Stock Exchange). Consequently, the Company that had shares listed in the IBOVESPA index, is now also listed in the Corporate Governance Index - IGC.

In September 2008, ELETROBRÁS obtained a registration with the US Securities and Exchange Commission - SEC. The listing of Company's shares on the Stock Exchange of New York (NYSE) occurred on October 31, 2008.

Currently, ELETROBRÁS has two American Depositary Receipts programs related to common shares and class "B" preferred shares.

The registration of the Company with SEC and the consequent listing of ADR programs on the NYSE makes part of the strategic planning of the Company. It has been working with the purpose of improving its visibility with shareholders, analysts and investors, both in the equity and debt areas and aims to improve liquidity and prices of shares, as well as obtain favorable conditions when raising funds in the future for the Company's investment programs.

#### **NOTE 48 - RELATIONSHIP WITH INDEPENDENT AUDITORS**

In compliance with the provisions of the Instruction 381 of the Brazilian Securities and Exchange Commission of January 14, 2003, ELETROBRÁS informs that it uses the independent auditing services of the firm BDO Trevisan Auditores Independentes. The said firm was engaged on August 1, 2005 for execution of audit services of individual and consolidated financial statements of ELETROBRÁS, and the Company does not have any other service agreements with the mentioned firm that not the financial statement audit services.

The independent auditors rendering individual audit services to the controlled companies of ELETROBRÁS are the following:

CGTEE	Deloitte Touche Tohmatsu
CHESF	RSM Boucinhas, Campos & Conti
ELETRONORTE	BDO Trevisan
ELETRONUCLEAR	HLB Audilink e CIA
ELETROSUL	Horwath Tufani, Reis & Soares
FURNAS	HLB Audilink e CIA
ITAIPU	BDO Trevisan
ELETROPAR	Russell Bedford Brasil
CERON	RSM Boucinhas, Campos & Conti
CEAL	HLB Audilink e CIA
CEPISA	Ferreira e Associados Auditores Independentes
ELETROACRE	HLB Audilink e CIA
MESA	HLB Audilink e CIA
BVENERGIA	HLB Audilink e CIA

The Company' policy in relation to its independent auditors is based on principles that preserve the auditors' independence.

#### **NOTE 49 - INFORMATION ON RELEVANT FACT**

##### **I – Guarantees given by CGTEE**

In order to investigate the facts on the supposed guarantees given to Bank KfW Bankengruppe amounting to EUR 156,700 thousand (corresponding to approximately R\$507,134 thousand), which would have been issued on behalf of CGTEE in favor of private companies, the controlled company's management started an investigation whose final report was approved by the Board of Directors on August 06, 2007. Among the conclusions of the Investigation, we highlight: (1) the assumed guarantees were constituted in violation to the Brazilian law and of statutory standards of CGTEE, involving strong indications of forgery of documents and signatures; and (2) CGTEE does not have, and has never had, any business or contract relationships with the benefited companies.

On July 18, 2007, CGTEE notified the Bank KfW out-of court about the non-existence of those supposed guarantees given on that company's behalf. On September 10, 2007, it filed a Declaratory Action of Document Falsification together with a Request for Submission of Documents to Bank KfW.

The alleged guarantees given to one of the companies were formally canceled by Bank KfW in November 2007.

Until the closing of these Financial Statements, there were no significant changes in the matter. The Company's management does not expect to incur losses on account of this issue.

**José Antonio Muniz Lopes**  
*President*

**Astrogildo Fraguglia Quental**  
*Finance Director and Director of Relations with  
Investors*

**Valter Luiz Cardeal de Souza**  
*Engineering Director*

**Miguel Colasuonno**  
*Administration Director*

**Flávio Decat de Moura**  
*Distribution Officer*

**Ubirajara Rocha Meira**  
*Technology Officer*

**João Vicente Amato Torres**  
*Accountant*  
CRC-RJ-057.991/O-S-DF



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BDO Trevisan Auditores Independentes  
Rua 7 de Setembro, 71  
15º e 21º andares - Centro  
Rio de Janeiro - RJ - Brasil  
20050-005

Tel.: +55 (21) 3534-7500  
Fax: +55 (21) 2221-1395  
[www.bdotrevisan.com.br](http://www.bdotrevisan.com.br)

(Convenience translation into English from the original previously issued in Portuguese)

## **INDEPENDENT AUDITORS' REPORT**

To the Shareholders and Management of  
Centrais Elétricas Brasileiras S.A. - ELETROBRÁS

- 1 We have audited the balance sheet of Centrais Elétricas Brasileiras S.A. – ELETROBRÁS, Company and consolidated as of December 31, 2007, and the related statements of income, changes in shareholders' equity (Company), and changes in financial position for the year then ended, all expressed in Brazilian reais and prepared under the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements. As mentioned in Note 19, the investments in certain controlled and affiliated companies as of December 31, 2007 were accounted for by the equity method based on financial statements audited by other independent auditors. Our opinion thereon, insofar as it relates to the carrying values of these investments and the equity in the earnings of those companies, in the amounts of R\$ 33,759,973 thousand and R\$ 2,010,440 thousand, respectively, is solely based on those other independent auditors' reports.
- 2 Except for the matter mentioned in paragraph 3, 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, (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 The independent auditors' reports on the financial statements for the year ended December 31, 2007 of certain important affiliated companies (note 19) have not been presented to date. The investments referring to those affiliated companies were valued by the equity method. Accordingly, we were unable to apply additional auditing procedures to satisfy ourselves as to the carrying value of those investments, as well as the equity in earnings resulting therefrom, in the amounts of R\$ 376,404 thousand and R\$ 4,774 thousand, respectively.
- 4 In our opinion, based on our audits and the opinions of others independent auditors except for the possible effects of the application of auditing procedures mentioned in paragraph 3, the financial statements referred to in paragraph 1 present fairly, in all material respects, the financial position of Centrais Elétricas Brasileiras S.A.– ELETROBRÁS as of December 31, 2007, and the results of its operations, the changes in shareholders' equity and the changes in their financial position for the year then ended, in conformity with Brazilian accounting practices.



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## **INDEPENDENT AUDITORS' REPORT**

To the Shareholders and Management of  
Centrais Elétricas Brasileiras S.A. - ELETROBRÁS

- 5 The statements of cash flow, value added, and business segmentation for the years ended December 31, 2007 and 2006 are not required by Brazilian accounting practices and are presented to provide supplemental information to the financial statements, and allow additional analysis. This complementary information was submitted to the same auditing procedures applied to the financial statements and, in our opinion, are adequately stated, in all relevant aspects, in relation to the financial statements referred to in paragraph 1, taken as a whole.
- 6 According to note 32, the Company recorded the amount of R\$ 1,328,544 thousand in noncurrent liabilities corresponding to the provision for civil contingencies set up for the claim, filed by certain legal entities, to receive full monetary restatement on the amounts of compulsory loan collected on behalf of Eletrobrás. Based on the Company's legal counselors' opinion, who are not certain about the likelihood of unfavorable outcome of the corresponding lawsuits (in 2003 the likelihood of loss was classified as "possibility of unfavorable outcome of ongoing lawsuits"), and on a conservative basis, considering unfavorable low-court decisions and the lack of judgments in higher courts, management maintained the provision for contingencies, basically set up in prior years, in order to cover losses arising from unfavorable legal decisions. Given the controversy about the issue, under current circumstances we are unable to reach a conclusion on the outcome of the dispute, as well as the possible impacts on financial statements.
- 7 With a view to obtaining accreditation with the U.S. - Securities and Exchange Commission – SEC, the Company has improved its internal controls and corporate governance in compliance with the Sarbanes Oxley Law section 404, thus reducing the possibility of business risk and fraud at all levels.



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## INDEPENDENT AUDITORS' REPORT

To the Shareholders and Management of  
Centrais Elétricas Brasileiras S.A. - ELETROBRÁS

- 8 The financial statements of FURNAS - Centrais Elétricas S.A. for the year ended December 31, 2007 were audited by other independent auditors, whose opinion thereon, dated February 21, 2008 had an emphasis-of-a-matter paragraph regarding the balance of ICMS (State VAT), amounting to R\$ 44,067 thousand, recorded by FURNAS under current assets arising from a Financial Cooperation and Commitment Agreement between ELETRONORTE - Centrais Elétricas do Norte do Brasil S.A. and the Road Department of the State of Mato Grosso to perform civil works and build and pave the road that gives access to the Manso Hydroelectric Plant Site. The responsibility for such works was transferred to the Company in 1999 according to the National Privatization Council's Resolution N° 02/1999, amended by Resolution N° 04/1999. On June 13, 2007, a Tax Action Conclusion Agreement was signed. It sets forth that the state government of Mato Grosso will compensate Furnas in an amount corresponding to the percentage of its participation in the construction, emphasizing that "After the conclusion of the service orders corresponding to all companies, it will be possible to calculate the amount to be reimbursed to Furnas, if applicable". Therefore, the settlement of those receivables depends on the actions of the State Finance Department of Mato Grosso as for the amount as well as the period of their realization. FURNAS' management believes that these works are being concluded and that the realization of those credits in 2008 is highly probable.
- 9 The financial statements of Centrais Elétricas do Norte do Brasil S.A. ELETRONORTE, for the year ended December 31, 2007, were audited by us, and our unqualified report thereon, dated February 20, 2008, included emphasis-of-a-matter paragraph referring to the following facts: a) working capital deficiency and operating losses accumulated over the years of subsidiary Manaus Energia S.A. The company depends on its controlling shareholder contributing funds to continue as a going concern, b) Boa Vista Energia S.A. continuity as a going concern, and c) Eletronorte sponsors, together with its wholly-owned subsidiaries Manaus Energia S.A. and Boa Vista Energia S.A., the pension fund called "Previnorte – Fundação de Previdência Complementar". The mathematical/actuarial reserves were set up by the fund's independent actuary based on morbidity and mortality table AT-49, adjusted by 2 (two) years to project the longevity of participants and beneficiaries. Previnorte is gradually implementing AT-83 table, as required by the Pension Fund Management Committee Resolution (CGPC) No. 18, of March 28, 2006, and the final deadline to implement the table is December 31, 2008. Accordingly, due to the current stage of the process, as well as the limit date by which to adopt the table, possible adjustments may be recognized in future financial statements due to the application of NPC N° 26 issued by the Brazilian Institute of Independent Auditors (IBRACON).



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## **INDEPENDENT AUDITORS' REPORT**

To the Shareholders and Management of  
Centrais Elétricas Brasileiras S.A. - ELETROBRÁS

- 10 The financial statements of Companhia de Eletricidade do Acre - ELETROACRE, for the year ended December 31, 2007 were audited by other independent auditors, whose unqualified opinion, dated February 15, 2008, had emphasis on the fact that the financial statements were prepared assuming that the Company will continue as a going concern. Despite the earnings recorded in the last two years, the company has borne accumulated losses over the years, and depends on its controlling shareholder's contributing funds for an increase in capital. Accordingly, it has been taking measures for attaining economic and financial balance and ensuring the development and continuity of its operations.
  
- 11 The financial statements of CTEEP - Companhia de Transmissão de Energia Elétrica Paulista for the year ended December 31, 2007 were audited by other independent auditors, whose unqualified opinion, dated January 30, 2008, had emphasis on the fact that according on the decision of the 49 th São Paulo Labor Court's Division, beginning in September 2005, the Fundação CESP began to prepare the payroll of the supplementary pension plan's beneficiaries ruled by Law 4.819/58 using funds passed on by the Company in the way it had been done until December 2003. In January 2006, the State of São Paulo Office of the Attorney General changed its position, making it clear that the State Government's responsibility was restricted to the limits imposed by the state constitution on payment of retirement benefits. Since then, the State Government has disallowed part of the funds passed on to the Company. Supported by its legal advisors' opinion, the Management finds that the responsibility for payment of benefits in this case lies with the State Government. As a result, no obligation whatsoever has been recorded in connection therewith.



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## **INDEPENDENT AUDITORS' REPORT**

To the Shareholders and Management of  
Centrais Elétricas Brasileiras S.A. - ELETROBRÁS

- 12 The financial statements for the year ended December 31, 2006, presented for comparative purposes, were audited by us, and our unqualified report thereon, dated March 26, 2007, contained emphasis regarding the same matters described in paragraphs 5, 6, 7, 8 c, 9, 10, and 11, besides those described below:
- a) The financial statements of FURNAS - Centrais Elétricas S.A. for the year ended December 31, 2006 were audited by other independent auditors, whose opinion thereon, dated March 16, 2007 had an emphasis-of-a-matter paragraph regarding the company's accounts receivable amounting to R\$ 293,560 thousand from energy sale transactions performed at the Electricity Sales Chamber - CCEE (formerly Wholesale Energy Market - MAE); in the period from September 2000 to September 2002, and also to the effect of lawsuits filed by companies of the electricity sector claiming the suspension of payment. In 2007, given the uncertainty on the realization of those amounts, FURNAS has set up an allowance for doubtful accounts considering the totality of the amounts.
  - b) The financial statements of ELETROSUL Centrais Elétricas S.A. for the year ended December 31, 2006, were audited by other independent auditors, whose unqualified opinion thereon, dated February 14, 2007 had an emphasis referring to non-approval of the periodic tariff revision, applied to tariffs starting July 1, 2005. This decision happened on July 2, 2007, and resulted in a reduction of 1.36% in RAP- Permitted Annual Revenue, amounting to R\$ 23,632 thousand, which will be deducted from monthly revenues in 24 installments of R\$ 985 thousand as from July 2007.
  - c) The financial statements of Eletrobrás Termonuclear S.A. – ELETRONUCLEAR, for the year ended December 31, 2006 were audited by other independent auditors, whose unqualified opinion thereon, dated February 9, 2007 emphasized the inclusion of Angra 3 Project in the Federal Government Investment Program, thus enabling operation expansion and recovery of funds already used, which are shown as construction in progress. In 2007, the Brazilian Council on Energy Policy (CNPE), through Resolution N° 3/2007 of July 25, 2007, determined that Eletrobrás and Eletronuclear restarted the construction of the nuclear power plant Angra 3 to begin its operations in 2013.





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Centrais Elétricas Brasileiras S.A. - ELETROBRÁS

- d) The financial statements of Companhia Estadual de Distribuição de Energia Elétrica CEEE-D for the year ended December 31, 2006 were audited by other independent auditors whose unqualified opinion, dated February 26, 2007, contained emphasis paragraphs dealing with: a) on March 2, 2005, the State Finance Department communicated that although the work group formed has not yet concluded the reconciliation of the electricity accounts that form part of the energy debt installments amounting to R\$ 49,885 thousand, they already informed that they found discrepancies and, therefore, it would be prudent to wait for the conclusion of the work to disclose any results; and b) the Company has recorded under long-term assets receivables amounting to R\$ 15,889 thousand referring to the reimbursement of the Extraordinary Tariff Adjustment, and R\$ 13,207 thousand referring to the System Service Charges. Under long-term liabilities it has been recording payables amounting to R\$ 40,607 thousand referring to energy sales and purchases made at the Electricity Sales Chamber - CCEE in previous years.
- e) The financial statements of Companhia Estadual de Geração e Transmissão de Energia Elétrica CEEE - GT for the year ended December 31, 2006, were audited by other independent auditors, whose unqualified opinion thereon, dated February 26, 2007 had an emphasis referring to the fact that the Company has recorded under long-term assets receivables amounting to R\$ 52,108 thousand referring to the reimbursement of the Extraordinary Tariff Adjustment, and R\$ 73,058 thousand under long-term liabilities referring to energy sales and purchases made at the Electricity Sales Chamber - CCEE in previous years.



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## **INDEPENDENT AUDITORS' REPORT**

To the Shareholders and Management of  
Centrais Elétricas Brasileiras S.A. - ELETROBRÁS

- f) The financial statements of CTEEP - Companhia de Transmissão de Energia Elétrica Paulista for the year ended December 31, 2006 were audited by other independent auditors, whose unqualified opinion thereon, dated February 1, 2007 had an emphasis referring to the adjustments in RAP - Permitted Annual Revenue, based in (General Market Price Index) IGP-M variation for tariffs between July 2205 and June 2006, and between July 2006 and June 2007. On June 26, 2007 the first periodic tariff revision was approved, reducing RAP by 26.15%. The result of this adjustment had their effects retroactively applied to July 1, 2005.
- g) The financial statements of EMAE - Empresa Metropolitana de Águas e Energia S.A. for the year ended December 31, 2006 were audited by other independent auditors, whose unqualified opinion thereon, dated March 9, 2007 had an emphasis referring to the fact that the Company has been evaluating the economic and financial impact on its business resulting from the changes in the sector model and the recent experiences with energy auctions. The Company's management believes that other measures, besides the ones already taken, will be necessary. These new measures are being currently discussed with the Granting Power and aim at a reduction in costs and increase in revenues to allow the profitability of its operations and the realization of investments made in its generation complex, whose balance amounts to R\$ 811,913 thousand as of December 31, 2006.



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## **INDEPENDENT AUDITORS' REPORT**

To the Shareholders and Management of  
Centrais Elétricas Brasileiras S.A. - ELETROBRÁS

- h) The financial statements of Centrais Elétricas de Rondônia S.A. - CERON, for the year ended December 31, 2006 were audited by other independent auditors, whose unqualified opinion thereon, dated February 27, 2007, had emphasis on the fact that the financial statements were prepared assuming that the Company will continue as a going concern, however, it has borne losses over the years, and it has taken measures for attaining economic and financial balance. As of December 31, 2007, Eletrobrás recorded a provision for this equity deficit in the amount of its ownership interest in CERON.
- 13 The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Rio de Janeiro, March 14, 2008

**CENTRAIS ELÉTRICAS BRASILEIRAS S.A - ELETROBRÁS**  
**BALANCE SHEETS FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**  
(In thousands of Brazilian reais)

ASSETS	Note #	COMPANY		CONSOLIDATED	
		2007	2006 Reclassified	2007	2006 Reclassified
<b>CURRENT</b>					
Cash and cash equivalents	8	5.585.519	2.877.879	8.094.907	5.459.139
Consumers and resellers	9	1.349.259	1.180.392	3.622.343	3.994.924
Loans and financing	10	3.034.328	5.985.076	1.506.511	1.414.788
Fuel Consumption Account - CCC		549.467	860.023	541.087	833.555
Return on investments	11	635.357	543.731	152.468	174.455
Rescheduled receivables	12	112.803	106.935	526.275	352.158
Deferred tax credits	14	1.773.215	1.213.421	2.443.072	1.842.337
Rights to reimbursement		179.460	275.468	179.460	275.468
Sundry receivables		290.840	2.278	427.358	128.224
Storeroom		2.519	2.427	603.177	519.816
Prepaid expenses		21	-	66.728	46.299
Other		74.002	65.632	446.573	374.279
		<u>13.586.790</u>	<u>13.113.262</u>	<u>18.609.959</u>	<u>15.415.442</u>
<b>NONCURRENT</b>					
<b>LONG-TERM ASSETS</b>					
Loans and financing	10	33.488.103	31.334.465	13.405.369	13.052.790
Rescheduled receivables	12	203.959	3.022.767	1.920.766	4.735.269
Marketable securities	13	1.491.900	1.411.661	1.495.242	1.414.136
Nuclear fuel inventories	17	-	-	657.188	594.169
Studies and projects	16	292.579	292.330	312.122	308.011
Consumers and resellers		-	-	26.178	589.223
Deferred tax credits	14	1.351.862	790.359	2.515.443	1.959.457
Pledges and restricted deposits		177.336	140.034	397.113	367.179
Fuel Consumption Account - CCC		500.512	474.052	500.512	474.052
Rights to reimbursement		590.025	-	590.025	-
Other		66.426	46.527	287.840	376.636
		<u>38.162.702</u>	<u>37.512.195</u>	<u>22.107.798</u>	<u>23.870.922</u>
Advances for increase in parent company's ownership interest	18	1.824.255	700.085	4.027	80.383
		<u>39.986.957</u>	<u>38.212.280</u>	<u>22.111.825</u>	<u>23.951.305</u>
INVESTMENTS	19	43.062.138	42.304.993	5.183.898	4.565.745
PROPERTY, PLANT AND EQUIPMENT	20	28.807	30.822	74.157.189	77.695.285
INTANGIBLE ASSETS	21	55.558	57.410	469.810	412.538
DEFERRED CHARGES		5.891	1.242	45.995	45.136
		<u>43.152.394</u>	<u>42.394.467</u>	<u>79.856.892</u>	<u>82.718.704</u>
<b>TOTAL ASSETS</b>		<u><u>96.726.141</u></u>	<u><u>93.720.009</u></u>	<u><u>120.578.676</u></u>	<u><u>122.085.451</u></u>

The accompanying notes and attachments I, II, III, IV, V, VI, VII and VIII are integral part of these financial statements

**CENTRAIS ELÉTRICAS BRASILEIRAS S.A - ELETROBRÁS**  
**BALANCE SHEETS FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**  
(In thousands of Brazilian reais)

LIABILITIES AND STOCKHOLDERS' EQUITY	Note #	COMPANY		CONSOLIDATED	
		2007	2006 Reclassified	2007	2006 Reclassified
<b>CURRENT</b>					
Loans and financing	22	139.430	169.968	1.429.199	1.990.178
Compulsory loan	28	96.709	111.106	96.709	111.106
Trade accounts payable	24	1.269.365	1.159.921	2.291.929	1.976.903
Advances from consumers	27	202.250	102.387	237.441	134.909
Taxes and social contributions	26	1.092.560	918.483	1.823.838	1.448.655
Fuel Consumption Account - CCC		515.418	836.878	515.418	836.878
Stockholders' compensation	29	881.002	566.043	902.915	590.756
Payables to the Brazilian Federal Treasury	30	58.150	51.123	58.150	51.123
Estimated obligations		78.274	7.282	426.267	294.877
Reimbursement obligations		444.225	193.811	444.225	193.810
Complementary pension plans	31	-	-	183.512	338.355
Provisions for contingencies	32	-	-	1.029.109	893.299
Research and development		-	-	343.010	287.460
Fees as per regulations	25	-	-	514.897	591.290
Other		33.648	273.208	706.088	455.724
		<u>4.811.031</u>	<u>4.390.210</u>	<u>11.002.707</u>	<u>10.195.323</u>
<b>NONCURRENT</b>					
Loans and financing	22	1.576.872	2.007.461	12.981.322	17.819.926
Payables to the Brazilian Federal Treasury	30	726.989	459.808	726.989	459.808
Trade accounts payable		-	-	-	268.332
Global Reversion Reserve Quota - RGR		6.769.011	6.171.300	6.769.011	6.171.300
Compulsory loan	28	202.375	23.870	202.375	23.870
Taxes and social contributions	26	-	647.844	1.625.530	2.150.748
Obligations assumed for the release of assets	33	-	-	451.017	356.604
Advances from consumers	27	-	-	1.056.761	942.330
Fuel Consumption Account - CCC		500.512	474.052	1.143.258	1.036.531
Provisions for contingencies	32	1.214.528	1.298.389	2.042.787	2.147.921
Complementary pension plans	31	-	-	798.623	1.992.061
Provision for stockholders' deficit in investees		875.777	342.996	875.777	342.996
Other		85.810	68.291	553.669	97.372
		<u>11.951.874</u>	<u>11.494.011</u>	<u>29.227.119</u>	<u>33.809.799</u>
<b>INTEREST OF NON-CONTROLLING STOCKHOLDERS</b>		-	-	385.614	244.541
<b>STOCKHOLDERS' EQUITY</b>					
Capital stock	34	24.235.829	24.235.829	24.235.829	24.235.829
Capital reserves		25.907.304	25.907.304	25.907.304	25.907.304
Revaluation surplus		208.109	230.538	208.109	230.538
Revenue reserves		25.800.369	24.054.259	25.800.369	24.054.259
		<u>76.151.611</u>	<u>74.427.930</u>	<u>76.151.611</u>	<u>74.427.930</u>
Advances for future capital increase		3.811.625	3.407.858	3.811.625	3.407.858
		<u>79.963.236</u>	<u>77.835.788</u>	<u>79.963.236</u>	<u>77.835.788</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<u>96.726.141</u>	<u>93.720.009</u>	<u>120.578.676</u>	<u>122.085.451</u>

The accompanying notes and attachments I, II, III, IV, V, VI, VII and VIII are integral part of these financial statements.

**CENTRAIS ELÉTRICAS BRASILEIRAS S.A. - ELETRÓBRAS**  
**STATEMENT OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**  
(In thousands of Brazilian reais)

		<b>CONSOLIDATED</b>							
Note #	COMPANY	Quarters							
		2007	2006 Reclassified	4Q07	to 3Q07	4Q06	2007	2006 Reclassified	
<b>OPERATING REVENUES</b>									
	Electricity sale and transmission	35	7.555.634	6.297.277	6.610.382	17.096.219	5.700.192	23.706.601	21.011.354
	(-) Sectorial charges	36	-	-	(312.134)	(802.342)	(252.750)	(1.114.476)	(1.292.529)
	(-) State VAT (ICMS)		-	-	(128.645)	(310.065)	85.599	(438.710)	(465.555)
	Ownership interests	37	1.883.289	988.561	303.717	449.575	(41.196)	753.292	361.667
	Gains on reduction in liabilities	15	-	-	300.136	-	-	300.136	-
	Other revenues		-	-	27.209	74.434	431.621	101.643	431.621
			<u>9.438.923</u>	<u>7.285.838</u>	<u>6.800.665</u>	<u>16.507.821</u>	<u>5.923.466</u>	<u>23.308.486</u>	<u>20.046.558</u>
<b>OPERATING EXPENSES</b>									
	Personnel, material and services	38	318.370	287.024	1.277.465	3.077.802	1.170.609	4.355.267	3.977.700
	Energy purchased for resale	39	7.152.195	6.256.845	1.805.545	4.320.087	1.479.321	6.125.632	4.895.225
	Fuel for electricity production		-	-	160.106	320.428	41.921	480.534	442.724
	PASEP and COFINS (taxes on sales)		86.947	62.925	314.007	611.307	348.301	925.314	750.756
	Electricity network use		-	-	222.352	729.247	146.924	951.599	891.337
	Financial compensation of water resources		-	-	655.476	439.758	323.626	1.095.234	1.152.447
	Depreciation and amortization		7.016	5.947	481.346	1.552.570	507.644	2.033.916	2.006.805
	Operating provisions	40	586.483	114.934	(84.273)	1.364.949	(73.345)	1.280.676	957.613
	Losses with assets	15	-	-	599.822	-	-	599.822	-
	ITAIPU's income (loss) to be offset		-	-	319.968	374.120	102.288	694.088	(390.916)
	Donations and contributions		126.400	140.743	55.501	143.489	45.115	198.990	196.904
	Other		356.336	182.588	445.271	861.278	333.328	1.306.549	594.035
			<u>8.633.747</u>	<u>7.051.006</u>	<u>6.252.586</u>	<u>13.795.035</u>	<u>4.425.732</u>	<u>20.047.621</u>	<u>15.474.630</u>
	<b>OPERATING INCOME (LOSS) BEFORE FINANCIAL INCOME (EXPENSES)</b>		<u>805.176</u>	<u>234.832</u>	<u>548.079</u>	<u>2.712.786</u>	<u>1.497.734</u>	<u>3.260.865</u>	<u>4.571.928</u>
	<b>FINANCIAL INCOME (EXPENSES)</b>	41	<u>595.844</u>	<u>1.235.774</u>	<u>1.744.426</u>	<u>(2.671.095)</u>	<u>(1.058.606)</u>	<u>(926.669)</u>	<u>(2.706.039)</u>
	<b>OPERATING INCOME</b>		<u>1.401.020</u>	<u>1.470.606</u>	<u>2.292.505</u>	<u>41.691</u>	<u>439.128</u>	<u>2.334.196</u>	<u>1.865.889</u>
	<b>NON-OPERATING INCOME (LOSS)</b>		<u>-</u>	<u>-</u>	<u>(18.032)</u>	<u>(18.847)</u>	<u>5.819</u>	<u>(36.879)</u>	<u>(17.964)</u>
	<b>INCOME (LOSS) BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES, EMPLOYEES' AND MANAGEMENT PROFIT SHARING AND MINORITY INTEREST</b>		<u>1.401.020</u>	<u>1.470.606</u>	<u>2.274.473</u>	<u>22.844</u>	<u>444.947</u>	<u>2.297.317</u>	<u>1.847.925</u>
	Income tax		146.976	(210.603)	(354.303)	(59.006)	8.473	(413.309)	(411.620)
	Social contribution tax on net income		17.861	(81.685)	(116.972)	(55.020)	7.032	(171.992)	(151.373)
	<b>INCOME (LOSS) BEFORE OWNERSHIP INTERESTS</b>		<u>1.565.857</u>	<u>1.178.318</u>	<u>1.803.198</u>	<u>(91.182)</u>	<u>460.452</u>	<u>1.712.016</u>	<u>1.284.932</u>
	Profit sharing	42	(18.000)	(17.000)	(159.926)	-	(138.469)	(159.926)	(138.468)
	Minority interest		-	-	(4.098)	(135)	13.869	(4.233)	14.854
	<b>NET INCOME (LOSS) FOR THE YEAR / PERIOD</b>		<u>1.547.857</u>	<u>1.161.318</u>	<u>1.639.174</u>	<u>(91.317)</u>	<u>335.852</u>	<u>1.547.857</u>	<u>1.161.318</u>
	<b>EARNINGS (LOSS) PER SHARE, NET</b>		<u>R\$1,37</u>	<u>R\$1,03</u>	<u>R\$1,45</u>	<u>(R\$0,08)</u>	<u>R\$0,30</u>	<u>R\$1,37</u>	<u>R\$1,03</u>

The accompanying notes and attachments I, II, III, IV, V, VI, VII and VIII are integral part of these financial statements.

CENTRAIS ELÉTRICAS BRASILEIRAS S.A. - ELETROBRÁS

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(In thousands of Brazilian reais)

	SUBSCRIBED AND PAID CAPITAL STOCK	CAPITAL RESERVES	REVALUATION RESERVE	REVENUE RESERVES				ADVANCES FOR FUTURE CAPITAL INCREASE	TOTAL STOCKHOLDERS' EQUITY	
				LEGAL RESERVE	STATUTORY RESERVE	DIVIDENDS NOT DISTRIBUTED	RETAINED EARNINGS			ACCUMULATED EARNINGS
As of December 31, 2005	24.235.829	25.907.304	247.855	1.595.578	14.318.074	6.448.973	-	-	2.961.277	75.714.889
Financial charges – Decree 2.673/98	-	-	-	-	-	972.548	-	-	446.581	1.419.129
Realization of revaluation surplus	-	-	(17.317)	-	-	-	-	17.317	-	-
Net income	-	-	-	-	-	-	-	1.161.317	-	1.161.317
Application of income:										
Recognition of reserves	-	-	-	58.066	592.272	-	68.748	(719.086)	-	-
Stockholders' compensation	-	-	-	-	-	-	-	(459.548)	-	(459.548)
As of December 31, 2006	24.235.829	25.907.304	230.538	1.653.644	14.910.346	7.421.521	68.748	-	3.407.858	77.835.788
Financial charges – Decree 2.673/98	-	-	-	-	-	879.311	-	-	403.767	1.283.078
Realization of revaluation surplus	-	-	(22.429)	-	-	-	-	22.429	-	-
Net income	-	-	-	-	-	-	-	1.547.857	-	1.547.857
Application of income:										
Recognition of reserves	-	-	-	77.394	789.405	-	-	(866.799)	-	-
Stockholders' compensation	-	-	-	-	-	-	-	(703.487)	-	(703.487)
As of December 31, 2007	24.235.829	25.907.304	208.109	1.731.038	15.699.751	8.300.832	68.748	-	3.811.625	79.963.236

The accompanying notes and attachments I, II, III, IV, V, VI, VII and VIII are integral part of these financial statements.

CENTRAIS ELÉTRICAS BRASILEIRAS S.A. - ELETROBRÁS

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEARS ENDED DECEMBER 31 2007 AND 2006

(In thousands of Brazilian reais)

	COMPANY		CONSOLIDATED	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
<b>SOURCE OF FUNDS</b>				
From operations - net income	1.547.857	1.161.318	1.547.857	1.161.318
Noncash items:				
Depreciation and amortization	7.016	5.947	2.033.916	2.006.805
Long-term monetary variation, net	2.536.733	529.148	3.066.185	1.870.503
Adjustment to investments:	(1.455.947)	(575.696)	(306.002)	(73.467)
Regulatory assets	(287.746)	-	(287.746)	-
Long-term provisions	(938.109)	(663.429)	(412.433)	337.200
Minority interest	-	-	4.233	(14.854)
Financial charges on stockholders' equity	1.283.075	1.419.127	1.283.075	1.419.131
ITAIPU's income (loss) to be offset	-	-	(694.088)	(390.917)
Other	416.887	433.880	121.636	178.290
	<u>3.109.766</u>	<u>2.310.295</u>	<u>6.356.633</u>	<u>6.494.009</u>
From stockholders	-	-	-	-
From third parties				
Financing obtained	-	-	904.022	648.794
Global Reversion Reserve Quota and Compulsory Loan	875.571	1.105.965	875.571	1.105.965
Amounts transferred from current to noncurrent liabilities	28.010	149.742	57.136	270.459
Amounts transferred from noncurrent to current assets	3.309.303	2.666.759	3.980.084	2.481.870
Realization and disposal of investment	742.787	607.051	901.515	687.507
	<u>4.955.671</u>	<u>4.529.517</u>	<u>6.718.328</u>	<u>5.194.595</u>
<b>TOTAL SOURCE OF FUNDS</b>	<u>8.065.437</u>	<u>6.839.812</u>	<u>13.074.961</u>	<u>11.688.604</u>
<b>APPLICATION OF FUNDS</b>				
Acquisition of rights, property, plant and equipment and deferred expenses	8.013	17.877	3.194.193	3.153.722
Loans and financing granted	3.413.978	1.007.681	1.295.055	1.380.006
Interests held in other companies	1.213.233	21.235	-	64.333
Amounts transferred from noncurrent to current	772.109	911.634	2.411.657	3.198.336
Stockholders' compensation	703.486	459.548	753.010	555.622
Amounts transferred from current to noncurrent assets	1.850.465	2.227.931	2.206.848	1.608.900
Other	51.449	23.171	827.065	275.549
	<u>8.012.733</u>	<u>4.669.077</u>	<u>10.687.828</u>	<u>10.236.468</u>
<b>Changes in working capital</b>	<u>52.704</u>	<u>2.170.735</u>	<u>2.387.133</u>	<u>1.452.136</u>
<b>Statement of changes in working capital:</b>				
Current assets:				
At beginning of year	13.113.262	10.236.414	15.415.442	12.697.332
At end of year	<u>13.586.788</u>	<u>13.113.264</u>	<u>18.609.959</u>	<u>15.415.441</u>
Change	<u>473.526</u>	<u>2.876.850</u>	<u>3.194.517</u>	<u>2.718.109</u>
Current liabilities:				
At beginning of year	4.390.209	3.684.093	10.195.323	8.929.351
At end of year	<u>4.811.030</u>	<u>4.390.209</u>	<u>11.002.707</u>	<u>10.195.324</u>
Change	<u>420.821</u>	<u>706.116</u>	<u>807.384</u>	<u>1.265.973</u>
<b>Changes in working capital</b>	<u>52.704</u>	<u>2.170.734</u>	<u>2.387.133</u>	<u>1.452.136</u>

The accompanying notes and attachments I, II, III, IV, V, VI, VII and VIII are integral part of these financial statements.



CENTRAIS ELÉTRICAS BRASILEIRAS S.A - ELETROBRÁS

ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(In thousands of Brazilian reais)

	COMPANY		CONSOLIDATED	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
<b>OPERATING ACTIVITIES</b>				
Net income for the year	1.547.857	1.161.318	1.547.857	1.161.318
Adjustments to reconcile net income to cash provided by operating activities				
Depreciation and amortization	7.016	5.947	2.033.916	2.006.805
Long-term monetary variation, net	2.536.733	529.148	3.066.185	1.870.503
Adjustment to investments	(1.455.947)	(575.696)	(306.002)	(73.467)
Regulatory assets	(287.746)	-	(287.746)	-
Long-term provisions	(938.109)	(663.429)	(412.433)	337.200
Minority interest	-	-	4.233	(14.854)
Financial charges on stockholders' equity	1.283.075	1.419.127	1.283.075	1.419.131
ITAIPIU's income (loss) to be offset	-	-	(694.088)	(390.917)
Other	416.887	433.880	121.636	178.290
Subtotal	<u>3.109.766</u>	<u>2.310.295</u>	<u>6.356.633</u>	<u>6.494.009</u>
(Increase) decrease in operating assets				
Consumers and resellers	(168.865)	184.724	372.582	127.507
Loans and financing - principal amount	183.695	(616.416)	(106.616)	(251.283)
Loans and financing - charges	2.767.053	(944.339)	14.892	(293.667)
Fuel Consumption Account - CCC	310.556	(681.082)	292.468	(670.728)
Return on investments	(91.626)	154.518	21.987	(103.664)
Marketable securities	-	237.010	-	237.349
Rescheduled receivables	(5.868)	(35.100)	(174.117)	43.257
Tax credits	(559.794)	19.847	(600.735)	(377.712)
Rights to reimbursement	96.008	188.481	96.008	188.481
Sundry receivables	(288.562)	(212)	(299.134)	264.379
Storeroom	(92)	79	(83.361)	(70.251)
Prepaid expenses	-	-	(20.429)	9.975
Other	(8.391)	126.047	(72.294)	13.359
	<u>2.234.114</u>	<u>(1.366.443)</u>	<u>(558.748)</u>	<u>(882.998)</u>
Increase (decrease) in operating liabilities				
Loans and financing	(26.902)	(28.841)	(578.539)	390.445
Loans and financing - charges	(3.636)	(2.046)	17.559	(51.382)
Compulsory loan	(14.397)	(55.168)	(14.397)	(55.168)
Trade accounts payable	109.444	(236.518)	315.026	(275.988)
Taxes and social contributions	174.077	(150.961)	375.183	(159.487)
Fuel Consumption Account - CCC	(321.460)	693.834	(321.460)	693.834
Stockholders' compensation	314.505	93.926	312.159	87.234
Payables to the Brazilian Federal Treasury:	7.027	4.884	7.027	4.884
Estimated obligations	70.992	(26.439)	131.390	72.405
Reimbursement obligations	250.415	-	250.415	-
Advances from consumers	99.863	-	102.532	74.729
Complementary pension plans	-	-	(154.843)	(52.643)
Provisions for contingencies	-	-	135.810	27.151
Research and development	-	-	55.550	-
Fees as per regulations	-	-	(76.393)	32.321
Other	(239.106)	219.635	250.364	283.829
	<u>420.822</u>	<u>512.306</u>	<u>807.382</u>	<u>1.072.163</u>
<b>Funds provided by (used in) operating activities</b>	<u>5.764.702</u>	<u>1.456.157</u>	<u>6.605.267</u>	<u>6.683.174</u>

CENTRAIS ELÉTRICAS BRASILEIRAS S.A - ELETROBRÁS

ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(In thousands of Brazilian reais)

	COMPANY		CONSOLIDATED	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
<b>FINANCING ACTIVITIES</b>				
Long-term loans and financing obtained	-	-	904.022	648.794
Long-term financing reclassified as current	(772.109)	(911.634)	(2.411.657)	(3.198.336)
Stockholders' compensation	(703.486)	(459.548)	(753.010)	(555.622)
Loans and financing granted - disbursements	(3.413.978)	(1.007.681)	(1.295.055)	(1.380.006)
Loans and financing granted - receipts	3.309.303	2.666.759	3.980.084	2.481.870
Refinancing obtained (current liabilities reclassified as noncurrent)	28.010	149.742	57.136	270.459
Refinancing granted (current assets reclassified as long-term)	(1.850.465)	(2.227.931)	(2.206.848)	(1.608.900)
Compulsory loan and RGR	875.571	1.105.965	875.571	1.105.965
Other	16.640	(23.171)	(827.065)	(275.548)
<b>Funds provided by (used in) financing activities</b>	<b>(2.510.514)</b>	<b>(707.499)</b>	<b>(1.676.822)</b>	<b>(2.511.324)</b>
<b>INVESTMENT ACTIVITIES</b>				
Acquisition of property, plant and equipment	(8.013)	(17.877)	(3.194.193)	(3.153.722)
Investments	(538.535)	585.816	901.515	623.175
<b>Funds provided by (used in) investments</b>	<b>(546.548)</b>	<b>567.939</b>	<b>(2.292.678)</b>	<b>(2.530.547)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>2.707.640</b>	<b>1.316.597</b>	<b>2.635.767</b>	<b>1.641.302</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>2.877.879</b>	<b>1.561.282</b>	<b>5.459.139</b>	<b>3.817.837</b>
<b>Cash and cash equivalents at end of year</b>	<b>5.585.519</b>	<b>2.877.879</b>	<b>8.094.907</b>	<b>5.459.139</b>
	<b>2.707.640</b>	<b>1.316.597</b>	<b>2.635.768</b>	<b>1.641.302</b>

CENTRAIS ELÉTRICAS BRASILEIRAS S.A - ELETROBRÁS

ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(In thousands of Brazilian reais)

	COMPANY		CONSOLIDATED	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
<b>OPERATING ACTIVITIES</b>				
Net income for the year	1.547.857	1.161.318	1.547.857	1.161.318
Adjustments to reconcile net income to provided by operating activities				
Depreciation and amortization	7.016	5.947	2.033.916	2.006.805
Long-term monetary variation, net	2.536.733	529.148	3.066.185	1.870.503
Adjustment to investments:	(1.455.947)	(575.696)	(306.002)	(73.467)
Regulatory assets	(287.746)	-	(287.746)	-
Long-term provisions	(938.109)	(663.429)	(412.433)	337.200
Minority interest	-	-	4.233	(14.854)
Financial charges on stockholders' equity	1.283.075	1.419.127	1.283.075	1.419.131
ITAIPU's income (loss) to be offset	-	-	(694.088)	(390.917)
Other	416.887	433.880	121.636	178.290
Subtotal	<u>3.109.766</u>	<u>2.310.295</u>	<u>6.356.633</u>	<u>6.494.009</u>
(Increase) decrease in operating assets				
Consumers and resellers	(168.865)	184.724	372.582	127.507
Loans and financing - principal amount	183.695	(616.416)	(106.616)	(251.283)
Loans and financing - charges	2.767.053	(944.339)	14.892	(293.667)
Fuel Consumption Account - CCC	310.556	(681.082)	292.468	(670.728)
Return on investments	(91.626)	154.518	21.987	(103.664)
Marketable securities	-	237.010	-	237.349
Rescheduled receivables	(5.868)	(35.100)	(174.117)	43.257
Tax credits	(559.794)	19.847	(600.735)	(377.712)
Rights to reimbursement	96.008	188.481	96.008	188.481
Sundry receivables	(288.562)	(212)	(299.134)	264.379
Storeroom	(92)	79	(83.361)	(70.251)
Prepaid expenses	-	-	(20.429)	9.975
Other	(8.391)	126.047	(72.294)	13.359
	<u>2.234.114</u>	<u>(1.366.443)</u>	<u>(558.748)</u>	<u>(882.998)</u>
Increase (decrease) in operating liabilities				
Loans and financing	(26.902)	(28.841)	(578.539)	390.445
Loans and financing - charges	(3.636)	(2.046)	17.559	(51.382)
Compulsory loan	(14.397)	(55.168)	(14.397)	(55.168)
Trade accounts payable	109.444	(236.518)	315.026	(275.988)
Taxes and social contributions	174.077	(150.961)	375.183	(159.487)
Fuel Consumption Account - CCC	(321.460)	693.834	(321.460)	693.834
Stockholders' compensation	314.505	93.926	312.159	87.234
Payables to the Brazilian Federal Treasury:	7.027	4.884	7.027	4.884
Estimated obligations	70.992	(26.439)	131.390	72.405
Reimbursement obligations	250.415	-	250.415	-
Advances from consumers	99.863	-	102.532	74.729
Complementary pension plans	-	-	(154.843)	(52.643)
Provisions for contingencies	-	-	135.810	27.151
Research and development	-	-	55.550	-
Fees as per regulations	-	-	(76.393)	32.321
Other	(239.106)	219.635	250.364	283.829
	<u>420.822</u>	<u>512.306</u>	<u>807.382</u>	<u>1.072.163</u>
<b>Funds provided by (used in) operating activities</b>	<u>5.764.702</u>	<u>1.456.157</u>	<u>6.605.267</u>	<u>6.683.174</u>

CENTRAIS ELÉTRICAS BRASILEIRAS S.A - ELETROBRÁS

ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(In thousands of Brazilian reais)

	COMPANY		CONSOLIDATED	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
<b>FINANCING ACTIVITIES</b>				
Long-term loans and financing obtained	-	-	904.022	648.794
Long-term financing reclassified as current	(772.109)	(911.634)	(2.411.657)	(3.198.336)
Stockholders' compensation	(703.486)	(459.548)	(753.010)	(555.622)
Loans and financing granted - disbursements	(3.413.978)	(1.007.681)	(1.295.055)	(1.380.006)
Loans and financing granted - receipts	3.309.303	2.666.759	3.980.084	2.481.870
Refinancing obtained (current liabilities reclassified as noncurrent)	28.010	149.742	57.136	270.459
Refinancing granted (current assets reclassified as noncurrent)	(1.850.465)	(2.227.931)	(2.206.848)	(1.608.900)
Compulsory loan and RGR	875.571	1.105.965	875.571	1.105.965
Other	16.640	(23.171)	(827.065)	(275.548)
<b>Funds provided by (used in) financing activities</b>	<b>(2.510.514)</b>	<b>(707.499)</b>	<b>(1.676.822)</b>	<b>(2.511.324)</b>
<b>INVESTMENT ACTIVITIES</b>				
Acquisition of property, plant and equipment	(8.013)	(17.877)	(3.194.193)	(3.153.722)
Investments	(538.535)	585.816	901.515	623.175
<b>Funds provided by (used in) in investements</b>	<b>(546.548)</b>	<b>567.939</b>	<b>(2.292.678)</b>	<b>(2.530.547)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>2.707.640</b>	<b>1.316.597</b>	<b>2.635.767</b>	<b>1.641.302</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>2.877.879</b>	<b>1.561.282</b>	<b>5.459.139</b>	<b>3.817.837</b>
<b>Cash and cash equivalents at end of year</b>	<b>5.585.519</b>	<b>2.877.879</b>	<b>8.094.907</b>	<b>5.459.139</b>
	<b>2.707.640</b>	<b>1.316.597</b>	<b>2.635.768</b>	<b>1.641.302</b>

CENTRAIS ELÉTRICAS BRASILEIRAS S.A. - ELETROBRÁS

ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENTS

STATEMENT OF ADDED VALUE FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006  
(In thousands of Brazilian reais)

	2007				2006			
	COMPANY	Distribution %	CONSOLIDATED	Distribution %	COMPANY	Distribution %	CONSOLIDATED	Distribution %
<b>1 - REVENUE (EXPENSES)</b>								
Sales of goods, products, and services	7.555.634	125,47%	24.108.380	204,01%	6.297.277	120,28%	21.442.976	178,20%
Non-operating revenues (expenses)	-	0,00%	(36.879)	-0,31%	7.450	0,14%	(25.414)	-0,21%
	<u>7.555.634</u>	<u>125,47%</u>	<u>24.071.501</u>	<u>203,70%</u>	<u>6.304.727</u>	<u>120,42%</u>	<u>21.417.562</u>	<u>177,99%</u>
<b>2 - INPUTS ACQUIRED FROM THIRD PARTIES</b>								
Materials, services and others	(540.680)	-8,98%	(6.158.147)	-52,11%	(428.697)	-8,19%	(3.106.617)	-25,82%
Sectorial charges	-	-	(1.114.476)	-9,43%	-	-	(910.266)	-7,56%
Energy purchased for resale	(7.152.195)	-118,77%	(6.125.632)	-51,84%	(6.256.845)	-119,51%	(4.895.225)	-40,68%
Fuel for electricity production	-	-	(480.534)	-4,07%	-	-	(442.724)	-3,68%
	<u>(7.692.875)</u>	<u>-127,75%</u>	<u>(13.878.789)</u>	<u>-117,44%</u>	<u>(6.685.542)</u>	<u>-127,69%</u>	<u>(9.354.832)</u>	<u>-77,74%</u>
<b>3 - GROSS ADDED VALUE</b>	<u>(137.240)</u>	<u>-2,28%</u>	<u>10.192.713</u>	<u>86,25%</u>	<u>(380.815)</u>	<u>-7,27%</u>	<u>12.062.729</u>	<u>100,25%</u>
<b>4 - DEDUCTIONS</b>								
Operating provisions	(586.483)	-9,74%	(1.400.928)	-11,85%	(114.934)	-2,20%	(918.134)	-7,63%
Depreciation, amortization and depletion	(7.016)	-0,12%	(2.033.916)	-17,21%	(5.947)	-0,11%	(2.006.805)	-16,68%
	<u>(593.499)</u>	<u>-9,86%</u>	<u>(3.434.844)</u>	<u>-29,07%</u>	<u>(120.881)</u>	<u>-2,31%</u>	<u>(2.924.939)</u>	<u>-24,31%</u>
<b>5 - NET ADDED VALUE PRODUCED BY THE COMPANY</b>	<u>(730.739)</u>	<u>-12,13%</u>	<u>6.757.868</u>	<u>57,19%</u>	<u>(501.696)</u>	<u>-9,58%</u>	<u>9.137.790</u>	<u>75,94%</u>
<b>6 - ADDED VALUE RECEIVED THROUGH TRANSFERENCE</b>								
Ownership interests	1.883.289	31,27%	753.292	6,37%	988.561	18,88%	361.667	3,01%
Financial income	4.869.301	80,86%	4.306.208	36,44%	4.748.760	90,70%	2.533.469	21,05%
	<u>6.752.590</u>	<u>112,13%</u>	<u>5.059.500</u>	<u>42,81%</u>	<u>5.737.321</u>	<u>109,58%</u>	<u>2.895.136</u>	<u>24,06%</u>
<b>7 - TOTAL ADDED VALUE TO DISTRIBUTE</b>	<u>6.021.851</u>	<u>100,00%</u>	<u>11.817.368</u>	<u>100,00%</u>	<u>5.235.625</u>	<u>100,00%</u>	<u>12.032.927</u>	<u>100,00%</u>
<b>DISTRIBUTION OF ADDED VALUE</b>								
<b>PERSONNEL</b>								
. Personnel, charges and management fees	248.352	4,12%	2.702.995	22,87%	177.175	3,38%	2.249.671	18,70%
. Profit sharing of employees	18.000	0,30%	159.925	1,35%	17.000	0,32%	138.468	1,15%
. Retirement and pension plans	12.073	0,20%	224.388	1,90%	11.933	0,23%	312.211	2,59%
	<u>278.425</u>	<u>4,62%</u>	<u>3.087.309</u>	<u>26,13%</u>	<u>206.108</u>	<u>3,94%</u>	<u>2.700.350</u>	<u>22,44%</u>
<b>TAXES</b>								
. Taxes and contributions	(77.890)	-1,29%	1.949.325	16,50%	511.459	9,77%	1.779.304	14,79%
<b>FINANCIAL CHARGES AND RENT</b>	<u>4.273.459</u>	<u>70,97%</u>	<u>5.232.878</u>	<u>44,28%</u>	<u>3.512.987</u>	<u>67,10%</u>	<u>6.391.956</u>	<u>53,12%</u>
<b>STOCKHOLDERS</b>								
. Dividends and interest on equity capital	703.486	11,68%	703.486	5,95%	459.548	8,78%	459.548	3,82%
. Interest of non-controlling stockholders	-	0,00%	(64.233)	-0,54%	-	0,00%	14.854	0,12%
. Retained earnings	844.371	14,02%	908.603	7,69%	701.769	13,40%	686.915	5,71%
	<u>1.547.857</u>	<u>25,70%</u>	<u>1.547.856</u>	<u>13,10%</u>	<u>1.161.317</u>	<u>22,18%</u>	<u>1.161.317</u>	<u>9,65%</u>
	<u>6.021.851</u>	<u>100,00%</u>	<u>11.817.368</u>	<u>100,00%</u>	<u>5.235.625</u>	<u>100,00%</u>	<u>12.032.927</u>	<u>100,00%</u>

**CENTRAIS ELÉTRICAS BRASILEIRAS S.A. - ELETROBRÁS**  
**CONSUMERS AND RESELLERS AS OF DECEMBER 31**  
(In thousands of Brazilian reais)

	COMPANY					CONSOLIDATED					Long-term	
	Current					Current					2007	2006
	2007					2006					2007	2006
	Falling due	Overdue up to 90 days	more than 90 days	Total	Total	Falling due	Overdue up to 90 days	more than 90 days	Total	Total		
AES ELETROPAULO	200.238	-	-	200.238	194.261	290.496	-	-	290.496	283.032	-	-
AES SUL	33.336	-	-	33.336	32.392	52.031	-	-	52.031	37.441	-	-
AES TIETÊ	-	-	-	-	-	690	-	-	690	14.272	-	-
AMPLA	28.399	-	-	28.399	36.781	66.548	-	-	66.548	59.560	-	-
ANDE	-	-	-	-	-	38.779	-	-	38.779	-	-	-
EBE	65.661	-	-	65.661	63.757	90.474	-	-	90.474	80.602	-	-
CEA	-	-	-	-	-	9.973	27.395	385.907	423.275	307.911	-	-
CEB	13.169	-	-	13.169	14.930	31.004	-	10.201	41.205	27.549	-	-
CEEE-D	29.507	-	-	29.507	-	43.993	-	-	43.993	25.314	-	-
CEEE-GT	-	-	-	-	36.827	3.432	-	-	3.432	16.787	-	-
CELESC	50.824	-	-	50.824	56.405	59.016	-	-	59.016	63.866	-	-
CELG	26.169	33.700	93.706	153.575	29.033	60.378	33.700	93.706	187.784	50.009	-	-
CELPA	-	-	-	-	-	38.484	-	29	38.513	52.193	-	-
CELPE	-	-	-	-	-	47.465	-	-	47.465	45.130	-	-
CEMAR	-	-	-	-	-	24.511	-	-	24.511	42.330	-	-
CEMIG	196.914	-	-	196.914	191.100	279.535	-	-	279.535	271.914	-	-
CERON	-	-	-	-	-	21.835	-	-	21.835	23.091	-	-
CEPISA	-	-	-	-	-	19.186	-	-	19.186	130.281	-	-
CESP	-	-	-	-	-	2.267	-	-	2.267	-	-	-
COELCE	-	-	-	-	-	30.794	-	-	30.794	25.848	-	-
COELBA	-	-	-	-	-	65.096	-	-	65.096	57.833	-	-
COPEL	74.090	-	-	74.090	71.874	160.921	-	-	160.921	112.563	-	-
CPFL	91.718	-	-	91.718	89.044	118.581	-	-	118.581	107.370	-	-
ELEKTRO	49.982	-	-	49.982	48.504	99.840	-	-	99.840	77.442	-	-
ENERSUL	11.738	-	-	11.738	11.385	18.473	-	-	18.473	13.406	-	-
ESCELSA	28.834	-	-	28.834	27.988	49.075	-	-	49.075	42.142	-	-
LIGHT	134.829	-	-	134.829	130.889	218.058	-	53	218.111	208.420	-	-
PIRATININGA	62.310	-	-	62.310	60.534	1.208	-	-	1.208	60.534	-	-
RGE	24.304	-	-	24.304	23.630	30.373	-	-	30.373	34.820	-	-
Commercialization at CCEE	-	-	-	-	-	89.887	-	293.561	383.448	378.313	-	-
Regulatory assets	-	-	-	-	-	446.644	705	1.012	448.361	571.743	78.341	842.060
Electricity network use	-	-	-	-	-	124.169	659	9.792	134.620	90.925	-	-
PROINFA	76.439	4.145	8.426	89.010	51.622	76.439	4.145	8.426	89.010	51.622	-	-
Consumers	-	-	-	-	-	286.806	74.603	346.609	708.018	630.005	-	-
Other	5.218	-	5.603	10.821	9.436	226.028	9.822	271.223	507.073	628.203	17.460	98.133
(-) Allowance for doubtful accounts	-	-	-	-	-	-	-	(1.171.694)	(1.171.694)	(627.547)	(69.623)	(350.970)
	1.203.679	37.845	107.735	1.349.259	1.180.392	3.222.489	151.029	248.825	3.622.343	3.994.924	26.178	589.223

**CENTRAIS ELÉTRICAS BRASILEIRAS S.A - ELETROBRÁS**  
**LOANS AND FINANCING GRANTED AS OF DECEMBER 31**  
(In thousands of Brazilian reais)

	COMPANY								CONSOLIDATED							
	2007				2006				2007				2006			
	CURRENT CHARGES		PRINCIPAL AMOUNT		CURRENT CHARGES		PRINCIPAL AMOUNT		CURRENT CHARGES		PRINCIPAL AMOUNT		CURRENT CHARGES		PRINCIPAL AMOUNT	
	AVERAGE RATE	VALUE	CURRENT	NON CURRENT	AVERAGE RATE	VALUE	CURRENT	NON CURRENT	AVERAGE RATE	VALUE	CURRENT	NON CURRENT	AVERAGE RATE	VALUE	CURRENT	NON CURRENT
<b>CONTROLLED COMPANIES AND JOINTLY-CONTROLLED COMPANY</b>																
FURNAS	8,86%	4.779	460.606	530.877	6,41%	7.043	103.852	617.797	-	-	-	-	-	-	-	-
CHESF	11,68%	43.047	420.273	3.747.908	11,74%	52.271	414.560	4.131.249	-	-	-	-	-	-	-	-
ELETROSUL	7,54%	261	2.676	183.629	6,87%	133	83.086	55.337	-	-	-	-	-	-	-	-
ELETRONORTE	15,63%	117.671	319.986	6.253.973	12,03%	2.855.216	852.408	4.360.464	-	-	-	-	-	-	-	-
ELETRONUCLEAR	12,35%	6.023	179.138	2.263.506	13,21%	6.136	178.257	2.064.798	-	-	-	-	-	-	-	-
LIGHTPAR	12,00%	-	3.259	-	12,00%	6.808	11.047	-	-	-	-	-	-	-	-	-
ITAIPI	7,07%	-	46.191	14.624.980	6,97%	-	16.261	14.594.746	7,07%	-	23.096	7.312.490	6,97%	-	8.131	7.297.373
		<u>171.781</u>	<u>1.432.129</u>	<u>27.604.873</u>		<u>2.927.607</u>	<u>1.659.471</u>	<u>25.824.391</u>			<u>23.096</u>	<u>7.312.490</u>			<u>8.131</u>	<u>7.297.373</u>
<b>OTHER</b>																
CEPISA	10,71%	406	65.258	278.848	11,10%	446	41.932	248.916	10,71%	406	65.258	278.848	11,10%	446	41.932	248.916
CERON	11,44%	1.264	21.773	354.518	15,38%	20.227	46.629	296.896	11,44%	1.264	21.773	354.518	15,38%	20.227	46.629	296.896
CEMIG	6,76%	2.353	58.020	355.958	6,76%	1.858	47.772	237.238	6,76%	2.353	58.020	284.790	6,76%	1.858	47.772	237.238
COPEL	8,39%	2.130	35.855	271.965	8,33%	2.263	44.387	267.499	8,39%	2.130	35.855	271.965	8,33%	2.263	44.387	267.499
CEEE	9,33%	1.174	90.383	54.436	9,33%	2.290	66.411	104.198	9,33%	1.174	90.383	54.436	9,33%	2.290	66.411	104.198
DUKE	10,00%	3.966	144.026	865.083	10,00%	4.303	122.822	940.574	10,00%	3.966	144.026	865.083	10,00%	4.303	122.822	940.574
AES TIETÊ	10,00%	5.062	183.766	1.104.299	10,00%	5.492	156.709	1.200.652	10,00%	5.062	183.766	1.104.299	10,00%	5.492	156.709	1.200.652
AES ELETROPAULO	9,85%	262.048	120.904	8.917	9,57%	249.689	117.733	23.977	9,85%	262.048	120.904	8.917	9,57%	249.689	117.733	23.977
TRACTIBEL	12,00%	1.005	31.909	68.559	12,00%	1.808	87.437	93.402	12,00%	1.005	31.909	68.559	12,00%	1.808	87.437	93.402
CELPE	6,02%	679	16.295	82.851	6,04%	563	12.802	94.945	6,02%	679	16.295	82.851	6,04%	563	12.802	94.945
CEMAR	6,07%	924	8.157	284.790	7,97%	1.140	1.768	307.973	6,07%	924	8.157	284.790	7,97%	1.140	1.768	307.973
CESP	9,32%	1.185	24.106	245.098	9,44%	1.294	26.316	254.418	9,32%	1.185	24.106	245.098	9,44%	1.294	26.316	254.418
OTHER	-	67.154	361.246	1.907.908	-	54.599	330.937	1.439.386	-	64.234	266.320	1.356.391	-	58.276	335.919	1.684.729
(-) Allowance for doubtful accounts	-	(38.785)	(41.845)	-	-	(24.180)	(27.449)	-	-	(38.785)	(41.845)	-	-	(24.180)	(27.449)	-
		<u>310.565</u>	<u>1.119.853</u>	<u>5.883.230</u>		<u>321.792</u>	<u>1.076.206</u>	<u>5.510.074</u>		<u>310.577</u>	<u>1.172.838</u>	<u>6.092.879</u>		<u>325.469</u>	<u>1.081.188</u>	<u>5.755.417</u>
<b>TOTAL</b>		<u>482.346</u>	<u>2.551.982</u>	<u>33.488.103</u>		<u>3.249.399</u>	<u>2.735.677</u>	<u>31.334.465</u>		<u>310.577</u>	<u>1.195.934</u>	<u>13.405.369</u>		<u>325.469</u>	<u>1.089.319</u>	<u>13.052.790</u>

The long-term portions granted out of ordinary and sectorial funds, including re-lending, are payable in variable installments, as shown below:

	2009	2010	2011	2012	2013	After 2013	TOTAL
<b>COMPANY</b>	3.334.182	3.354.348	3.182.315	3.131.991	3.051.026	17.434.241	33.488.103
<b>CONSOLIDATED</b>	1.334.681	1.342.754	1.273.888	1.253.744	1.221.333	6.978.969	13.405.369

**CENTRAIS ELÉTRICAS BRASILEIRAS S.A. - ELETROBRÁS**  
**INVESTMENTS IN CONSOLIDATED COMPANIES AS OF DECEMBER 31**  
(In thousands of Brazilian reais)

	2007								2006	
	FURNAS (b)	CHESF	ELETROSUL	ELETRO- NORTE	ELETRO- NUCLEAR	LIGHTPAR	CGTEE	ITAIPU (c)	TOTAL	
<b>COMPANIES' DATA</b>										
Capital stock	3.194.000	1.696.306	279.072	2.843.235	3.295.768	113.790	868.721	177.130	-	-
Stockholders' equity (a)	13.400.554	11.571.608	2.109.175	7.283.436	4.455.313	55.769	642.208	177.130	-	-
Net income (loss) for the year	676.524	652.630	196.940	(542.315)	117.668	16.097	(69.149)	-	-	-
<b>ELETROBRÁS'S INTERESTS</b>										
Number of shares – thousand share lot										
Common shares	50.618.949	40.478	42.582.421	68.736.323	9.611.945	8.480.196	1.126.273	-	-	-
Preferred shares	14.088.233	1.002	-	-	2.687.056	-	-	-	-	-
% of interest										
Subscribed and paid-in capital	99,54	99,45	99,71	98,66	99,80	81,61	99,94	50,00	-	-
Voting	99,82	100,00	99,71	98,66	99,92	81,61	99,94	50,00	-	-
<b>CHANGES IN INVESTMENTS:</b>										
Balances at beginning of year	12.692.991	11.097.604	1.953.343	7.720.886	4.357.407	32.665	710.930	106.900	38.672.726	38.503.522
Equity accounting – income (loss) for the year	796.567	649.040	196.556	(535.047)	117.335	12.516	(69.107)	(18.335)	1.149.525	599.035
Dividends	(164.121)	(238.680)	(46.841)	-	(27.893)	-	-	-	(477.535)	(6.647)
Interest on equity capital										(423.184)
Balances at end of year	13.325.437	11.507.964	2.103.058	7.185.839	4.446.849	45.181	641.823	88.565	39.344.716	38.672.726



CENTRAIS ELÉTRICAS BRASILEIRAS S.A. - ELETROBRÁS

PROPERTY, PLANT AND EQUIPMENT

(In thousands of Brazilian reais)

	COMPANY	COMPANY AND SUBSIDIARIES TOGETHER								CONSOLIDATED							
	dez/07	dez/07								Dec-07							
	ELETROBRÁS	FURNAS	CHESF	ELETRONORTE	ELETRONUCLEAR	ELETROSUL	ITAIPU	CGTEE	LIGHTPAR	TOTAL							
<b>Generation</b>																	
In service	-	7.657.039	-	17.143.404	-	19.762.511	-	6.036.619	-	-	-	15.132.699	-	1.880.963	-	-	67.613.235
Accumulated depreciation	-	(2.879.918)	-	(6.593.464)	-	(7.698.655)	-	(1.860.924)	-	-	-	-	-	(1.576.832)	-	-	(20.609.793)
In progress	-	4.777.121	-	10.549.940	-	12.063.856	-	4.175.695	-	-	-	15.132.699	-	304.131	-	-	47.003.442
	-	1.973.816	-	169.207	-	580.437	-	2.294.264	-	93.768	-	207.234	-	176.578	-	-	5.495.304
	-	6.750.937	-	10.719.147	-	12.644.293	-	6.469.959	-	93.768	-	15.339.933	-	480.709	-	-	52.498.746
<b>Transmission</b>																	
In service	-	12.180.452	-	6.936.848	-	5.990.161	-	2.914.876	-	1.090.279	-	-	-	-	-	-	29.112.616
Accumulated depreciation	-	(5.981.580)	-	(3.135.709)	-	(2.716.878)	-	(1.279.948)	-	-	-	-	-	-	-	-	(13.114.115)
In progress	-	6.198.872	-	3.801.139	-	3.273.283	-	1.634.928	-	1.090.279	-	-	-	-	-	-	15.998.501
	-	1.252.690	-	1.175.238	-	567.970	-	280.638	-	-	-	-	-	-	-	-	3.276.536
	-	7.451.562	-	4.976.377	-	3.841.253	-	1.915.566	-	1.090.279	-	-	-	-	-	-	19.275.037
<b>Distribution/Commercialization</b>																	
In service	-	1.480	-	-	-	1.054.108	-	-	-	-	-	-	-	-	-	-	1.055.588
Accumulated depreciation	-	(502)	-	-	-	(478.420)	-	-	-	-	-	-	-	-	-	-	(478.922)
In progress	-	978	-	-	-	575.688	-	-	-	-	-	-	-	-	-	-	576.666
	-	39	-	-	-	291.518	-	-	-	-	-	-	-	-	-	-	291.557
	-	1.017	-	-	-	867.206	-	-	-	-	-	-	-	-	-	-	868.223
<b>Administration</b>																	
In service	53.704	195.521	-	895.235	-	319.186	-	13.137	-	44.586	-	746.544	-	8.418	-	171	2.276.502
Accumulated depreciation	(24.897)	(83.559)	-	(441.070)	-	(185.563)	-	(7.255)	-	(12.171)	-	-	-	(2.793)	-	(129)	(757.437)
In progress	28.807	111.962	-	454.165	-	133.623	-	5.882	-	32.415	-	746.544	-	5.625	-	42	1.519.065
	-	20.535	-	131.056	-	72.177	-	4.170	-	1.986	-	390.305	-	-	-	-	620.229
	28.807	132.497	-	585.221	-	205.800	-	10.052	-	34.401	-	1.136.849	-	5.625	-	42	2.139.294
	<b>28.807</b>	<b>14.336.013</b>	-	<b>16.280.745</b>	-	<b>17.558.552</b>	-	<b>6.480.011</b>	-	<b>2.043.735</b>	-	<b>17.567.061</b>	-	<b>486.334</b>	-	<b>42</b>	<b>74.781.300</b>
<b>Concession-linked obligations</b>																	
(-) Amortization and reversals	-	(81.998)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(81.998)
(-) Consumers' contributions	-	-	-	(3.344)	-	(24.482)	-	-	-	-	-	-	-	-	-	-	(27.826)
(-) Federal Government's participation	-	(28.539)	-	(108.052)	-	(266.480)	-	(3.617)	-	-	-	-	-	-	-	-	(406.688)
(-) Donations and grants for investment	-	(2.003)	-	(43.865)	-	(18.260)	-	(204)	-	(6.815)	-	-	-	-	-	-	(71.147)
(-) Other	-	-	-	(380)	-	(36.072)	-	-	-	-	-	-	-	-	-	-	(36.452)
	-	(112.540)	-	(155.641)	-	(345.294)	-	(3.821)	-	(6.815)	-	-	-	-	-	-	(624.111)
<b>TOTAL</b>	<b>28.807</b>	<b>14.223.473</b>	-	<b>16.125.104</b>	-	<b>17.213.258</b>	-	<b>6.476.190</b>	-	<b>2.036.920</b>	-	<b>17.567.061</b>	-	<b>486.334</b>	-	<b>42</b>	<b>74.157.189</b>

\* In 2006, Intangible Assets were separated from the total balance of Property, plant and equipment

Annual average depreciation rate (%)

Generation	0,00%	2,20%	2,41%	2,56%	3,30%	0,00%	0,00%	6,12%	0,00%
Transmission	0,00%	3,00%	2,97%	2,76%	0,00%	3,19%	0,00%	0,00%	0,00%
Distribution/Commercialization	0,00%	5,70%	0,00%	3,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Administration	7,95%	9,30%	6,57%	15,00%	10,00%	7,51%	0,00%	12,50%	0,00%

(Convenience translation into English from the original previously issued in Portuguese)

CENTRAIS ELÉTRICAS BRASILEIRAS S.A. - ELETROBRÁS

PROPERTY, PLANT AND EQUIPMENT

(In thousands of Brazilian reais)

	COMPANY AND SUBSIDIARIES TOGETHER									CONSOLIDATED
	COMPANY									Dec-06
	Dec-06	dez/06								TOTAL
	ELETROBRÁS	FURNAS	CHESF	ELETRONORTE	ELETRONUCLEAR	ELETROSUL	ITAIPU	CGTEE	LIGHTPAR	
<b>Generation</b>										
In service	-	7.645.283	16.919.707	15.261.051	6.020.507	-	19.038.648	1.867.236	-	66.752.432
Accumulated depreciation	-	(2.701.018)	(6.243.636)	(7.341.091)	(1.683.564)	-	-	(1.532.705)	-	(19.502.014)
	-	4.944.265	10.676.071	7.919.960	4.336.943	-	19.038.648	334.531	-	47.250.418
In construction	-	1.570.447	225.602	4.496.633	1.999.010	31.984	245.729	73.474	-	8.642.879
	-	6.514.712	10.901.673	12.416.593	6.335.953	31.984	19.284.377	408.005	-	55.893.297
<b>Transmission</b>										
In service	-	11.777.672	6.566.634	5.754.556	-	2.720.160	1.314.584	-	-	28.133.606
Accumulated depreciation	-	(5.660.212)	(2.954.095)	(2.541.411)	-	(1.215.966)	-	-	-	(12.371.684)
	-	6.117.460	3.612.539	3.213.145	-	1.504.194	1.314.584	-	-	15.761.922
In construction	-	1.394.882	1.318.712	545.168	-	281.845	-	-	-	3.540.607
	-	7.512.342	4.931.251	3.758.313	-	1.786.039	1.314.584	-	-	19.302.529
<b>Distribution/Commercialization</b>										
In service	-	1.361	-	1.004.272	-	-	-	-	-	1.005.633
Accumulated depreciation	-	(428)	-	(427.073)	-	-	-	-	-	(427.501)
	-	933	-	577.199	-	-	-	-	-	578.132
In construction	-	113	-	242.114	-	-	-	-	-	242.227
	-	1.046	-	819.313	-	-	-	-	-	820.359
<b>Administration</b>										
In service	50.710	174.194	803.293	307.080	27.827	41.768	896.299	5.969	50	2.307.190
Accumulated depreciation	(19.888)	(74.991)	(416.182)	(169.443)	(18.000)	(9.534)	-	(2.119)	-	(710.157)
	30.822	99.203	387.111	137.637	9.827	32.234	896.299	3.850	50	1.597.033
In construction	-	30.539	173.689	53.780	4.245	2.547	474.148	2.168	-	741.116
	30.822	129.742	560.800	191.417	14.072	34.781	1.370.447	6.018	50	2.338.149
	<b>30.822</b>	<b>14.157.842</b>	<b>16.393.724</b>	<b>17.185.636</b>	<b>6.350.025</b>	<b>1.852.804</b>	<b>21.969.408</b>	<b>414.023</b>	<b>50</b>	<b>78.354.334</b>
<b>Concession-linked obligations</b>										
(-) Amortization and reversals	-	(81.998)	(20.269)	-	-	-	-	-	-	(102.267)
(-) Consumers' contributions	-	-	(6.048)	(24.448)	-	-	-	-	-	(30.496)
(-) Federal Government's participation	-	(28.539)	(108.052)	(263.978)	-	-	-	-	-	(400.569)
(-) Donations and grants for investment	-	(2,003)	(20,839)	-	-	(254)	-	-	-	(23,096)
(-) Other	-	-	-	(55,077)	(47,543)	-	-	-	-	(102,620)
	-	<b>(112.540)</b>	<b>(155.208)</b>	<b>(343.503)</b>	<b>(47.543)</b>	<b>(254)</b>	-	-	-	<b>(659.048)</b>
<b>TOTAL</b>	<b>30.822</b>	<b>14.045.302</b>	<b>16.238.516</b>	<b>16.842.133</b>	<b>6.302.482</b>	<b>1.852.550</b>	<b>21.969.408</b>	<b>414.023</b>	<b>50</b>	<b>77.695.286</b>

\* In 2006, Intangible Assets were separated from the total balance of Property, plant and equipment

Annual average depreciation rate (%)

Generation	0,00%	2,20%	2,47%	3,02%	3,30%	0,00%	0,00%	6,17%	0,00%
Transmission	0,00%	3,00%	3,07%	2,93%	0,00%	3,19%	0,00%	0,00%	0,00%
Distribution/Commercialization	0,00%	9,00%	0,00%	2,78%	0,00%	0,00%	0,00%	0,00%	0,00%
Administration	7,95%	5,60%	5,10%	18,26%	10,00%	7,51%	0,00%	12,50%	0,00%

**CENTRAIS ELÉTRICAS BRASILEIRAS S.A. - ELETROBRÁS**  
**LOANS AND FINANCING OBTAINED AS OF DECEMBER 31**  
(In thousands of Brazilian reais)

	COMPANY								CONSOLIDATED							
	2007				2006				2007				2006			
	CHARGES		PRINCIPAL AMOUNT		CHARGES		PRINCIPAL AMOUNT		CHARGES		PRINCIPAL AMOUNT		CHARGES		PRINCIPAL AMOUNT	
	CURRENT		NON		CURRENT		NON		CURRENT		NON		CURRENT		NON	
AVERAGE RATE	VALUE	CURRENT	NON	AVERAGE RATE	VALUE	CURRENT	NON	AVERAGE RATE	VALUE	CURRENT	NON	AVERAGE RATE	VALUE	CURRENT	NON	
<b>IN FOREIGN CURRENCY</b>																
<b>Financial Institutions</b>																
Inter-American Development Bank - IDB	5,62%	4.578	32.957	313.091	6,97%	6.860	49.074	417.687	5,62%	4.578	32.957	313.091	6,97%	6.860	49.074	417.687
Corporación Andino de Fomento - CAF	8,06%	1.934	6.959	184.089	7,94%	1.913	8.399	238.998	8,06%	1.934	6.959	184.089	7,94%	1.913	8.399	238.998
Kreditanstalt für Wiederaufbau - KfW	5,73%	199	24.773	100.540	5,73%	259	26.783	135.793	5,73%	479	47.610	123.378	5,73%	259	26.783	185.174
AMFORP & BEPCO	6,50%	-	296	303	6,50%	-	607	1.218	6,50%	-	296	303	6,50%	-	607	1.218
Dresdner Bank	6,25%	266	24.772	100.539	6,25%	345	26.783	135.792	6,25%	382	35.859	111.625	6,25%	345	26.783	159.765
Eximbank	2,15%	1.721	34.767	330.291	2,15%	2.136	39.410	413.807	2,15%	1.721	34.767	330.291	2,15%	2.136	39.410	413.807
Other		366	1.790	16.629	5,15%	347	2.160	22.766		558	14.858	34.699		1.332	56.347	57.006
		<u>9.064</u>	<u>126.314</u>	<u>1.045.482</u>		<u>11.860</u>	<u>153.216</u>	<u>1.366.061</u>		<u>9.652</u>	<u>173.306</u>	<u>1.097.476</u>		<u>12.845</u>	<u>207.403</u>	<u>1.473.655</u>
<b>Bonus</b>																
Bonus - Dresdner Bank	7,75%	4.052	-	531.390	7,75%	4.892	-	641.400	7,75%	4.052	-	531.390	7,75%	4.892	-	641.400
		<u>4.052</u>	<u>-</u>	<u>531.390</u>		<u>4.892</u>	<u>-</u>	<u>641.400</u>		<u>4.052</u>	<u>-</u>	<u>531.390</u>		<u>4.892</u>	<u>-</u>	<u>641.400</u>
<b>Other</b>																
National Treasury - ITAIPU		-	-	-		-	-	-		6.202	667.338	9.179.553		8.242	546.469	13.751.786
		<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>		<u>6.202</u>	<u>667.338</u>	<u>9.179.553</u>		<u>8.242</u>	<u>546.469</u>	<u>13.751.786</u>
		<u>13.116</u>	<u>126.314</u>	<u>1.576.872</u>		<u>16.752</u>	<u>153.216</u>	<u>2.007.461</u>		<u>19.906</u>	<u>840.644</u>	<u>10.808.419</u>		<u>25.979</u>	<u>753.872</u>	<u>15.866.841</u>
<b>IN LOCAL CURRENCY</b>																
Receivables Investment Fund (FIDC)		-	-	-		-	-	-		-	306.419	277.296		-	534.272	486.333
Other		-	-	-		-	-	-		32.162	230.068	1.895.607		8.530	667.525	1.466.752
		<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>		<u>32.162</u>	<u>536.487</u>	<u>2.172.903</u>		<u>8.530</u>	<u>1.201.797</u>	<u>1.953.085</u>
		<u>13.116</u>	<u>126.314</u>	<u>1.576.872</u>		<u>16.752</u>	<u>153.216</u>	<u>2.007.461</u>		<u>52.068</u>	<u>1.377.131</u>	<u>12.981.322</u>		<u>34.509</u>	<u>1.955.669</u>	<u>17.819.926</u>

a) The debt is guaranteed by the Federal Government and/or ELETROBRÁS.

b) The total debt in foreign currency, including charges, amounts to R\$ 1,716,302 thousand (Company), corresponding to US\$ 968,951 thousand, and R\$ 11,668,969 thousand (Consolidated), corresponding to US\$ 6,587,799 thousand. The percentage distribution by currency is as follows:

	US\$	EURO	YEN
COMPANY	64%	15%	21%
CONSOLIDATED	91%	5%	4%

c) Loans and financing incurred interest at the average rate of 7,03% p.a. in 2007 and 6,83% p.a. in 2006.

d) The long-term portion of loans and financing denominated in thousands of US Dollars matures as follows:

	2009	2010	2011	2012	2013	After 2013	TOTAL
COMPANY	64.174	106.441	106.441	106.441	93.384	413.353	890.234
CONSOLIDATED	397.481	444.844	501.932	633.921	467.046	4.883.473	7.328.697

(Convenience translation into English from the original previously issued in Portuguese)

**CENTRAIS ELÉTRICAS BRASILEIRAS S.A - ELETROBRÁS**  
**INCOME (LOSS) PER SEGMENT AS OF DECEMBER 31, 2007**  
(In thousands of Brazilian reais)

INCOME (LOSS) PER SEGMENT	CONSOLIDATED					TOTAL
	GENERATION	TRANSMISSION	DISTRIBUTION	ADMINISTRATION	ITEMS ELIMINATED	
OPERATING REVENUES	13.277.440	3.791.948	2.893.331	9.458.012	(6.112.245)	23.308.486
OPERATING EXPENSES	(7.809.716)	(2.995.315)	(4.699.472)	(8.742.570)	4.199.452	(20.047.621)
<b>TOTAL OPERATING REVENUES (EXPENSES)</b>	<b>5.467.724</b>	<b>796.633</b>	<b>(1.806.141)</b>	<b>715.442</b>	<b>(1.912.793)</b>	<b>3.260.865</b>
FINANCIAL INCOME (EXPENSES)	(2.363.490)	593.741	195.782	596.453	50.845	(926.669)
<b>OPERATING INCOME (LOSSES)</b>	<b>3.104.234</b>	<b>1.390.374</b>	<b>(1.610.359)</b>	<b>1.311.895</b>	<b>(1.861.948)</b>	<b>2.334.196</b>
NON-OPERATING INCOME (LOSSES)	(12.324)	(23.564)	(485)	(506)	-	(36.879)
<b>INCOME (LOSSES) BEFORE INCOME AND SOCIAL CONTRIBUTION TAX AND OWNERSHIP INTERESTS</b>	<b>3.091.910</b>	<b>1.366.810</b>	<b>(1.610.844)</b>	<b>1.311.389</b>	<b>(1.861.948)</b>	<b>2.297.317</b>
Social contribution tax	(201.276)	(105.641)	117.386	17.540	-	(171.991)
Income tax	(575.814)	(309.535)	326.081	145.958	-	(413.310)
<b>INCOME (LOSS) BEFORE OWNERSHIP INTERESTS</b>	<b>2.314.820</b>	<b>951.634</b>	<b>(1.167.377)</b>	<b>1.474.887</b>	<b>(1.861.948)</b>	<b>1.712.016</b>
Profit sharing	(42.137)	(98.695)	(1.095)	(18.000)	-	(159.927)
Minority interest	-	-	-	-	(4.232)	(4.232)
<b>NET INCOME (LOSS) FOR THE YEAR</b>	<b>2.272.683</b>	<b>852.939</b>	<b>(1.168.472)</b>	<b>1.456.887</b>	<b>(1.866.180)</b>	<b>1.547.857</b>

CENTRAIS ELÉTRICAS BRASILEIRAS S.A. ELETRÓBRÁS

SUMMARIZED FINANCIAL STATEMENTS OF CONTROLLED COMPANIES AS OF DECEMBER 31  
(In thousands of Brazilian reais)

BALANCE SHEET

2007												2006																																																																																																																																																													
ASSETS						LIABILITIES						ASSETS						LIABILITIES																																																																																																																																																							
Current			Noncurrent			TOTAL			Current			Noncurrent			TOTAL			Current			Noncurrent			TOTAL																																																																																																																																																	
Other			Property, plant and equipment, deferred charges, and intangible assets						Current			Noncurrent			TOTAL			Current			Noncurrent			TOTAL																																																																																																																																																	
																		Other			Property, plant and equipment, deferred charges, and intangible assets																																																																																																																																																				
<b>COMPANY AND SUBSIDIARIES TOGETHER</b>																																																																																																																																																																									
FURNAS	1.870.702	2.266.530	14.426.075	18.563.307	2.618.257	2.513.342	13.431.708	18.563.307	2.405.707	2.046.913	14.239.713	18.692.333	2.549.482	3.222.366	12.920.485	18.692.333	CHESF	1.789.042	415.335	16.263.627	18.468.004	1.769.686	4.832.314	11.866.004	18.468.004	1.287.923	594.785	16.356.602	18.239.310	1.647.877	5.138.059	11.453.374	18.239.310	ELETROSUL	488.855	873.677	2.038.700	3.401.232	420.269	777.212	2.203.751	3.401.232	478.001	805.407	1.854.624	3.138.032	449.888	634.543	2.053.601	3.138.032	ELETRONORTE	2.143.497	1.308.261	17.274.411	20.726.169	2.513.896	9.594.867	8.617.406	20.726.169	2.544.950	1.563.303	16.901.557	21.009.810	5.703.061	7.363.967	7.942.782	21.009.810	MANAUS	274.121	604.484	1.590.753	2.469.358	613.890	1.243.072	612.396	2.469.358	294.718	481.533	1.623.924	2.400.175	402.380	844.114	1.153.681	2.400.175	BOA VISTA	53.909	46.993	85.105	186.007	40.589	45.154	100.264	186.007	50.454	35.485	101.310	187.249	33.548	44.545	109.156	187.249	ELETRONUCLEAR	729.988	679.616	6.485.044	7.894.648	526.944	2.912.127	4.455.577	7.894.648	708.007	622.719	6.302.482	7.633.208	500.783	2.706.629	4.365.796	7.633.208	CGTEE	184.785	11.213	527.777	723.775	74.988	6.579	642.208	723.775	321.111	13.746	439.051	773.908	52.082	10.469	711.357	773.908	LIGHTPAR	97.209	93.650	42	190.901	72.846	1	118.054	190.901	93.934	93.650	51	187.635	85.323	1	102.311	187.635	ITAIPU	1.530.658	4.437.118	31.047.697	37.015.473	2.378.875	34.459.468	177.130	37.015.473	1.373.819	428.703	43.938.816	45.741.338	2.640.411	42.887.128	213.800	45.741.339

STATEMENT OF OPERATIONS

2007												2006																																																																																																																																																													
Net operating Revenue			Operating Expenses			Service Revenue			Financial Income (loss)			Operating Income (loss)			Non-operating Income (loss)			Income Tax and Soc. Contrib. Tax			Income (loss) for the Year																																																																																																																																																				
<b>COMPANY AND SUBSIDIARIES TOGETHER</b>																																																																																																																																																																									
FURNAS	5.105.173	(5.202.370)	(97.197)	1.055.733	958.536	(5.319)	(276.693)	676.524	5.219.183	(4.525.632)	693.551	(296.892)	396.659	96.218	(128.673)	364.204	CHESF	3.980.753	(2.506.177)	1.474.576	(486.608)	987.968	(6.125)	(329.213)	652.630	3.265.709	(2.119.261)	1.146.448	(802.786)	343.662	234.152	(120.464)	457.350	ELETROSUL	549.145	(338.301)	210.844	101.744	312.588	(16.508)	(99.140)	196.940	539.268	(320.497)	218.771	(5.882)	212.889	64.355	(67.789)	209.455	ELETRONORTE	4.624.070	(4.426.515)	197.555	(688.650)	(491.095)	(7.466)	(43.754)	(542.315)	3.743.587	(3.611.127)	132.460	(454.258)	(321.798)	(10.230)	(17.054)	(349.082)	MANAUS	812.406	(1.293.406)	(481.000)	(63.702)	(544.702)	267	(544.435)	(886.469)	886.469	(1.095.893)	(209.424)	(37.919)	(247.343)	(2.165)	-	(249.508)	BOA VISTA	108.652	(127.098)	(18.446)	9.371	(9.075)	183	-	(8.892)	85.572	(101.941)	(16.369)	5.581	(10.788)	1	-	(10.787)	ELETRONUCLEAR	1.271.697	(1.099.028)	172.669	(53.282)	119.387	(507)	(1.212)	117.668	1.204.488	(922.604)	281.884	(251.520)	30.364	(500)	(1.811)	28.047	CGTEE	131.122	(219.864)	(88.742)	19.358	(69.384)	235	-	(69.149)	156.928	(196.218)	(39.290)	43.924	4.634	(837)	(2.581)	1.216	LIGHTPAR	19.089	(3.475)	15.614	609	16.223	-	(126)	16.097	3.832	(897)	2.935	439	3.374	-	(571)	2.803	ITAIPU	5.967.576	(2.312.945)	3.654.631	(2.330.870)	1.323.761	(2.171)	-	1.321.590	6.107.603	(2.408.842)	3.698.761	(4.478.555)	(779.794)	(2.038)	-	(81.832)

(Convenience translation into English from the original previously issued in Portuguese)

**CENTRAIS ELÉTRICAS BRASILEIRAS S.A.**

**ELETROBRÁS**

**(A PUBLIC COMPANY)**

***CNPJ (TIN) 00.001.180/0001-26***

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2007 AND 2006  
(INDIVIDUAL AND CONSOLIDATED)**

**NOTE 1 – OPERATIONS**

ELETROBRÁS is a public company headquartered in Brasília – DF, at Setor Comercial Norte, Quadra 4, Bloco B, 100, sala 203 – Asa Norte, with stocks listed at the stocks exchanges of São Paulo, Brazil, and Madrid, Spain. It has as business purpose to execute studies, projects, construction, and operation of electricity generating plants, transmission lines and energy distribution, as well as the execution of commercial transactions associated with those activities. It also has as purpose to cooperate with the Ministry of Mining and Energy in the formulation of the Brazilian power sector policies; and grant financing, and offer guarantees in Brazil and overseas; acquire debentures from the companies that work in the electric power public service and that are under its stock control; grant financing and give guarantees in Brazil or abroad in favor of technical-scientific research entities; promote and support research in the electric power sector associated with the activities of generation, transmission and distribution of electricity, as well as the performance of studies about the use of hydrographical basins for multiple purposes; contribute in the formation of the necessary technical personnel to the Brazilian electric sector, as well as the preparation of qualified workers through specific courses, in addition to assistance to Brazilian schools or granting of scholarships overseas and agreements with entities that cooperate in the formation of specialized technical personnel; cooperate at technical and administrative levels with the companies where it holds interests and with agencies of the Ministry of Mining and Energy.

The Company is responsible for the management of federal government funds, represented by the Global Reversal Reserve Quota (RGR), the Electric Development Account (CDE), the Use of Public Assets (UBP), and the Fuel Consumption Account (CCC). They finance the following programs of the Federal Government: Universalization of the Access to Electricity (“LUZ PARA TODOS”), National Program for Efficient Public Lighting (RELUZ), Incentive Program for Alternative Sources of Electricity (PROINFA), National Program for Energy Conservation (PROCEL) and the acquisition of fossil fuels used in the isolated systems of electricity generation.

The Company is the manager of PROINFA, a Federal program that aims to diversify the Brazilian energetic matrix and seek regional solutions by renewable energy sources based on the economic use of available input and applicable technology. ELETROBRÁS is entitled to purchase the power produced through it until 2026.

ELETROBRÁS is the major stockholder of the companies Furnas Centrais Elétricas S.A. (FURNAS), Centrais Elétricas do Norte do Brasil S.A. (ELETRONORTE), Companhia Hidro Elétrica do São Francisco (CHESF), ELETROSUL Centrais Elétricas S.A., Eletrobrás Termonuclear S.A. (ELETRONUCLEAR) and of Companhia de Geração Térmica de Energia Elétrica (CGTEE). The main function of those controlled companies is the generation, transmission, and distribution of electricity.

ELETROBRÁS is also the controlling company of Light Participações S.A. (LIGHTPAR) and, is a jointly-owner of ITAIPU Binacional, under the terms of the International Treaty signed by the Governments of Brazil and Paraguay.

The Company is an indirect-owner of the companies Manaus Energia S.A. and Boa Vista Energia S.A., which are wholly-owned subsidiaries of ELETRONORTE and that generate and distribute electricity in the States of Amazonas and Roraima.

The Company is also the agent responsible for the commercialization of the electric power generated by ITAIPU Binacional and through PROINFA.

## **NOTE 2 – PUBLIC SERVICE CONCESSIONS**

ELETROBRÁS, through its controlled companies, holds various public service electricity concessions, whose details, installed capacity, and maturities are listed below (See notes 20 and Attachment IV):

## I – Electricity Generation

	<u>RIVER NAME</u>	<u>CAPACITY IN MW</u>	<u>MATURITY</u>
<b>IN OPERATION</b>			
UHE Furnas	Grande	1,216	July 2015
UHE Estreito	Grande	1,050	July 2015
UHE Marimbondo	Grande	1,440	March 2017
UHE Itumbiara	Paranaíba	2,082	February 2020
UHE Serra da Mesa	Tocantins	1,275	May 2011
UHE Luiz Gonzaga	São Francisco	1,479	October 2015
UHE Xingó	São Francisco	3,162	October 2015
UHE Sobradinho	São Francisco	1,050	February 2022
UHE Tucuruí	Tocantins	8,370	July 2024
UHE Complexo Paulo Afonso	São Francisco	3,879	October 2015
UTE Santa Cruz	-	766	July 2015
Other generation concessions	-	2,552	Until 2035
<b>IN CONSTRUCTION</b>			
UHE Simplício	Paraíba do Sul	306	08/2041
UHE Baguari	Doce	140	08/2041
UHE Batalha	São Marcos	53	08/2041
		<u>28,820</u>	

The total installed capacity of the plants of ELETROBRÁS, including ITAIPU Binacional and ELETRONUCLEAR, is about 38,000 MW. The electricity generation considers the following assumptions:

- a) existence of periods, along the day and during the year, where there are higher or lower demands of power in the system, for which the plant or generation system was dimensioned;
- b) existence of periods where machines are removed from operation for execution of preventive or corrective maintenance, and
- c) the water availability of the river where it is located.

The production of electricity of the plants is a responsibility of the Energy Operation Planning and Scheduling area (Planejamento e Programação da Operação Eletroenergética), with planning and details that range from annual levels to daily schedules. It is currently prepared by the Electric Power National Operator (ONS), which defines the amounts and origin of the necessary generation to meet the Brazilian demand in an optimized manner, based on the water availability in the hydrographical basins and machines in operation, as well as the cost of generation and feasibility of transmission of that power through the interlinked system.



## II – Electric Power Transmission:

The transmission capacity of ELETROBRÁS is as follows:

	<u>LINES IN KM</u>	<u>SUBSTATIONS</u>	<u>MATURITY</u>
FURNAS	19,278	46	July 2015
ELETRONORTE	9,840	55	July 2015
CHESF	18,468	83	June 2037
ELETROSUL	9,145	36	July 2015
Other	655	-	July 2015
	<u>57,386</u>	<u>220</u>	

### NOTE 3 – CORPORATE GOVERNANCE

In September 2006, the Company went through a restructuring process to comply with the practices of Corporate Governance level I of BOVESPA (São Paulo Stock Exchange). Consequently, the Company that had shares listed in the IBOVESPA index, is now also listed in the Corporate Governance Index - IGC and Business Sustainability Index - ISE.

### NOTE 4 - RELATIONSHIP WITH INDEPENDENT AUDITORS

In compliance with the provisions of the Instruction 381 of the Brazilian Securities and Exchange Commission of January 14, 2003, ELETROBRÁS informs that it uses the independent auditing services of the firm BDO Trevisan Auditores Independentes. The said firm was engaged for a three-year period, counted upon August 1, 2005, for execution of audit services of individual and consolidated financial statements of ELETROBRÁS, and the Company does not have any other service agreements with the mentioned firm that not the financial statement audit services.

The independent auditors rendering individual audit services to the controlled companies of ELETROBRÁS are the following:

Controlled Companies	Independent Auditor
CGTEE	Deloitte Touche Tohmatsu
CHESF	Boucinhas & Campos + SOTECONTI
ELETRONORTE	BDO Trevisan
ELETRONUCLEAR	HLB Audilink e CIA
ELETROSUL	Horwath Tufani, Reis & Soares
FURNAS	HLB Audilink e CIA
ITAIPU	BDO Trevisan
LIGHTPAR	Russell Bedford Brasil
MANAUS	HLB Audilink e CIA
BOA VISTA	HLB Audilink e CIA

## **NOTE 5 - PRESENTATION OF THE FINANCIAL STATEMENTS**

The individual and consolidated financial statements of the Company are presented in accordance with the accounting practices adopted in Brazil, and in consonance with the provisions of the Corporate Law, number 6,404/76, and regulations and complementary instructions of the Brazilian Securities and Exchange Commission (CVM), together with specific regulations of the Brazilian Electric Power Agency - ANEEL, and have been examined by independent auditors.

With the objective of supplying additional information, the following statements are also presented:

- a) Statement of Cash Flows, prepared in accordance with the Accounting Standard and Procedure NPC 20 issued by IBRACON;
- b) Statement of Added Value, in accordance with the Decision of Federal Accounting Council CFC 1.010, of January 21, 2005, and
- c) A statement of disclosures about segments of an enterprise, according to the International Accounting Standard SFAS-131 issued by the Financial Accounting Standards Board.

For a better understanding, we list in Attachment VIII the main acronyms used in these notes to the financial statements.

## **NOTE 6 - SUMMARY OF MAIN ACCOUNTING PRACTICES**

The following accounting practices have been adopted in the preparation of the individual and consolidated financial statements:

### **I - GENERAL**

#### **a) CASH AND CASH EQUIVALENTS**

Stated at cost, they are represented by short-term financial investments, plus yield obtained until the closing date of the financial statements and do not exceed market value (See note 8).

#### **b) CONSUMERS ARE RESELLERS**

The balance of consumers and resellers (See Attachment I) is composed of receivables from the electricity sold to final consumers and concessionaires, including those stemming from the power traded at the Electricity Commercialization Chamber - CCEE, besides billed and unbilled supply, recorded under the accrual basis.

They also include fines on late payment on the part of consumers, and concession and permission holders.

#### **c) LOANS AND FINANCING GRANTED**

Granted loans and financing and the respective charges recognized until the balance sheet date are adjusted according to the monetary and exchange variation indexes established in the contracts (See Attachment II).

#### d) ALLOWANCE FOR DOUBTFUL ACCOUNTS

Provisions are recognized at amounts considered sufficient by the Company's management to cover possible losses in the realization of receivables (See notes 9, 10, 13 and 15 and Attachments I and II).

#### e) FUEL CONSUMPTION ACCOUNT (CCC)

Under the terms of Law 8,631 of March 04, 1993, ELETROBRÁS manages the amounts paid by holders of public electric power service concessions to be credited against the Fuel Consumption Account (CCC), corresponding to the annual share of expenditure with fuels for electricity generation. The amounts recorded in current assets, with a corresponding entry to current liabilities, correspond to the funds available kept in a blocked bank account and to the shares unsettled by concession holders.

#### f) PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment are demonstrated at cost, adjusted for inflation until December 31, 1995, in accordance with the Brazilian accounting practices. Depreciation is calculated under the straight-line method.

#### g) INVESTMENTS

Interests held in controlled companies and jointly-owned subsidiaries (See Attachment III), as well as other investments in related parties with stockholding corresponding to or exceeding 20% of the total capital of investees are valued under the equity method, in compliance with the terms of the Brazilian Corporate Law and Instruction CVM 247/96. The balancing entry of the adjustment stemming from that valuation is computed in income (loss). Other investments are valued at acquisition cost (See note 19).

#### h) FINANCINGS AND LOANS OBTAINED

Obtained loans and financing and the corresponding charges recognized until the balance sheet date are adjusted according to indexes established in the contracts and are demonstrated in Attachment V.

#### i) GLOBAL REVERSION RESERVE QUOTA - RGR

Drafts made by ELETROBRÁS in the account of RGR (See note 49) for concession of loans and financing to the concession holders are recorded as liabilities. Interest of 5% per annum is applied on such drafts, starting from the enactment of Law 8,631 in March 04, 1993.

#### j) COMPULSORY LOAN

It is recorded at principal amount, plus monetary variation, based on the IPCA-E index and interest of 6% per year (See note 28).

#### l) INCOME TAX AND SOCIAL CONTRIBUTION TAX ON NET INCOME

Corporate Income Tax - IRPJ is calculated under the annual taxable income, at the rate of 15% and surtax of 10% on taxable income, as defined by the prevailing tax law. Social Contribution Tax on Net Income - CSLL is calculated at the rate of 9% on adjusted income under the terms of the applicable law.

In compliance with CVM Decision 273 of August 20, 1998, and CVM Instruction 371, of June 27, 2002, deferred tax assets and liabilities, calculated on temporary differences, and tax losses carryforwards are recorded in current and noncurrent assets and noncurrent liabilities (See notes 14 and 26).

#### m) BENEFITS GRANTED TO EMPLOYEES

Actuarial obligations related to pension, retirement, and medical assistance plans are accrued for according to procedures established by CVM Decision 371/2000. That is based on actuarial calculations prepared by independent actuaries in conformity with the projected credit unit method, net of the assured assets of the plan, and costs referring to the increase at present value of the obligation, resulting from the service provided by the employee, which are recognized along the time of service of employees.

The projected credit unit method considers each time of service based on a benefit unit, measured in the computation of the final obligation. Assumptions are also used, such as the estimated evolution of medical assistance costs, biometrics, and economic statistics, as well as historical information of incurred expenses and contributions of employees (See note 31).

#### n) OTHER RIGHTS AND OBLIGATIONS

Other assets are recorded at their actual cost values, adjusted when applicable by provisions to reflect their actual realizable values. They also include earnings and possible monetary and exchange variations incurred; liabilities are recorded at their known and estimated worth, plus monetary or exchange variations incurred.

#### o) DETERMINATION OF RESULT OF OPERATIONS

Revenue and expenses are determined under the accrual basis.

## II - SPECIFIC PRACTICES OF THE ELECTRIC SECTOR

### a) PROPERTY, PLANT AND EQUIPMENT IN USE

Property, plant, and equipment are demonstrated at acquisition or construction cost, adjusted for inflation until December 31, 1995, in accordance with the accounting practices adopted in Brazil.

Depreciation is calculated under the straight-line method. Annual depreciation rates are estimated in conformity with Instruction ANEEL 44, as of March 17, 1999 (See note 20 and Attachments IV and IVa.).

### b) PROPERTY, PLANT AND EQUIPMENT IN CONSTRUCTION

In accordance with the Accounting Manual for Electricity Utilities, interest and other financial charges (monetary and exchange variation), related to loans obtained with third parties applied in constructions in progress, are recorded as part of construction costs.

General management fees are recognized in property, plant, and equipment in construction. The recognition of direct costs with personnel and third party services is allowed based on the criteria established by the Regulating Agency (See note 20 and Attachments IV and IVa.).

### c) CONCESSION-LINKED OBLIGATIONS

Obligations are recorded with a corresponding entry to the contributions received from the Federal Government and consumers, exclusively for investment in the electricity distribution grid. Obligations are recorded as reducers of property, plant and equipment, and at the end of concession, offset against the corresponding assets, including those acquired with the contributions received from the Government and from consumers. Public service concession periods are established by ANEEL (See note 20 and Attachments IV and IVa.).

### d) STOREROOM

Storeroom materials, classified as current assets, are recorded at the average acquisition cost. Those destined to the construction of property, plant, and equipment are classified in noncurrent assets, at acquisition cost. Recognized amounts do not exceed replacement costs or realizable values.

### e) AMOUNTS STEMMING FROM THE GENERAL ELECTRIC SECTOR AGREEMENT

In accordance with the provisions of ANEEL Decision 72 of February 7, 2002, the amounts referring to the Extraordinary Tariff Adjustment (RTE) are presented in the account "Consumers and resellers," as defined in Decision 91 of the Electricity Crisis Management Chamber - GCE, of December 21, 2001 and Law 10,438, of April 26, 2002 (See note 15).

#### f) OBLIGATIONS ASSUMED FOR THE RELEASE OF ASSETS

As established in the Accounting Manual for Electricity Utilities of ANEEL, a provision is recognized along the useful economic lives of thermonuclear plants with the purpose of recognizing the costs to be incurred with their technical-operational deactivation to the respective accrual period, at the end of their useful lives .

The amounts recognized to the result of operations are based on annual quotas established in American dollars at the ratio of 1/40th of estimated expenditures, immediately recorded and translated according to the exchange rate of the end of the accrual month. Liabilities referring to the decommissioning of plants are adjusted according to the American dollar variation (See note 33).

#### g) STOCKS OF NUCLEAR FUEL

The uranium concentrate in stock, the corresponding services and the available nuclear fuel elements inside the reactor and in the so-called pool destined to the elements used, are recorded at acquisition cost.

The consumption of the nuclear fuel elements is recognized to income (loss) of the year as they are used in the generation of power (See note 17).

#### h) SCHEDULED STOPS

The costs incurred before and during scheduled stops are initially recorded in Current assets. After operations are resumed at the plant, the costs are taken to the result of operations in monthly quotas, until the beginning of the next scheduled stop.

### III - SPECIFIC ACCOUNTING PRACTICES OF ITAIPU BINACIONAL

In accounting for its operations, Itaipu Binacional follows accounting practices generally accepted in Brazil and Paraguay, with due regard for specific provisions of the International Treaty signed by the Brazilian and the Paraguayan governments on April 26, 1973, which regulates ITAIPU Binacional. Below, the main provisions departing from accounting practices applicable in Brazil:

a) Depreciation of facilities is not recorded, as the revenue is calculated based on charges on liabilities, not being included in the "Cost of Electricity Service", according to Attachment C to the Brazil-Paraguay International Treaty;

b) Retained earnings are not part of the Stockholders' Equity, being appropriated to "Results to be Offset" and reclassified to property, plant and equipment;

c) In determining the return on equity capital, the realized profits are not taken into consideration, but shown as operating expenses under "Income."

#### IV - CHANGES IN ACCOUNTING PRACTICES

On December 28, 2007, Law No. 11,638/07 was enacted, which amended certain provisions of the Brazilian Corporate Law (No. 6,404/76), aiming to coordinate the accounting practices adopted in Brazil with International Financial Reporting Standards - IFRS.

The main changes brought by the mentioned Law, which came into effect starting on January 1, 2008, are commented in note 51 and, thus, do not produce effects on these financial statements.

#### NOTE 7 – CONSOLIDATION PROCEDURES

I) The Consolidated Financial statements have been prepared in accordance with the standards established by Instruction CVM 247 of March 27, 1996, and include the figures of ELETROBRÁS and the ones of the following controlled companies:

	ELETROBRÁS'S INTERESTS	
	2007 and 2006	
	Direct	Indirect
FURNAS	99.54%	-
CHESF	99.45%	-
ELETROSUL	99.71%	-
ELETRONORTE	98.66%	-
ELETRONUCLEAR	99.80%	-
ITAIPU BINACIONAL (*)	50.00%	-
CGTEE	99.94%	-
LIGHTPAR	81.61%	-
MANAUS ENERGIA (**)	-	100%
BOA VISTA ENERGIA (**)	-	100%

(\*) – Under joint control with ANDE (Paraguay)

(\*\*) – Indirect interest through ELETRONORTE.

II) The Balance Sheets and the Statements of Operations for the years ended December 31, 2007 and 2006 of consolidated companies are summarized in Attachment VII.

III) We presented below the main consolidation practices adopted:

- a) elimination of the investors' investments in the investees, with a corresponding entry to its interests in the respective stockholders' equities;
- b) elimination of intercompany balances receivable and payable;
- c) elimination of intercompany revenues and expenses, and
- d) separate identification of the interests held by other stockholders in the equity and in results of the consolidated investees.

In view of the non-existence of unrealized income in intercompany operations, the net income and shareholders' equity of the controlling company is the same as the one consolidated.

IV) Consolidation procedures of the controlling company in relation to ITAIPU Binacional

- a) The financial statements of ITAIPU BINACIONAL have been prepared in U.S. dollars and translated into reais at the exchange rate published by the Central Bank of Brazil on December 31, 2007 - US\$ 1.00 : R\$ 1.7713 (US\$ 1.00 : R\$ 2.1380 as of December 31, 2006);
- b) The income to offset of ITAIPU Binacional was adjusted in the consolidated property, plant and equipment;
- c) The compensation on equity capital paid by ITAIPU Binacional was recorded as income of the controlling company and eliminated in the consolidation;
- d) All income generated by ITAIPU Binacional in the account "Income to offset of ITAIPU Binacional." was eliminated in the consolidation.

For analytical purposes, a summary of the consolidated balance sheet and statement of operations excluding the effects of Itaipu Binacional's proportional consolidation is presented below. It is intended to show the influence of ITAIPU Binacional's financial statements in the consolidated financial statements of ELETROBRÁS. Given its specificities, this information should by no means be construed as representing the consolidated financial statements of ELETROBRÁS.



R\$ thousand  
**CONSOLIDATED BALANCE SHEET**  
 (for informative purposes only)

	2007	
	EXCLUDING ITAIPU	INCLUDING ITAIPU
Assets		
Current		
Consumers and resellers	3,583,564	3,622,343
Loans and financing	1,529,363	1,506,511
Other	13,398,228	13,481,105
	<u>18,511,155</u>	<u>18,609,959</u>
Noncurrent		
Long-term assets		
Loans and financing	20,656,088	13,405,369
Other	8,592,882	8,706,456
	<u>29,248,970</u>	<u>22,111,825</u>
Investments	5,272,463	5,183,898
Property, plant and equipment, deferred charges, and intangible assets	57,105,933	74,672,994
	<u>62,378,396</u>	<u>79,856,892</u>
Total assets	<u>110,138,521</u>	<u>120,578,676</u>
Liabilities and stockholders' equity		
Current		
Loans and financing	753,886	1,429,199
Trade accounts payable	2,853,120	2,291,929
Other	6,842,368	7,281,579
	<u>10,449,374</u>	<u>11,002,707</u>
Noncurrent		
Loans and financing	3,761,572	12,981,322
Other	15,578,725	16,245,797
	<u>19,340,297</u>	<u>29,227,119</u>
Stockholders' interest – ANDE	385,614	385,614
Stockholders' equity	<u>79,963,236</u>	<u>79,963,236</u>
	<u>80,348,850</u>	<u>80,348,850</u>
Total liabilities and stockholders' equity	<u>110,138,521</u>	<u>120,578,676</u>

R\$ thousand  
STATEMENT OF OPERATIONS  
(for informative purposes only)  
2007

	EXCLUDING ITAIPU	INCLUDING ITAIPU
Operating revenues		
Electricity sale and transmission	23,542,027	23,706,601
Deductions	(1,553,186)	(1,553,186)
Other	401,780	401,779
	<u>22,390,621</u>	<u>22,555,194</u>
Operating expenses		
Energy purchased for resale	(9,144,679)	(6,125,632)
Depreciation and amortization	(2,033,916)	(2,033,916)
ITAIPU's income to be offset	-	(694,088)
Other	(9,950,100)	(11,193,985)
	<u>(21,128,695)</u>	<u>(20,047,621)</u>
Operating income before financial Income	<u>1,261,926</u>	<u>2,507,573</u>
Financial income (expenses)	<u>336,123</u>	<u>(926,669)</u>
Income from participating interests held	<u>734,957</u>	<u>753,292</u>
Operating income	<u>2,333,006</u>	<u>2,334,196</u>
Non-operating income (loss)	<u>(35,689)</u>	<u>(36,879)</u>
Income before Corporate Income Tax (IRPJ) and Social Contribution Tax (CSLL)	2,297,317	2,297,317
CSLL and IRPJ	(585,301)	(585,301)
Income before interests held	1,712,016	1,712,016
Profit sharing	(159,926)	(159,926)
Minority interest	(4,233)	(4,233)
Net income	<u>1,547,857</u>	<u>1,547,857</u>
Earnings per share	<u>R\$ 1.37</u>	<u>R\$ 1.37</u>

## NOTE 8 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents are held at Banco do Brasil S.A., under the terms of specific legislation (Decree Law no. 1,290 of December 3, 1973) applying to mixed-capital companies under federal control, and amendments arising from the Brazilian Central Bank Resolution no. 2.917 of December 19, 2001, which determined new investment mechanisms for companies integrating indirect Federal Administration.

Readily realizable short-term investments are part of off-the-market investment funds, the return on which is calculated based on the Average SELIC Rate (Central Bank Overnight rate).

Total cash and cash equivalents as of December 31, 2007 is demonstrated below:

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2007	2006	2007	2006
Cash in hand and in banks	32,374	791	238,828	91,749
Financial investments	5,553,145	2,877,088	7,856,079	5,367,390
	<u>5,585,519</u>	<u>2,877,879</u>	<u>8,094,907</u>	<u>5,459,139</u>

## NOTE 9 - CONSUMERS AND RESELLERS OF ELECTRICITY

I - The receivables relating to consumers and resellers are detailed in Attachment I to these notes and include the regulatory assets described in item I of note 15.

II - Sale of the electricity generated by ITAIPU Binacional

Under Law 10,438 of April 26, 2002, ELETROBRÁS is responsible for the sale in Brazil of the electricity produced by ITAIPU BINACIONAL.

In the year 2007, the equivalent to 82,753 GWh was distributed, with the tariff for electricity supplied (purchase) by ITAIPU at US\$ 22.20/kW and the tariff for energy transfer (sale) at US\$ 23.75/kW.

The results of the ITAIPU Binacional's electricity sales, under the terms of Decree 4,550, of December 27, 2002, observing the amendments introduced by Decree 6.265, of November 22, 2007, will be appropriated as follows (See item II, of note 15):

a) if positive, to the Residential and Rural consumers of the National Interconnected Power System using up to 350 kWh, through apportionment ratably to the individual consumption and credit of bonuses in the electricity bills.

b) if negative, it is included by ANEEL in the calculation of the contracted power tariff in the year subsequent to the result formation.

In the year 2007, the activity was positive by R\$ 96,009 thousand, and the respective obligations were included in the account "Rights to Reimbursement."

### III – PROINFA

Sales within the scope of PROINFA generated a positive net income in 2007 of R\$250,414 thousand, not producing effects on ELETROBRÁS's net income for the year. The net balance of the activity is presented in current liabilities and corresponds to R\$444,225 thousand (R\$ 193,810 thousand on December 31, 2006), and is included under the caption "Refund Obligations."

### IV - Electricity Commercialization Chamber - CCEE

The amounts relating to operations performed in CCEE's sphere of action are recorded based on the information given by CCEE itself.

As a result of those operations in 2007, a net credit of R\$ 106,830 thousand was generated for ELETROBRÁS and its controlled companies.

Controlled company FURNAS recorded R\$ 293,560 thousand of credits relating to distribution of energy by the former MAE in the period between September 2000 and September 2002. The respective financial settlements have been suspended due to preliminary orders granted in the course of legal actions filed by electricity distribution concessionaires against ANEEL and MAE, presently CCEE. Due to the uncertainty of realization, the Company keeps an Allowance for Doubtful Accounts, corresponding to the full amount of credit taken in the last quarter of 2007.

In accordance with the rules established by the Market Agreement, the resolution of those disputes would imply a new recording, and the attendant settlement between the parties would occur without CCEE's intervention. To this end, negotiations were initiated with the participation of ANEEL, CCEE and the agents involved, in order to solve judicial disputes connected with the accounting process and liquidation, and enable negotiation of a solution for those actions. (See note 12 item c).

### V – Allowance for doubtful accounts

The Company set up and maintains an allowance for doubtful accounts in accordance with rules established by ANEEL, based on an analysis of the overdue receivables and past experience with losses, at an amount deemed sufficient to cover possible losses on any such accounts. The balance as of December 31, 2007 corresponded to R\$ 1,241,317 thousand (R\$ 978,517 thousand on December 31, 2006), and had the following composition:

	R\$ thousand	
	CONSOLIDATED	
	2007	2006
RTE (Free Energy – loss of revenue and Portion A)	309,732	351,988
Consumers and resellers		
Companhia de Eletricidade do Amapá (CEA)	413,302	298,285
Other	224,723	328,244
	638,025	626,529
Short-term energy – CCEE	293,560	-
	1,241,317	978,517

The balance of allowance for doubtful accounts - RTE refers to the provisions set up to cover possible losses in the realization of assets recognized referring to loss of revenue, 'Portion A' and 'Free Energy' (See note 15).

For taxation purposes, the excess of provision recorded, taking into account the provisions of Law 9,430/1996 is added to the Taxable Income for IRPJ - Corporate Income Tax - calculation purposes, and to the CSLL – Social Contribution Tax, too.

## **NOTE 10 - LOANS AND FINANCING GRANTED**

Loans and financing receivable refer to ELETROBRÁS' own resources, sectorial resources, external funds from development international agencies, financial institutions, and the issuance of bonds in the international financial market (See Attachment II).

All loans and financing are supported by contracts signed with sector companies. Most of these amounts are expected to be amortized in monthly installments over an average 10-year period, at an average of 8.99% p.a. interest rate, weighted by the debt balance.

Loans and financing granted under foreign-currency-restatement clauses represent nearly 46% of the total loan portfolio, whereas those based on indexes representing domestic price levels account for 27% of the portfolio.

### **I - Annual Adjustment Factor applied to the Contracts with ITAIPU BINACIONAL**

As disclosed in the explanatory note about subsequent events on the Financial Statements for the year ended December 31, 2006, as well as in the significant notice published on January 19, 2007 by officials from the Ministries of Foreign Relations and the economic and energy area of Brazil and Paraguay, the Brazilian government made a commitment to take all necessary measures on an urgent basis, to suppress the annual adjustment factor applied to the financing contracts entered into between ITAIPU Binacional and ELETROBRÁS, based on US *Industrial Goods* and Consumer Price rates.

The elimination of the annual adjustment factor, in effect starting in the year 2007, was made through mechanisms regulated by Law 6,265 of November 22, 2007, which preserve the flow of funds to ELETROBRÁS under the terms of Law 11,480, of May 30, 2007, and which authorized the renegotiation of credits of ELETROBRÁS, and the ones of the Federal Government with ITAIPU Binacional.

Those measures affect the financing contracts granted to ITAIPU, whose balance as of December 31, 2007 totaled R\$ 14,671,171 thousand. The amounts referring to the annual adjustment factor already recognized were preserved and incorporated to the debit balances of the contracts between ELETROBRÁS and ITAIPU Binacional.

Therefore, starting in 2007, the so-called annual adjustment factor no longer is applicable on financing receivable from ITAIPU Binacional (See Item II of note 15).

### **II - ELETRONORTE's Debt Restructuring**

With the purpose of reestablishing economic and financial balance and obtaining terms compatible with ELETRONORTE's payment capacity, ELETROBRÁS' Board of Directors, according to explanatory note about subsequent events on the Financial Statements for the year ended December 31, 2006, approved the settlement of that controlled company's debt by converting part of the ELETRONORTE's loans and financing debts into capital.

Accordingly, the restructuring of ELETRONORTE's financing contracts, corresponding to R\$ 7,621,909 thousand, include the following terms:

- a) Settlement in kind of R\$ 601,510 thousand related to overdue contracts granted using RGR funds and foreign currency onlendings;
- b) Resumption, by the controlled company, of the flow of payments starting in 2007, with a grace period of one year for principal installments for contracts granted using RGR funds, and with no grace period for foreign currency onlendings;
- c) Conversion of part of the outstanding balance of overdue and falling due financing contracts, granted using ELETROBRÁS own resources, into an advance for future increase in capital, at an amount of R\$ 1,213,233 thousand, and
- d) Refinancing of past due installments, corresponding to R\$ 1,950,476 thousand, with a grace period of one year to start repaying the principal. The other financial terms originally agreed remain the same, such as maturity and charges.

Loans and financing granted by ELETROBRÁS, including interest, commissions, and rates, are detailed in Attachment II, and already consider that negotiation.

### III – Receivables of AES-ELETROPAULO – Lawsuit

In 1989, ELETROBRÁS filed a collection action against Eletropaulo, aiming to receive credits from financing not settled at the respective maturities, according to criteria and conditions established in the contract clauses.

A decision was rendered in April 1999, whereby ELETROPAULO was condemned to pay the unsettled financed amount. Subsequently, a final and unappealable decision was rendered, meaning that ELETROPAULO did not file any appeal against the lower court decision. Therefore, an action for the execution of the sentence establishing payment was filed by ELETROBRÁS at the 5th Civil Court of Rio de Janeiro.

However, in January 1998, there was a partial spin-off of the assets of ELETROPAULO, giving rise to three different companies - Empresa Metropolitana de Águas e Energia S.A. (EMAE), Empresa Paulista de Transmissão de Energia S.A. (EPTE ) and Empresa Brasileira de Energia S.A. (EBE). ELETROPAULO - Eletricidade de São Paulo S.A., had its name changed to Eletropaulo Metropolitana Eletricidade de São Paulo S.A.

ELETROPAULO challenged the legitimacy of the Partial Spin-off Agreement, which was dismissed and the continuation of the execution ordered. In December 2003, ELETROPAULO filed an interlocutory appeal, requesting the suspension of effects against the decision determining the execution. It was granted due to the understanding that ELETROPAULO would not be legitimate to bear the execution, but CTEEP – Companhia de

Transmissão de Energia Elétrica Paulista (the former EPTE), due to the effects of the mentioned partial spin-off agreement.

Extraordinary and Special appeals were filed by ELETROBRÁS discussing the decision about the appeal of ELETROPAULO, being granted in the sense that the execution should continue and that the defense of ELETROPAULO should be challenged through motion to stay collection filed by the debtor and not through a plea of lack of jurisdiction. ELETROPAULO filed a motion for clarification of judgment, a special appeal according to specific court regulations and finally a request for resolution of conflict in decision. A final decision was rendered in November 2007, denying all the Appeals of ELETROPAULO. After exhausting all possibility of success before the Superior Court of Justice - STJ, ELETROPAULO presented an extraordinary appeal to the Supreme Federal Court - STF, which is about to be examined by one of the panel of judges.

In view of that scenario, the management of ELETROBRÁS will go ahead with the execution and, supported by the opinion of its legal advisors, considers the realization of the credit as practically certain.

As of December 31, 2007, such credits corresponded to a book value of R\$ 372,748 thousand, considering the original clauses of the contract with ELETROPAULO, which adjusted according to the indexes practiced by the justice, reach the amount of R\$1,329,545 thousand.

The Company's management, in a conservative posture, did not record the adjustment portion based on criteria different from those agreed upon in the contracts, opting to wait for the execution.

#### IV - Allowance for Doubtful Account

The Company conservatively maintains a provision for doubtful accounts referring to the principal and debt service of several delinquent other companies in the amount of R\$ 80,630 thousand (R\$ 51,629 thousand on December 31, 2006) .

These allowances are deemed sufficient by the Company's management to cover possible losses on any such accounts, based on analyses of the portfolio.

#### NOTE 11 - RETURN ON INVESTMENTS

This refers to dividends and interest on equity capital, net from Withholding Income Tax, arising from investments of permanent nature held by ELETROBRÁS and breakdowns as follows:

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2007	2006	2007	2006
FURNAS	164,121	92,160	-	-
CHESF	238,680	198,249	-	-
ITAIPU Binacional	10,628	17,615	-	-
ELETROSUL	46,842	62,956	-	-
ELETRONUCLEAR	27,893	7,103	-	-
CEMAR	57,990	56,281	57,990	56,281
CTEEP	33,295	81,097	33,295	81,097
Other	55,908	28,270	61,183	37,077
	<u>635,357</u>	<u>543,731</u>	<u>152,468</u>	<u>174,455</u>

## NOTE 12 - RESCHEDULED RECEIVABLES

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2007	2006	2007	2006
<b>CURRENT</b>				
CEB	54,347	45,289	91,834	71,479
CELG	48,217	48,499	72,392	64,513
AES-SUL	10,227	12,288	10,227	12,288
CEMAT	-	844	25,034	28,864
Rollover of States' debts	-	-	188,867	155,127
Other	12	15	137,921	19,887
	<u>112,803</u>	<u>106,935</u>	<u>526,275</u>	<u>352,158</u>
<b>NONCURRENT</b>				
Assignment of receivables of ITAIPU	-	2,679,043	-	2,679,043
CELG	175,636	257,899	476,199	592,032
CEB	-	53,790	181,341	256,975
Rollover of States' debts	-	-	965,006	939,621
Other	28,323	32,035	298,220	267,598
	<u>203,959</u>	<u>3,022,767</u>	<u>1,920,766</u>	<u>4,735,269</u>
	<u>316,762</u>	<u>3,129,702</u>	<u>2,447,041</u>	<u>5,087,427</u>

The rescheduled receivables are formalized through agreements stipulating repayment of accumulated debt in installments and interest rates and monetary restatement, as well as the term for amortization of the principal and charges. The Company deems all these receivables recoverable, the following being worth mentioning:

### a) Receivables arising from Electricity passed on to CEB

ELETROBRÁS has receivables from CEB arising from sale by FURNAS of electricity generated by ITAIPU Binacional, which have been subrogated since January 2003. In that year, these receivables were rescheduled due to default on the part of Distrito Federal-based CEB in the amount of R\$ 163,892 thousand. Through the rescheduling, among other things, the repayment of overdue debt by the end of 2008 (i.e., in 60 months' time) is stipulated, with SELIC-rate based restatement and collaterals, through direct transfer to ELETROBRÁS by the financial institution working for CEB of 4% of the latter's gross monthly sales.

The amount receivable as of December 31, 2007 was R\$ 54,347 thousand (R\$ 99,079 thousand on December 31, 2006).

FURNAS also rescheduled receivables from CEB, in the amount of R\$ 191,129 thousand, referring to its own energy, payable in 144 monthly installments beginning in August 2003, each installment corresponding to 3% of its gross sales, with the possibility of automatic extension to the date of the final payment. The unpaid balance as of December 31, 2007 in the amount of R\$ 218,828 thousand (R\$ 210,373 on December 31, 2006) is subject to restatement based on the variation of IGP-M, plus interest of 1% p.m. Part of these credit rights in the



amount of R\$ 162,000 thousand was assigned to the FIDC – Credit Rights Investment Fund – FURNAS II (See note 23).

a) Receivables arising from Electricity passed on to CEB

CEB II - Through a private Instrument for Acknowledgment of Debt executed on June 1, 2006 between FURNAS and CEB Distribuição, it was agreed a new period for payment of the invoices falling due in the months of June to October 2006, whose payments should be originally made on the 5th, 15th and 25th days of the respective months. Those invoices were linked to the acquisition of electricity as determined by Contracts CCEAR's 279 and 662/2004. The debt will be settled according to the following conditions:

- 1) Estimated amortization period of 24 months;
- 2) Adjustment of debit balance by the application of the average annual SELIC rate on a pro rata basis, plus interest of 1.8% p.a.;
- 3) Until the settlement of the total debt, the parties agreed that the amounts that FURNAS may have to pay to CEB DISTRIBUIÇÃO could be used to offset the debt until the debit balance limit;
- 4) The default in any other commitment undertaken with FURNAS exceeding a period of 10 days during the term of the instrument, will imply in the immediate collection of the overdue portions, regardless of previous communication.
- 5) Overdue amounts (monetarily restated according to the variation of the IPCA index of the month preceding the default) should be added of the following:
  - 1.a) fine of 2%, and
  - 1.b) interest on late payment of 1% per month, on a pro rata basis.

b) Receivables from electricity passed on to CELG

In 2003, ELETROBRÁS rescheduled with CELG the receivables arising from ITAIPU Binacional's pass-on of energy to CELG and subrogated by FURNAS to ELETROBRÁS, in the amount of R\$ 392,021 thousand. The terms of the rescheduling establish the realization of those receivables by direct transfer by the financial institution who collects CELG's bills, of 3.34% of the latter's gross monthly sales. The period for the payment is 216 months from January 2004 on and with the debt balance subject to restatement based on the U.S. dollar variation against the real.

The amount receivable as of December 31, 2007 corresponded to R\$ 223,853 thousand (R\$ 306,398 thousand on December 31, 2006), from which R\$ 175,636 thousand was recorded under noncurrent assets (R\$ 257,899 thousand on December 31, 2006).

In a similar way, in December 2003 the controlled company FURNAS rescheduled R\$ 378,938 thousand, referring to own energy credits, payable in 216 months and subject to monthly restatement based on the IGP-M variation and bearing interest at 1% p.m. The monthly payment corresponds to 2.56% of CELG's gross sales, with guarantee supported by a blocked bank account. The debt balance as of December 31, 2007, was R\$ 324,738 thousand (R\$ 350,147 thousand on December 31, 2006). Part of these credit rights in the amount of R\$ 258,000 thousand was assigned to the FIDC – Credit Rights Investment Fund – FURNAS II (See note 23).

c) Receivables arising from sale in the CCEE's sphere of action

In August 2005, the controlled company FURNAS rescheduled CEMIG's debt, in the amount of R\$62,308 thousand, relating to free energy sold in the CCEE's sphere of action in the period from September 2000 through September 2002, corresponding to the Emergency Power Saving Program period. The rescheduled receivable amounts to R\$ 72,083 thousand, and will be repaid in 50 monthly installments restated based on the SELIC rate plus interest at 1% p.a.

d) Rollover of States' debts

In accordance with the Public Sector Financial Recovery Program implemented by Law No 8,727/93, FURNAS entered into a receivables assignment agreement with the Federal Government in order to refinance CELG's power purchase debt existing at that time, which have been paid in 240 monthly installments since April 1994. Receivables are restated by the IGP-M at 11% p.a., and amounted to R\$ 527,027 thousand as of December 31, 2007, (R\$ 506,623 thousand on December 31, 2006), from which R\$ 438,455 thousand was recognized under noncurrent assets (R\$ 432,617 thousand on December 31, 2006). Part of these credit rights corresponding to R\$ 228,000 thousand was assigned to the FIDC – Credit Rights Investment Fund – FURNAS II (See note 23).

Also, the controlled company ELETROSUL had receivables amounting to R\$626,846 thousand as of December 31, 2007 (R\$ 588,125 thousand on December 31, 2006), against the Federal Government, which are restated by the IGP-M, bearing interest of 12.68% p.a., arising from the assumption of the controlled company's rights against the state-controlled electricity concessionaires, which have been realized since April 1994, in 240 monthly installments.

In accordance with the legislation in force, should any receivable balance still remain after the 20-year period has elapsed, the repayment may be extended for another 10 years.

Such hypothesis is foreseen, since the Federal Government only passes on the resources actually received from the States, which are legally limited to the commitment of the revenues.

e) Assignment of receivables – FEDERAL TREASURY

In 1998, ELETROBRÁS assigned to the Federal Government, part of its receivables from Itaipu Binacional, in the equivalent to US\$ 10,756,524 thousand, or 65.47% of the total receivables from that jointly-controlled company, with the attendant settlement of debts in the same amount.

As a consequence, a direct payment flow was set between Itaipu Binacional and the Federal Treasury, in a compatible manner with maturities of medium- and long-term debts – “DMLP”, incurred by the Federal Government in that year. Given the need to adjust the said payment flow, the installments paid by ITAIPU Binacional to the Federal Government do not actually keep the proportion to the receivables assigned. As a consequence, the Federal Government must receive, up to 2007, monthly amounts greater than their share in the receivables assigned. This condition will be reversed after 2008, when due to the repayment of a substantial part of said “DMLP”, the Federal Government will be then entitled to smaller amounts than the 65.47%, in favor of ELETROBRÁS. Starting in 2016, the proportion will reach an equal balance.

Consequently, ELETROBRÁS records the difference between receivables appropriated under the accrual basis and those actually received as noncurrent assets at the amount of R\$ 2,965,275 thousand on December 31, 2007 (or US\$ 1,674,068 thousand).

As a result of the renegotiation of the receivables of ELETROBRÁS with ITAIPU Binacional, executed under the provisions of Law 11,480 of May 30, 2007, such rights were incorporated to the debit balances of financing contracts with ITAIPU Binacional, respecting the payment flow projected. Amounts paid until then, recorded in the account “Rescheduled receivables” were transferred to the account Loans and Financing in Current and Noncurrent Assets.

The details about loans and financing granted by ELETROBRÁS, presented in Attachment II, already contemplate the effects of the addition of those receivables.

### NOTE 13 – MARKETABLE SECURITIES

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2007	2006	2007	2006
<b>NONCURRENT</b>				
CFT-E1	194,405	164,707	194,405	164,707
NTN-P	126,395	117,533	129,737	119,979
Partnership results	313,145	298,206	313,145	298,206
Temporary investments	202,228	175,308	202,228	175,308
Founders’ shares	652,575	652,575	652,575	652,575
Other	3,152	3,332	3,152	3,361
	<u>1,491,900</u>	<u>1,411,661</u>	<u>1,495,242</u>	<u>1,414,136</u>

a) CFT-E1 – These non-interest bearing government securities are subject to the General Market Price Index (IGP-M) variation and mature in August 2012. ELETROBRÁS maintains a valuation allowance set up in previous years and adjusted based on discounts applied in Capital Market corresponding to R\$ 91,761 thousand as of December 31, 2007 (R\$ 100,949 thousand on December 31, 2006), and shown as a reduction of the corresponding asset. It is the Company’s intention to redeem the securities at maturity.

b) NTN-P – These securities, received in payment during the investees’ privatization process, by the disposal of corporate investments according to the National Privatization Program (PND). They are remunerated based on the TR – Reference Rate published by the Central Bank of Brazil, bearing interest at 6% p.a. on the restated value as of the redemption date as from February 2012. It is the Company’s intention to redeem the securities at maturity.

c) Others - Refer to investment certificates of governmental grants destined for projects executed by the controlled companies CHESF and ELETRONORTE, called FINOR/FINAM. The Company keeps a provision for losses, set up based on the market value, corresponding to R\$ 284,414 thousand (R\$ 284,233 thousand on December 31, 2006) and shown as a reduction of the corresponding asset.

d) PARTNERSHIP RESULTS – These refer to the revenues receivable on investments, under a partnership scheme (See note 19), with an average remuneration equivalent to the IGP-M variation plus interest varying from 12% to 13% p.a. on the capital contributed, as follows:

	R\$ thousand	
	COMPANY AND CONSOLIDATED	
	2007	2006
EATE	60,839	80,477
TANGARÁ	48,181	40,829
ELEJOR	50,459	49,379
ITIQUIRA	122,131	97,009
Other	31,535	30,512
	313,145	298,206

e) TEMPORARY INVESTMENTS - the Company owns ordinary shares of state energy concessionaires previously owned by several Brazilian states, which were acquired as a result of the PND.

Those shares, which are included in the PND, are evaluated based on the book value of the above companies' equity, in order to identify and measure possible losses on realization, and considering that they have no actual market value.

The balance as of December 31, 2007, represented by advances for future capital increase, is shown net of R\$ 3,109,103 thousand (R\$ 3,066,709 thousand on December 31, 2006) mostly corresponding to prior years' accumulated provisions for losses, as shown below:

		R\$ thousand	
		COMPANY AND CONSOLIDATED	
		2007	2006
CEAL	Investment value	604,169	581,044
	(-) Provision for losses	(482,494)	(499,615)
		121,675	81,429
CEPISA	Investment value	857,680	837,629
	(-) Provision for losses	(857,680)	(837,629)
		-	-
CERON	Investment value	986,818	985,024
	(-) Provision for losses	(986,818)	(955,059)
		-	29,965
ELETROACRE	Investment value	165,514	161,403
	(-) Provision for losses	(84,961)	(97,490)
		80,553	63,913
CEAM	Investment value	697,150	676,916
	(-) Provision for losses	(697,150)	(676,916)
		-	-
TOTAL	Investment value	3,311,331	3,242,016
	(-) Provision for losses	(3,109,103)	(3,066,709)
		202,228	175,307

The companies CEAM, CEPISA, and CERON present stockholders' deficit in the amounts of R\$ 657,508 thousand, R\$ 177,819 thousand, and R\$ 40,450 thousand, respectively. ELETROBRÁS has set up a provision to cover such deficit corresponding to R\$ 875,777 thousand (R\$ 342,996 thousand on December 31, 2006), considering the financial recovery commitments made under the PND.

f) FOUNDERS' SHARES – These arise from restructuring of investment in INVESTCO S.A., with annual earnings in the equivalent to 10% of said companies' profits, payable together with dividends and redeemable by October 2032 through conversion in preferred shares of capital stock in the companies and values listed below:

	R\$ thousand	
	COMPANY AND CONSOLIDATED	
	2007	2006
PAULISTA LAJEADO	49,975	49,975
REDE LAJEADO	266,798	266,798
EDP LAJEADO	184,577	184,577
CEB LAJEADO	151,225	151,225
	<u>652,575</u>	<u>652,575</u>

#### NOTE 14 - TAX CREDITS AND DEFERRED TAX CREDITS

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2007	2006	2007	2006
<b>TAX CREDITS</b>				
<b>CURRENT ASSETS</b>				
Withholding Income Tax (IRRF)	1,386,390	585,969	1,442,669	765,807
Prepaid IRPJ and CSLL	383,218	615,852	396,286	695,676
Tax loss carryforwards	-	-	19,423	-
Temporary IRPJ/CSLL differences	-	-	407,585	-
PASEP/COFINS (sales taxes) to be offset	3,607	11,600	45,672	257,652
Recoverable ICMS	-	-	63,544	9,121
Other	-	-	67,893	114,081
	<u>1,773,215</u>	<u>1,213,421</u>	<u>2,443,072</u>	<u>1,842,337</u>

Of the above tax credits, R\$ 763,721 thousand corresponding to IRPJ payables and R\$ 280,669 thousand corresponding to CSLL (See note 26), will be offset upon filing of the Company's Income Tax Return (DIPJ/2008).

R\$ thousand

	COMPANY		CONSOLIDATED	
	2007	2006	2007	2006
TAX CREDITS				
NONCURRENT				
Recoverable ICMS	-	-	939,193	961,679
Deferred tax credits:				
Tax loss carryforwards	-	-	50,895	87,495
Provision for interest on equity capital	239,185	156,246	239,185	156,246
Temporary differences	-	-	83,549	-
Provision for contingencies	457,407	457,407	469,115	457,407
Allowance for doubtful accounts	67,155	45,744	69,527	45,744
Provision for reduction to market value	127,899	130,962	130,049	130,962
Other	460,216	-	533,930	119,924
	<u>1,351,862</u>	<u>790,359</u>	<u>1,576,250</u>	<u>997,778</u>
	<u>1,351,862</u>	<u>790,359</u>	<u>2,515,443</u>	<u>1,959,457</u>

Deferred tax credits refer to temporary differences in IRPJ and CSLL tax bases, and will be used as these differences are realized.

Considering the Company's profitability record and the expected taxable income generation in next years, the recognition of those assets depends on the realization of the recorded deferred tax credits, identified with analyses of future trends, and based on technical studies about internal assumptions, economic, commercial, and tax future scenarios.

Given the nature of tax credits, their realization is expected for the next five to eight years, when triggered by the taxable events.

Unconstitutionality of PIS/PASEP and COFINS - The Supreme Court declared unconstitutional the section 1, art. 3 of Law 9,718/98, which expanded the PIS/PASEP and COFINS tax bases, and renewed the billing concept so it now encompasses all revenues earned by legal entities, regardless of the type of activity carried out and the accounting classification adopted. That provision had no legal supporting basis, which is why it was subsequently amended.

Based on the CTN, Brazilian Tributary Code, the ELETROBRÁS System's companies filed an appeal claiming for recognition of the right to, and actual reimbursement of the amount paid in excess, because the expansion of PIS/PASEP and COFINS tax bases is unconstitutional. To the date of completion of these financial statements, the claims had not been judged.

The ELETROBRÁS System's companies hold potential PIS/PASEP and COFINS credits waiting for a decision, and therefore, not recognized on these Financial Statements, given that the decision on the unconstitutionality of the matter only benefits the companies whose appeals have already been judged.

#### **NOTE 15 - REGULATORY ASSETS - GENERAL AGREEMENT FOR THE ELECTRICITY SECTOR**

In 2001, the Brazilian electricity sector was subjected to an Emergency Electricity Consumption Reduction Program, with the Federal Government forming the Electricity Crisis Management Chamber to manage demand adjustment programs, coordinate actions to increase energy supply, and implement emergency measures during the rationing period which lasted from June 1, 2001 to February 28, 2002.

Under Law 10,438/2002, which put into practice the legal instruments for implementation of the General Electric Sector Agreement due to the Reduction Program, ANEEL was authorized to implement the RTE – Extraordinary Tariff Adjustment, with the objective of standing up to the financial impact on the Brazilian Interconnected Electric System, then under the effect of the said program.

In that scenario, electricity generating companies recognized credits related to 'free energy', revenue loss and 'Portion A', realizable under the terms of the General Agreement for the Electricity Sector, through Extraordinary Tariff Adjustment (RTE) and collected from final consumers, with variable maturities defined by ANEEL for the different distributors.

In compliance with Circular Letter ANEEL 2.409, of December 14, 2007, the Company recognized losses stemming from 'free energy' not billed by distributors within the period established in the regulations, corresponding to R\$ 599,822 thousand. That is recorded in the account "Losses in the recovery of assets" in the group of operating expenses, which was fully accrued for until the fourth quarter of 2007.

The corresponding obligations of the same type were written-off, at an amount of R\$ 300,136 thousand, and recorded in the account "Gains on reduction in liabilities" in the group of operating revenues, also fully accrued for. The net effect of the loss with the 'free energy' was R\$ 299,686 thousand.

Existing provisions were reversed, not producing effects on result of operations in 2007.

The net residual amounts deriving from the General Electric Sector Agreement which were recorded as regulatory assets can be seen under "Consumers and Resellers" (See Attachment I) as follows:

	R\$ thousand
	<u>CONSOLIDATED</u>
RTE – Portion A, Free Energy and loss or revenue	
Balance as of December 31, 2006	1,113,667
(-) Losses	(299,686)
(-) Realized amount	(287,279)
Realizable balance as of December 31, 2007	<u>526,702</u>

Allowance for Doubtful Accounts

Balance as of December 31, 2006	(351,988)
(+) Reversal	299,686
(-) Recognition	(257,430)
Balance as of December 31, 2007	<u>(309,732)</u>
	<u>216,970</u>

Under the terms of the mentioned Circular Letter ANEEL 2.409/2007, the realizable balance corresponding to ‘free energy’, net of losses already recognized, is R\$ 526,702 thousand (R\$1,413,803 thousand on December 31, 2006) and will receive the same treatment in case it is not realized within the established periods, whose maturities will occur mostly until the year 2009.

In accordance with the terms of the same Circular Letter of ANEEL, and supported by studies the management prepared, the Company has set up an allowance for doubtful accounts of R\$257,430 thousand in the fourth quarter of 2007. Therefore, the total allowance amounts to R\$ 309,732 thousand (R\$ 351,988 thousand on December 31, 2006), deemed sufficient to cover possible losses that may occur until the end of the realization period.

The controlled company FURNAS has assigned to the Credit Rights Investment Fund (FIDC) – FURNAS I an amount of R\$ 126,000 thousand (See note 23) related to RTE.

## II – Receivables from the commercialization of electricity generated at Itaipu Binacional

As of May 30, 2007, Law 11,480 was enacted, which authorized ELETROBRÁS to negotiate the elimination of the adjustment factor from the financing contracts entered into with ITAIPU Binacional and the assignment of credits with the National Treasury starting in 2007.

Article 1 of the mentioned Law establishes that it is assured to ELETROBRÁS to keep the full flow or amounts received associated with the elimination of the adjustment factor from the financing contracts.

Besides, Decree 6.265 of November 22, 2007 was also passed, with the objective of regulating the commercialization of electricity of ITAIPU Binacional, defining the different rate to be applied to the energy transfer tariff, creating a regulatory asset, corresponding to an annual factor taken from financing to be annually included in the tariff for transfer of energy starting in 2008.

Article 6 of the mentioned Law authorized ELETROBRÁS to include the difference referring to the elimination of the annual adjustment factor to the energy transfer tariff of power from ITAIPU Binacional, whose values should be annually defined through an Interministry ordinance of the Finance Ministry and Ministry of Mining and Energy. The energy transfer tariff in effect in 2008 includes an amount of R\$ 65,196 thousand, (or US\$36,807 thousand), and was approved by Interministry ordinance MME/MF 318/2007.

In relation to that, in 2007, the Company recognized a regulatory asset presented under the caption “Rights to reimbursement” in Noncurrent assets, arising from the commercialization of the electricity of ITAIPU Binacional at an amount of R\$ 590,025 thousand, (US\$ 333,103 thousand), established by Interministry ordinance MME/MF 318/2007 of December 17, 2007. From that amount, R\$ 302,279 thousand, (US\$ 170,654 thousand), will be transferred to the National Treasury until 2023. Such amounts will be realized by means of inclusion to the energy transfer tariff, to be implemented until 2023.



Therefore, the loss of financial revenue of ELETROBRÁS caused by the elimination of the adjustment factor from financing contracts executed with ITAIPU Binacional was offset by its addition to the energy transfer tariff, not generating losses to the Company.

The method for determination of the regulatory asset was defined by Interministry ordinance MME/MF 313/2007 of December 11, 2007.

## NOTE 16 - STUDIES AND PROJECTS

These mainly refer to costs incurred by the Company on feasibility studies focusing the use of hydrographical basins and transmission lines, for construction of new hydroelectric plants and transmission systems.

Among these, the study of Rio Uruguay basin's use, conducted in accordance with the Argentina-Brazil International Treaty for implementation of the GARABI Plant, is worth mentioning. The costs incurred thereon until December 31, 2007, at the amount of R\$ 30,921 thousand (R\$ 30,921 thousand - December 31, 2006), are deemed recoverable by the Company's management.

Studies and projects also comprise costs incurred from several other studies and projects aiming the use of hydrographical resources, specially the ones for the rivers Madeira and Xingu. According to Article 45 of Law no. 8,987/95, the transfer will be indemnified by the Grantor Federal Government with resources obtained on the bid for concessions to exploit these resources.

We show below the amount of studies and projects costs, including those referring to the concessions to be bid for, net of the adjustment to reflect its probable realizable value:

PROJECTS	R\$ thousand	
	2007	2006
Inventory of Rio Uruguai basin	30,921	30,921
Inventory of Rio Madeira basin	26,500	26,500
Inventory of Baixo Araguaia – Tocantins basin	7,000	7,000
Inventory of Rio Xingu basin	40,000	40,000
Inventory of Rio Tapajós basin	7,000	7,000
Inventory of Trombetas – Erepecuru basin	7,500	7,500
Inventory of Médio Tocantins basin	20,078	20,078
UHE Barra do Peixe	9,374	9,374
UHE Belo Monte	52,256	52,256
UHE Cachoeira Porteira	17,521	17,521
UHE Serra Quebrada	27,163	27,163
UHE Ji-Paraná	10,667	10,667
Other studies	36,599	36,350
<b>TOTAL - PARENT COMPANY</b>	<b>292,579</b>	<b>292,330</b>
Foz do Rio Bezerra – feasibility study	14,086	14,086
Other studies	5,457	1,595
<b>TOTAL - CONSOLIDATED</b>	<b>312,122</b>	<b>308,011</b>

## NOTE 17 – NUCLEAR FUEL INVENTORIES

The nuclear fuel used in Angra I and Angra II plants comprises elements produced with metal alloys and uranium.

In this initial stage, the uranium concentrate, and the services required for its production are classified as long-term assets, and recorded under Nuclear Fuel Inventories. After the production process is finished, the portion to be consumed during the following 12 months is classified as current assets.

The monthly amortization in operational expenses is done proportionally, taking into account the energy actually generated monthly, in comparison to the total energy calculated for each fuel element. Periodically, inventories and assessments of the nuclear fuel elements, which have been through the process of generation of electricity and are stored at the spent fuel pool, are performed.

Nuclear fuel inventories, as of December 31, 2007, destined to the operation of UTNs Angra I and Angra II were as follows:

	R\$ thousand	
	CONSOLIDATED	
	2007	2006
<b>CURRENT</b>		
Stockroom	42,990	47,018
Nuclear fuel inventories	243,325	217,684
	286,315	264,702
<b>NONCURRENT</b>		
Nuclear fuel inventories		
Uranium concentrate	71,301	77,442
Ready elements	194,633	101,808
Storeroom material	242,615	226,992
Services in progress - nuclear fuel	148,639	187,927
	657,188	594,169
	943,503	858,871

## NOTE 18 - ADVANCES FOR INCREASE IN PARENT COMPANY'S OWNERSHIP INTEREST

ELETROBRÁS records the amounts referring to advances for future capital increase of the following invested companies under Noncurrent assets:

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2007	2006	2007	2006
Controlled companies:				
FURNAS	31,154	31,154	-	-
CHESF	294,397	294,397	-	-
ELETROSUL	94,576	114,599	-	-
LIGHTPAR	62,285	62,285	-	-

ELETRONORTE	1,337,552	117,030	-	-
ELETRONUCLEAR	264	236	-	-
	<u>1,820,228</u>	<u>619,701</u>	<u>-</u>	<u>-</u>
Other investments	4,027	80,384	4,027	80,383
	<u>1,824,255</u>	<u>700,085</u>	<u>4,027</u>	<u>80,383</u>

As a result of ELETRONORTE's debt rescheduling (See note 10), part of its debt, corresponding to R\$ 1,213,233 thousand was converted into advance for future capital increase, already considered in the above balance.

## NOTE 19 - INVESTMENTS

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2007	2006	2007	2006
Equity in earnings (loss)				
a) Controlled companies (Attachment III)	39,344,716	38,672,726	-	-
b) Significant affiliated companies				
CEEE-D (a) (b)	18,951	3,156	18,951	3,156
CEEE-GT (a) (b)	105,234	74,348	105,234	74,348
EMAE (a) (b)	252,219	294,127	252,219	294,127
CEMAT	455,384	363,157	455,384	363,157
CTEEP (a)	1,393,534	1,321,554	1,393,534	1,321,554
CEMAR (a)	169,790	154,261	169,790	154,261
CELPA	379,584	438,695	379,584	438,695
REDE LAJEADO	218,445	212,599	218,445	212,599
CEB LAJEADO	61,233	60,513	61,233	60,513
EDP LAJEADO (a)	102,957	101,738	102,957	101,738
PAULISTA	23,380	23,380	23,380	23,380
LAJEADO(a)	<u>3,180,711</u>	<u>3,047,528</u>	<u>3,180,711</u>	<u>3,047,528</u>
Acquisition cost				
CESP	269,680	269,680	269,680	269,680
CELESC	28,242	28,242	28,242	28,242
AES TIETÊ	23,047	23,047	23,047	23,047
COELCE	15,329	15,329	15,329	15,329
CDSA	11,801	11,801	11,801	11,801

SAELPA	11,272	11,272	11,272	11,272
Other investments	<u>177,340</u>	<u>225,368</u>	<u>1,643,816</u>	<u>1,158,846</u>
	536,711	584,739	2,003,187	1,518,217
	<u><u>43,062,138</u></u>	<u><u>42,304,993</u></u>	<u><u>5,183,898</u></u>	<u><u>4,565,745</u></u>

- (a) Financial statements audited by other independent auditors.  
 (b) Report of independent auditors related to the Financial Statements not available until the closing date of these Financial Statements.

In evaluating investments in controlled and affiliated companies, the stockholders' equity amounts as of December 31, 2007. The position of November 2007 was considered for affiliated companies CEEE-D and CEEE-GT.

In accordance with statements for the year ended December 31, 2006, the National Privatization Council approved the corporate restructuring of CEAM and MANAUS ENERGIA through the taking over of CEAM by MANAUS ENERGIA. ELETROBRÁS is in charge of carrying out the restructuring not yet concluded until the closing of these financial statements.

Several lawsuits against ELETROBRÁS are under way, at different stages of completion (See note 32), in guarantee of which the following assets were given, representing 5.30% of the total amount of proceedings:

Ownership interest	R\$ thousand	Percentage of blockade	R\$ thousand
	Investment value		Blocked investment amount
CTEEP	1,393,534	82.61%	1,151,198
EMAE	252,219	100.00%	252,219
CESP	269,680	95.82%	258,407
AES TIETÊ	23,047	94.43%	21,763
COELCE	15,329	100.00%	15,329
DUKE	3,344	62.48%	2,089
CEMAT	455,384	97.30%	443,089
CEB	3,528	100.00%	3,528
CELPA	379,584	5.31%	20,156
CELPE	4,689	70.32%	3,297
CELESC	28,242	15.24%	4,304
CEEE-D	18,951	87.39%	16,561
CEEE-GT	<u>105,234</u>	87.39%	<u>91,964</u>
	<u>2,952,765</u>		<u>2,283,904</u>
Other investments	<u>40,109,373</u>	-	-
	<u><u>43,062,138</u></u>	5.30%	<u><u>2,283,904</u></u>

Over the last few years ELETROBRÁS entered into partnerships in projects with private investors in which ELETROBRÁS acts as minority stockholder, owning preferred shares. These enterprises' objective is to operate in the electricity generation and transmission areas. The invested amounts are classified as Noncurrent assets - Investments.

Likewise, considering the needs of investment of the Electric Sector and in accordance with the Federal Government's intention to obtain new resources under the conditions established by Law 10,438/2002, the ELETROBRÁS' controlled companies participate as minority stockholders in companies formed to exploit the electricity service concessions. These operations are classified as Acquisition Cost – Others.

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2007	2006	2007	2006
GUASCOR	3,300	3,300	3,300	3,300
ITQUIRA	41,339	41,339	41,339	41,339
EPTE	5,066	8,781	5,066	8,781
EATE	28,016	48,782	28,016	48,782
TANGARA	21,738	24,822	21,738	24,822
ELEJOR	44,606	65,068	44,606	65,068
ENERPEIXE	-	-	350,763	350,763
STN	-	-	97,020	97,020
TRANSLESTE	-	-	11,896	11,896
TRANSIRAPÉ	-	-	5,474	5,474
ARTEMIS	-	-	64,976	64,976
SC ENERGIA	-	-	69,005	51,352
TRANSUDESTE	-	-	7,500	7,500
CENTROESTE DE MINAS	-	-	6,440	6,440
CHAPECOENSE	-	-	230,000	-
RS ENERGIA	-	-	73,492	18,060
UIRAPURU	-	-	19,600	19,600
ETAU	-	-	11,713	13,198
INTESA	-	-	73,500	63,700
AMAZÔNIA - EATE	-	-	21,300	21,300
ENERGÉTICA ÁGUAS DA PEDRA	-	-	74,240	-
SERRA DO FACÃO	-	-	95,743	-
OTHER	-	-	48,897	5,218
	<u>144,065</u>	<u>192,092</u>	<u>1,405,624</u>	<u>928,589</u>

a) ENERPEIXE - Refers to the 40% interest of FURNAS in the capital stock of Enerpeixe S.A, which has as purpose the construction and operation of UHE Peixe Angical, located by the river Tocantins, whose generation capacity is 452 MW. It started operations in May 2006.

b) Empresa Sistema de Transmissão Nordeste S.A (STN) was formed by CHESF and Alusa - Cia. Técnica de Engenharia Elétrica for exploitation of a 546 km, 500 kV transmission line concession in the region between Teresina (State of Piauí) Sobral and Fortaleza (State of Ceará), with projected annual revenue of R\$ 77,900 thousand. Alusa holds 51% and CHESF 49% of the capital stock of STN. The enterprise was concluded in December 2005 and commercial operations began in January 2006. CHESF has agreements in relation to this jointly enterprise with STN for operation and maintenance of the transmission line, and earned in the year a revenue from services corresponding to R\$ 1,775 thousand.

c) TRANSLESTE - a company incorporated in 2003 with the objective of implanting and exploiting for a period of 30 years a transmission line connecting Montes Claros and Irapé (both in the State of Minas Gerais), with a

voltage of 345 kV, and 150 km of extension. The interest of the controlled company FURNAS in that company corresponds to 24% of capital stock.

d) TRANSIRAPÉ - A company incorporated in 2004, with the purpose of constructing, operating, and maintaining the facilities of the electricity transmission line between Irapé and Araçuaí (both in the State of Minas Gerais), with a voltage of 230 kV and 65 km of extension. The interest that FURNAS holds in that company corresponds to 24.5% of capital.

e) ARTEMIS Transmissora de Energia S.A. is a company whose objective is the exploitation of 525 kV transmission lines, connecting Salto Santiago and Ivaiporã and Ivaiporã and Cascavel D'Oeste, where the controlled company ELETROSUL holds 46.5% of the shares. Operations began in October 2005.

f) SC ENERGIA - Empresa Transmissora de Energia Elétrica de Santa Catarina S.A., is a company whose objective is the exploitation of a 375 Km, 525 kV transmission line, connecting Campos Novos with Blumenau (both in the State of Santa Catarina). ELETROSUL holds 49% participating interests in its capital stock. Operations began in September 2006 (See note 51).

g) TRANSUDESTE - a company incorporated in 2004, with the purpose of implanting and exploiting for a period of 30 years the transmission line connecting Itutinga with Juiz de Fora (both in the State of Minas Gerais), with a voltage of 345 kV, and 140 km of extension. The interest that FURNAS holds in that company corresponds to 25% of capital.

h) CENTROESTE DE MINAS - company incorporated in 2004 with the objective of implanting and exploiting for a period of 30 years the transmission line connecting Furnas and Pimenta (both in the State of Minas Gerais), with a voltage of 345 kV, and 75 km of extension. The interest that FURNAS holds in that company corresponds to 49% of capital.

i) Chapecoense Geração S.A. - it has as objective to build and exploit UHE Foz do Chapecó, located by river Uruguai. FURNAS holds interest of 49.9% in the capital of the company that will manage the plant, with capacity of 885 MW, which will be operated by the consortium composed of CPFL, with 51%, CHAPECOENSE, with 40%, and CEEE with 9% interest. FURNAS will be responsible for the performance of engineering activities. The work started in January 2007, and the beginning of operations of the first machine is projected to 2010.

j) RS ENERGIA - Empresa de Transmissão de Energia do Rio Grande do Sul. ELETROSUL has 49% interest in the shares representing the capital of RS ENERGIA, while the companies Schahin Engenharia Ltda. hold 41% and Engevix Engenharia S.A. 10%, respectively. The Company was incorporated in 2005, for construction, operation and maintenance of the 525 kV transmission line connecting Campos Novos (State of Santa Catarina) and Nova Santa Rita (State of Rio Grande do Sul), with concession period of 30 years. The enterprise has a 273 km transmission line, 570 towers, and an estimated investment of approximately R\$183,000 thousand, whose construction is projected to finished in 2008 (See note 51).

l) Uirapuru Transmissora de Energia S.A. - ELETROSUL holds 49% of shares of Uirapuru, and the company Cymi Holding S.A. holds the remaining 51%. Uirapuru was incorporated in 2004, for the construction, operation and maintenance of the 525 kV transmission line connecting Ivaiporã and Londrina (both in the State of Paraná), with a concession granted for 30 years. The enterprise has a 120 km transmission line, 265 towers, and an approximate investment of R\$ 107,000 thousand. It was concluded in 2006.

m) ETAU – Empresa Transmissora do Alto Uruguai S.A. - ELETROSUL holds 27.4% of the shares of the capital stock of ETAU, and the companies Alcoa Alumínio S.A., Camargo Corrêa Cimentos S.A., DME Energética Ltda., and Companhia Estadual de Energia Elétrica – CEEE hold 42%, 10.6%, 10% and 10% respectively. ETAU was incorporated for the construction, operation and maintenance of the 230 kV Transmission line connecting Campos Novos and Barra Grande (both in the State of Santa Catarina), and Lagoa Vermelha and Santa Marta (both in the State of Rio Grande do Sul), with a concession granted for 30 years. The enterprise comprises a 187 km transmission line, 411 towers, and investments of around R\$ 116,000 thousand, which was concluded in 2005.

n) INTESA - Integração Transmissora de Energia S.A. – Company incorporated for construction, implantation, operation, and maintenance of a 500 kV Transmission line connecting Colina and Serra da Mesa 2, 3rd circuit, with a concession granted for 30 years. The capital of INTESA is distributed as follow: CHESF holds 12%, Fundo de Investimentos em Participações Brasil Energia – FIP, holds 48%, ELETRONORTE, holds 37% and Engevix Engenharia S.A. 3%. The beginning of operations is projected to 2008.

o) Amazônia Eletronorte Transmissora de Energia S.A. – company incorporated for the construction, operation and maintenance of 2 transmission lines with capacity of 230 KV, connecting Coxipó and Cuiabá (both in the State of Mato Grosso), with an extension of 25 km and from Cuiabá to Rondonópolis (also in the State of Mato Grosso) with an extension of 168 km. It started its operations in September 2005. ELETRONORTE holds 49% of the capital stock of AETE.

p) Energética Águas da Pedra S.A. - Investments amounting to R\$ 31,800 thousand, where CHESF has 24.5% interest, together with ELETRONORTE that holds 24.5% and Neoenergia S.A. 51%. The mentioned company had as origin the Aripuanã Consortium, for contracting of energy from new enterprises, with subsequent grant of a concession within the Regulated Contracting Environment, for implantation of UHE Dardanelos, with a projected investment of R\$ 760,800 thousand. The Plant will be implanted by river Aripuanã, located in the northern region of the State of Mato Grosso, with an assured capacity of 261 MW, and total energy of 154.9 average MW. The first machines are scheduled to start operations in 2011, and 147 average MW were sold for the period 2011 to 2041, within the 30 years-concession period.

q) Serra do Facão - Consórcio de Empresas Associadas Serra do Facão (GEFAC), was incorporated with the objective of constructing and operating UHE Serra do Facão, with an installed capacity of 210 MW, located by the river São Marcos, in the municipalities of Catalão and Divinópolis, both in the state of Minas Gerais. The stockholding of FURNAS in the mentioned consortium is 49%. The work started in March 2007 and the beginning of operations of the first machine is projected to May 2010.

r) UHE Santo Antonio - On December 10, 2007, Consórcio MESA S.A., incorporated by FURNAS (39%), Odebrecht Investimentos (17.6%), Andrade Gutierrez Participações (12.4%), CEMIG (10%), Fundos de Investimentos e Participações da Amazônia (20%) and Construtora Norberto Odebrecht (1%), was the winner in an auction held by ANEEL of the concession to build and operate the construction project of UHE Santo Antônio, by the river Madeira, in the State of Rondônia.

s) ELETRONET – The controlled companies FURNAS, CHESF, ELETROSUL, and ELETRONORTE started operating the transmission of information signals, using part of their electricity transmission infrastructure, with intermediation of the controlled company LIGHTPAR, in a joint venture with private companies, where it holds minority interest in the capital stock of ELETRONET, a company formed specifically for rendering feasible the business of providing transmission for information signals and telecommunication services.

Since September 2002 LIGHTPAR assumed the management of ELETRONET, due to default on part of capital contribution on the part of the majority stockholder AES BANDEIRANTE Empreendimentos Ltda. in contributing with the value of monetary restatement referring to the fourth portion of capital stock.

The administrative council of ELETRONET, during an extraordinary meeting held on March 18, 2003 and concluded on March 27, 2003, decided to declare it bankrupted, as all possible other measures to reach a final solution had been exhausted. During the same meeting, an extraordinary meeting of stockholders was called for discussion of the matter.

The declaration of bankruptcy was approved in the extraordinary meeting at ELETRONET, held on April 24, 2003, which authorized the managers to take all applicable legal measures.

On May 16, 2003, ELETRONET, represented by its managing partners, requested the filing of the its statement of bankruptcy with the Judiciary, together with a preliminary request to continue in business. The 5th Business Bankruptcy Court declared the bankruptcy under the requested manner. In that condition, ELETRONET continued its operations under the management of the Judiciary, and still has appeals filed with the Superior Court of Justice pending judgment.

As of June 2007, LIGHTPAR along with Bankrupt ELETRONET was notified by CHESF, ELETRONORTE, ELETROSUL, and FURNAS, called assignor companies, about the termination of the contract granting right of access and use of cables and infrastructure signed with LIGHTPAR in June 1999 and its respective amendments. The referred contract allows the transfer to ELETRONET, as well as the reimbursement of LIGHTPAR of 50% of the cost incurred by the latter in the management of the communication structure. We point out, however, that such termination does not cancel the rights of receiving the credits corresponding to the due reimbursements payable and collectible until December 31, 2006.

Based on contract clauses, the assignor companies claim the following out of the court:

- a) to regain possession of the assets comprising the implemented infrastructure for the rendering of telecommunications services;
- b) the right to claim the optical cables; and
- c) determining the maintenance of the essential services to the national integrated electricity transmission system, as well as the continuance of the services rendered by ELETRONET employees.

On the same date, the assignor companies filed an injunction at the 5th Business Lower Court of Rio de Janeiro about the issue mentioned above, which was granted, on January 14, 2008, and which still waits for the deposit in the checking account of ELETRONET's bankrupt estate of the amount of R\$ 380,000 thousand, determined according to the report drawn up by an expert.

In view of that decision, the assignor companies and LT BANDEIRANTES EMPREENDIMENTOS Ltda (partner of LIGHTPAR in ELETRONET) and the bankrupt estate of ELETRONET S.A. filed Interlocutory appeal against interim decision. Neither an interim relief nor a stay of proceedings was granted in any of the cases.



## NOTE 20 – PROPERTY, PLANT AND EQUIPMENT

The value of property, plant and equipment items, detailed in Attachment IV and IVa, is rectified taking into account obligations arising from the Public Electricity Service concession, which comprise amounts received from the Federal, State and the Municipal Governments and the consumers, as well as donations not committed to return to the donor. Settlement is due for the end of the respective concession. Property, plant and equipment breakdown as follows:

	CONSOLIDATED	
	R\$ thousand	
	2007	2006
Participating interests of the Federal Government	406,688	400,569
Amortization	81,998	102,267
Consumers' contributions	27,826	30,496
Donations and grants for investment	71,147	23,096
Other	36,452	102,620
	<u>624,111</u>	<u>659,048</u>

a) Federal Government's Interest – this refers to resources received for use in priority electricity generation and transmission work.

b) Amortization and reversals – these pertain to the “Amortization Reserves” set up until 1971, under the Federal Decree no. 41.019/57, which were used for expanding the Public Electricity Service until that year.

c) Consumers' contributions – these refer to resources received to enable conducting the necessary enterprises for meeting unforeseen electricity demand.

d) Donations and subventions for investments purposes – this refers to the accounting of subventions and plain donations, that is, not conditioned in any return to the donator, received by the concessionary. Both are destined to investments in the Public Electricity Service.

According to Decree 41.019, of February 26, 1957, assets and facilities used in generation, transmission, distribution, and commercialization are linked to these activities, and accordingly, cannot be removed, disposed of, assigned or hypothecated without the Regulating Agency's prior and express authorization.

## NOTE 21 - INTANGIBLE ASSETS

DESCRIPTION	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2007	2006	2007	2006
GENERATION	-	-	54,856	30,561
In service	-	-	17,871	5,519
(-) Reintegration	-	-	(4,224)	(186)

in progress	-	-	41,209	25,228
<b>TRANSMISSION</b>	-	-	283,110	265,728
In service	-	-	241,758	225,758
(-) Reintegration	-	-	(2,436)	(1,959)
in progress	-	-	43,788	41,929
	55,558	57,410	125,639	98,126
<b>ADMINISTRATION</b>				
In service	61,114	61,114	163,113	84,293
(-) Reintegration	(5,556)	(3,704)	(53,595)	(18,671)
in progress	-	-	16,121	32,504
<b>OTHER</b>	-	-	6,205	18,123
	<u>55,558</u>	<u>57,410</u>	<u>469,810</u>	<u>412,538</u>

## NOTE 22 - LOANS AND FINANCING OBTAINED

The breakdown of loans and financing obtained, including charges, whose funds are assigned to the investment program of ELETROBRÁS System, is presented in Attachment V (See note 46).

### I - Fund raising in foreign market

a) Fund raising in progress – The Company’s Board of Directors, on a meeting held on July 31, 2007, has decided to authorize the raising of funds in the international market, amounting to up to US\$ 600,000 thousand, to back the investments projected for 2008.

The fund raising program will be made by means of financial operations to be performed in pursuance with market conditions and the lowest possible cost for ELETROBRÁS.

It has the purpose of financing the investments in ELETROBRÁS System, mainly in the areas of generation and transmission of electricity.

b) Funds already raised - Until the closing date of these Financial Statements, the funds contracted in 2007 by ELETROBRÁS with the financial institutions China Development Bank and BNP Paribás, corresponding to US\$ 430,000 thousand, had not been used. Those funds are destined to the financing of UTE Candiota II, Phase C, whose execution is under the responsibility of controlled company CGTEE, under the following conditions:

- a) it is executed under the Bilateral Agreement Brazil-China, under the Decision of the Federal Senate number 34;
- b) amortization in 16 years, in half-yearly installments;
- c) 4 years of grace period, and
- d) annual interest based on the Libor rate

## II - Funds raised in the domestic market

Other financing operations being contracted:

a) with BNDES, corresponding to R\$ 1,034,410 thousand and R\$ 183,330 thousand, destined for the financing of projects in the controlled companies FURNAS and ELETROSUL, respectively, under the following (projected) conditions:

- a) amortization in 16 years, in half-yearly installments;
- b) 2 years of grace period;
- c) monthly interest based on the Long-Term Interest Rate (TJLP) + 1.91% p.a.

b) with Banco da Amazônia - BASA, at the amount of R\$ 193,330 thousand, that is destined for financing projects in the controlled company FURNAS, under the following (projected) conditions:

- a) amortization in 16 years, in half-yearly installments;
- b) 2 years of grace period, and
- c) monthly interest based on the Long-Term Interest Rate (TJLP) + 1.91% p.a.

### **NOTE 23 - RECEIVABLES INVESTMENT FUND**

The controlled company FURNAS performed receivables assignment transactions in the year 2005 in order to raise funds for its investment program. The main assignment conditions are as follows:

#### a) FIDC FURNAS I

1. Set up by its administrator, Banco Santander Brasil.
2. The assignment to Fundo FURNAS I was formalized through a Private Instrument of Receivables and Other Assets Assignment and Acquisition signed in September 2004.
3. The discount rate is 1.38% p.a.
4. The assignment flow is restated based on the annual SELIC rate set by Central Bank of Brazil (BACEN) for the period from the assignment date to the last business day before the payment date.
5. The controlled company FURNAS remained as the collection agent.
6. The assignment was performed under Furnas' co-obligation to pay for the Receivables, as provided under the Brazilian Civil Code.
7. Assigned receivables:

RECEIVABLES ASSIGNED	REALIZATION PERIOD	R\$ thousand
		AMOUNT ASSIGNED
RTE	Jan 2007 to Jan 2008	126,000
Financing - CEMAT	Oct 2004 to Mar 2009	164,000
Energy - PROMAN	Oct 2004 to Dec 2006	52,000
Total assigned		342,000

#### b) FIDC FURNAS II

1. Jointly set up by Banco Santander Brasil and Bradesco, BB Banco de Investimento, Itaú BBA and Votorantim, under administration of BEM Distribuidora de Títulos e Valores Mobiliários LTDA.

2. The assignment to Fundo FURNAS II was formalized through a Private Instrument of Receivables and Other Assets Assignment and Acquisition signed in May 2005.

3. The discount rate is 1.80% p.a.

4. The assignment flow is restated based on the annual SELIC rate set by Central Bank of Brazil (BACEN) for the period from the assignment date to the last business day before the payment date.

5. The controlled company FURNAS remained as the collection agent.

6. The assignment was performed under Furnas' co-obligation to pay for the Receivables, as provided under the Brazilian Civil Code.

7. Assigned receivables:

RECEIVABLES ASSIGNED	REALIZATION PERIOD	R\$ thousand
		AMOUNT ASSIGNED
Receivables - Law 8,727/93	Jun 2005 to May 2010	228,000
Energy refinancing - CEB	Jun 2005 to May 2010	162,000
Energy refinancing - CELG	Jun 2005 to May 2010	258,000
Sundry agreements (*)	Jun 2005 to Feb 2008	255,050
Total assigned		903,050

(\*) Refer to ELETRONORTE and ELETRONUCLEAR corresponding to the amounts of R\$89,100 thousand and R\$ 165,950 thousand respectively.

The consolidated statements, under CVM Instruction no. 408/2004 and taken into account the characteristics of the funds, consider the receivables as an integral part of assets, recorded under the original captions, and the FIDC's assets amount reflected as long-term and short-term financing and loans (See Attachment V), whose total balance as of December 31 was R\$583,715 thousand (R\$1.020.605 thousand on December 31, 2006 ). See Attachment V.

## NOTE 24 – TRADE ACCOUNTS PAYABLE

Includes, mainly, the energy purchased from ITAIPU Binacional (See note 9), which breaks down as follows:

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2007	2006	2007	2006
<b>CURRENT</b>				
Goods, material and services	51,805	83,754	1,068,073	989,076
Electricity network use	-	-	91,771	86,105
Energy purchased for resale	1,188,771	1,062,641	1,014,607	850,457
Short-term energy – CCEE	28,789	13,526	117,478	51,265
	<u>1,269,365</u>	<u>1,159,921</u>	<u>2,291,929</u>	<u>1,976,903</u>

## NOTE 25 – REGULATORY FEES

	R\$ thousand	
	CONSOLIDATED	
	2007	2006
<b>CURRENT LIABILITIES</b>		
Global Reversion Reserve Quota - RGR	71,166	70,943
CCC/CDE	29,384	54,223
Financial compensation of water resources	382,438	431,500
Inspection feed - ANEEL	4,217	2,945
PROINFA	27,692	31,679
	<u>514,897</u>	<u>591,290</u>

## NOTE 26 – TAXES AND SOCIAL CONTRIBUTIONS

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2007	2006	2007	2006
<b>Income tax</b>				
Current liabilities	763,721	627,745	1,014,943	742,411
Noncurrent liabilities	-	497,827	381,949	679,539
<b>Social contribution tax</b>				
Current liabilities	280,669	258,316	318,900	282,496
Noncurrent liabilities	-	150,017	138,756	216,688
<b>PASEP and COFINS (taxes on sales)</b>				
Current liabilities	28,234	27,357	136,368	102,933
Noncurrent liabilities	-	-	-	15,958
<b>ICMS (State VAT)</b>				
Current liabilities	-	-	38,167	26,900
Noncurrent liabilities	-	-	40,982	64,590
<b>PAES (Tax Debt)</b>				

Refinancing Program)				
Current liabilities	-	-	109,761	113,220
Noncurrent liabilities	-	-	1,016,133	1,163,523
OTHER				
Current liabilities	19,936	5,065	205,699	180,695
Noncurrent liabilities		-	47,710	10,450
<b>TOTAL</b>	<u>1,092,560</u>	<u>1,566,327</u>	<u>3,449,368</u>	<u>3,599,403</u>
Current liabilities	<u>1,092,560</u>	<u>918,483</u>	<u>1,823,838</u>	<u>1,448,655</u>
Noncurrent liabilities	<u>-</u>	<u>647,844</u>	<u>1,625,530</u>	<u>2,150,748</u>

Obligations referring to Corporate Income Tax (IRPJ) and Social Contribution Tax on Net Income (CSLL) regarding the year 2007, amounting to R\$ 1,044,390 thousand, will be fully offset with existing tax credits (See note 14).

a) Reconciliation of income and social contribution tax expense

The reconciliation of IRPJ and CSLL amounts recorded as expenses in the years 2007 and 2006 o those calculated at nominal rates can be thus shown:

	COMPANY			
	2007		2006	
	IRPJ	CSLL	IRPJ	CSLL
Income (loss) before IRPJ and CSLL	1,401,020	1,401,020	1,470,606	1,470,606
Total IRPJ and CSLL calculated at the rates of 25% and 9%, respectively	350,255	126,092	367,652	132,355
Effects of add-back (deductions):				
Revenue from dividends	(200,971)	(72,349)	(49,162)	(17,698)
Equity in loss	(211,343)	(76,083)	(41,203)	(14,833)
Interest on equity capital	(175,872)	(63,314)	(114,887)	(41,359)
Losses with investments	143,794	51,766	133,164	47,939
Other add-backs (deductions)	<u>(52,839)</u>	<u>16,027</u>	<u>(84,960)</u>	<u>(24,719)</u>
Total IRPJ and CSLL expenses	<u>(146,976)</u>	<u>(17,861)</u>	<u>210,603</u>	<u>81,685</u>

b) Tax debt refinancing program - PAES

In July 2004, FURNAS opted for the Special Tax debt refinancing program (PAES), refinancing the amount of R\$968,789 thousand referring to PASEP, COFINS, ITR, IRPJ and CSLL.. The amount to be paid to Federal Revenue Service (SRF) represents 1.5% of monthly sales, payable in up to 180 months and with the debit balance restated based on the Long-term Interest Rate (TJLP).

The debt payable under PAES as of December 31, 2007 is as follows:

	<u>R\$ thousand</u>
Consolidated debt in 2003, included in PAES	968,789
Monetary restatement up to Dec 31, 2005	248,654
Payments made up to Dec 31, 2005	<u>(207,585)</u>
PAES balance as of December 31, 2005	1,009,858
Monetary restatement in 2006	79,356
Payments made in 2006	<u>(88,438)</u>
PAES balance as of December 31, 2006	1,000,776
Monetary restatement in 2007	60,848
Payments made in 2007	<u>(197,625)</u>
PAES balance as of December 31, 2007	<u><u>863,999</u></u>

The present value of the debt, to be settled at a monthly rate of 1.5% of gross revenue, limited to the remaining amount of installments, is R\$ 756,975 thousand. The following assumptions were used in the estimation:

1 - the revenue was projected based on the amount billed until December 2007, adjusted by the annual average inflation rate, calculated at 4.5%.

2 - the present debt value was obtained by discounting the flow of payments adjusted by the Long-Term Interest Rate (TJLP) of 6% p.a. and discounted at the rate of 11% p.a. Those rates are compatible with the ones of the described economic scenario.

In the same way, in 2003 ELETRONORTE joined the PAES, in order to regularize debts with the Federal Revenue and INSS. This debt balance, as of December 31, 2007 is as follows:

	<u>R\$ thousand</u>
Consolidated debt in 2003, included in PAES	94,486
Monetary restatement up to Dec 31, 2005	5,992
Payments made up to Dec 31, 2005	<u>(8,859)</u>
PAES balance as of December 31, 2005	91,619
Monetary restatement in 2006	5,059
Payments made in 2006	<u>(62,251)</u>
PAES balance as of December 31, 2006	34,427
Monetary restatement in 2007	1,571
Payments made in 2007	<u>(4,191)</u>
PAES balance as of December 31, 2007	<u><u>31,807</u></u>

Also in the same way, in August 2003, due to unfavorable decisions arising from the lawsuit involving PASEP and COFINS on revenue from ITAIPU's energy sales, judged by the 4th. Region Federal Regional Court,

ELETROSUL opted for paying this liability under the PAES through an installment plan, whose balance, as of December 31, 2007 was R\$ 230,088 thousand (R\$ 241,539 thousand on December 31, 2006).

The debt payable under PAES as of December 31, 2007 is as follows:

	<u>R\$ thousand</u>
Consolidated debt in 2003, included in PAES	241,809
Monetary restatement up to Dec 31, 2005	42,589
Payments made up to Dec 31, 2005	<u>(36,637)</u>
PAES balance as of December 31, 2005	247,761
Monetary restatement in 2006	16,369
Payments made in 2006	<u>(22,591)</u>
PAES balance as of December 31, 2006	241,539
Monetary restatement in 2007	11,254
Payments made in 2007	<u>(22,705)</u>
PAES balance as of December 31, 2007	<u><u>230,088</u></u>

#### NOTE 27 – ADVANCES FROM CONSUMERS

	<u>R\$ thousand</u>			
	<u>COMPANY</u>		<u>CONSOLIDATED</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
CURRENT				
ALBRÁS	-	-	35,191	32,522
PROINFA	<u>202,250</u>	<u>102,387</u>	<u>202,250</u>	<u>102,387</u>
	<u>202,250</u>	<u>102,387</u>	<u>237,441</u>	<u>134,909</u>
NONCURRENT				
ALBRÁS	-	-	1,056,761	942,330
	<u>202,250</u>	<u>102,387</u>	<u>1,294,202</u>	<u>1,077,239</u>

#### I - ALBRÁS

In 2004, the controlled company ELETRONORTE was the outbidder in the electricity auction organized by ALBRÁS for the sale of electricity to be supplied for a 20-year, equivalent to 750 MW on average per month until December 2006 and 800 MW on average per month from January 2007 to December 2024. ALBRÁS set a parameter for agreeing on a minimum price compatible with the UHE Tucuruí's balanced tariff, plus a premium calculated based on the aluminum price in London's commodities exchange.

Under these conditions, ALBRÁS made an energy purchase pre-offer, with a view to reducing the base price. The prepayment for this offer is constituted by energy credits for amortization over the supply period, in fixed monthly installments in medium MW, at the tariff ruling on the month of sale.

The schedule for prepayment is as follows:



Year	R\$ thousand	
	Contracted disbursements	Disbursements made
2004	300,000	300,000
2005	500,000	500,000
2006	250,000	250,000
2007	150,000	150,000
Total	1,200,000	1,200,000

The corresponding liability presented the following position as of December 31, 2007:

Year	R\$ thousand		
	Amounts received	Payments made	Balance
2004	300,000	(15,968)	284,032
2005	500,000	(29,201)	470,799
2006	250,000	(29,979)	220,021
2007	150,000	(32,900)	117,100
Total	1,200,000	(108,048)	1,091,952

## II - PROINFA

Established by Law 10,438/2002 and its amendments, PROINFA's purpose is the diversification of the Brazilian energetic matrix and the search for regional solutions based on renewable electricity sources, available input and the applicable technology, given the increased participation in electricity production from those sources.

The program guarantees to ELETROBRÁS the purchase of the energy to be produced for a period of 20 years from 2006. This energy will be transferred to distribution concessionaires, free consumers and self-producers, excluding low-income consumers, in the proportion of its use.

Distribution and transmission concessionaries pay ELETROBRÁS the annual value of the costing quota corresponding to the participation of captive and free consumers and self-producers connected to its electricity facilities in twelfth parts, in the month prior to the month when energy consumption is properly recognized.

In addition to the regular payments of the current year quotas to PROINFA generators, distribution and transmission concessionaires advanced the payment of one twelfth of the annual quota, considering the total contracting of all projects carried out under PROINFA.

Accordingly, as of December 31, 2007, the Company had an amount of R\$ 202,250 thousand (R\$ 102,387 thousand on December 31, 2006), which will be demanded as PROINFA develops and the corresponding electric power is supplied.

## NOTE 28 – COMPULSORY LOAN

The Compulsory Loan, instituted by Law 4,156/62 to fund the expansion of the Brazilian electricity sector, was extinguished by Law 7,181 of December 20, 1983, which established the end of the collection term for December 31, 1993.

In the first phase of that compulsory loan, ended with enactment of Law 1,512/76, that levying reached several classes of energy consumers and taxpayers' credits were represented by Bearer Bonds that ELETROBRÁS issued.

In a second moment, after the enactment of the cited Law, the compulsory loan started being paid only by industries with monthly consumption exceeding 2,000 kWh and taxpayers' credits no longer were represented by bearer bonds, which ELETROBRÁS simply started recognizing.

The remaining credits of the Compulsory Loan, after the third conversion into capital, in April 2005, of the credits constituted from 1988 to 2004, are recorded as current and noncurrent liabilities maturing as from 2008 and continue to be remunerated at 6% p.a. plus monetary restatement based on the Extended Consumer Price Index (IPCA-E) variation. These funds amounted to R\$ 299,084 thousand as of December 31, 2007, (R\$ 134,976 thousand on December 31, 2006), of which R\$ 202,375 thousand is recorded as noncurrent (R\$ 23,870 thousand on December 31, 2006).

The Bearer Bonds issued in the first phase of the compulsory loan, as decided by the Brazilian Securities and Exchange Commission (CVM), should not be confused with debentures. Besides, as provided by article 4, paragraph 11 of Law 4,156/62 and article 1 of Decree 20.910/32, they are unenforceable, a condition confirmed by Notice 344 of the Superior Court of Justice (STJ), which established that those bonds cannot be used as guarantee of executions for not having liquidity and not being debentures.

Therefore, the balance of the Compulsory Loan refers solely to the 1988 – 1994 period residual credits held by industrial consumers with consumption above 2,000 kWh, that is, the second phase of that compulsory loan, as well as to the unclaimed interest related to those credits, as follows:

	R\$ thousand	
	COMPANY	
	2007	2006
Credits received	202,375	23,870
Interest payable	96,709	111,106
	<u>299,087</u>	<u>134,976</u>

## NOTE 29 - STOCKHOLDERS' COMPENSATION

Under the Company's by-laws, stockholders are entitled to a minimum compulsory dividend of 25% of net income, adjusted in accordance with the Brazilian corporate law, respecting the minimum remuneration of 8% of capital stock for the preferred class "A" shares and 6% for preferred class "B" shares.

The table below demonstrates the adjusted net income and the value of the mandatory minimum dividend, under the terms of Law 6,404/76, as well as, the total value of compensation proposed to stockholders, to be approved in a general ordinary meeting:

	R\$ thousand	
	COMPANY	
	2007	2006
Net income	1,547,857	1,161,318
Legal reserve	(77,393)	(58,066)
Adjusted net income	<u>1,470,464</u>	<u>1,103,252</u>
 Mandatory minimum dividend - 25%	 <u>367,616</u>	 <u>275,813</u>
 Compensation proposed to stockholders		
Common shares	363,416	119,479
Class "A" preferred shares	297	297
Class "B" preferred shares	339,773	339,773
	<u>703,486</u>	<u>459,549</u>

Proposed compensation per share in reais

	2007	2006(*)
Common shares - 1.87% of capital (2006 – 0.61%)	0.40	0.13
Class "A" preferred shares - 9.41% of capital (2006 – 9.41%)	2.02	2.02
Class "B" preferred shares - 7.06% of capital (2006 – 7.06%)	1.51	1.51

(\*) Considers a reverse split of shares

Therefore, ELETROBRÁS recorded an amount of R\$ 703,486 thousand as compensation to stockholders and interest on equity capital referring to the year 2007, which was added to the minimum obligatory dividend in accordance with the statutory provisions.

Under prevailing tax legislation, withholding income tax is levied at the rate of 15% on the remuneration proposed to stockholders as interest on equity capital.

Stockholders' compensation for the year 2007 corresponds to 47.84% of adjusted net income under the terms of Law 6,404/76 (2006 – 41.65%) and will be restated based on the SELIC rate, established by the Brazilian Central Bank, according to the terms of Decree 2.673 of July 16, 1998 that regulates the payment on the part of federal state companies of dividends or interest on equity capital.

The adjustment is applicable for the period starting on January 01, 2008 to the date where it is started the payment of the compensation. Such date will be decided during a general ordinary meet, where the financial statements will be analyzed and the proposed destination for income of the year established. There will be the levying of Withholding Income Tax at the rate of 20% on the portion referring to the monetary restatement according to SELIC.

In compliance with CVM Decision 207/96, and to meet tax standards, ELETROBRÁS accounted for that interest against financial expenses, taking them to a specific account, opting to not present them in the statement of operations to not produce an effect on the income of the year, but only the effects recognized in the accounts of social contribution and income taxes.

Under the decision of the 47th ordinary general meeting, held on April 30, 2007, the payment of the compensation to stockholders related to the year 2006, in the form of dividends, started on June 15, 2007 for the stockholders registered as of May 2, 2007, paid as follows (before the reverse split of shares):

Type /Class	In reais / per thousand shares	
	Gross value as of Dec. 31, 2006	Adjusted gross value as of Jun 15, 2007
Common shares	0.33824150	0.27872570
Class "A" preferred shares	3.43314543	4.26370961
Class "B" preferred shares	2.57485907	3.19778221

The balance of compensation to stockholders demonstrated in current liabilities contains a portion of R\$ 177,516 thousand (R\$ 106,494 thousand on December 31, 2006) regarding unclaimed compensation of the years 2004, 2005 and 2006.

According to the terms of the Company's by-laws, the period for payment of the unclaimed compensation referring to the year 2003 and preceding years is expired.

### NOTE 30 - PAYABLES TO THE BRAZILIAN FEDERAL TREASURY

	R\$ thousand			
	COMPANY AND CONSOLIDATED			
	CURRENT		NONCURRENT	
	2007	2006	2007	2006
Acquisition of interests in CEEE-GT and CEEE-D	50,439	41,660	386,888	405,855
Rights to Reimbursement (See note 15)	-	-	302,279	-
Other	7,711	9,463	37,822	53,953
	<u>58,150</u>	<u>51,123</u>	<u>726,989</u>	<u>459,808</u>

### NOTE 31 – COMPLEMENTARY PENSION FUNDS

#### I – PARENT COMPANY

ELETROBRÁS sponsors ELETROS, a pension plan fund with its own equity segregated from that of the sponsor. The objective of ELETROS is to manage a pension plan for supplementing the retirement and pension benefits of the sponsor's employees who enroll.

ELETROS manages two benefit plans sponsored by ELETROBRÁS, detailed as follows:

#### 1 - Defined benefit plan

It supplements the actual average salary of recent working years in relation to the pension provided by the Brazilian social security system, and it finished the last three years with a technical surplus. This plan is closed for new participants since April 01, 2006. As of December 31, 2007, that such plan had 480 active participants, 1,186 retired ones, and 261 pensioners. ELETROS calculates the mathematical reserves of this plan using a capitalization actuarial system, which is reviewed annually.

ELETROBRÁS makes monthly contributions jointly to participants, which are charged as administrative expenses. These amounted to R\$ 10,331 thousand as of December 31, 2007 (R\$ 11,933 thousand on December 31, 2006 )

The contribution rates are as follows:

- 4.08% - up to half the maximum Social Security contribution;
- 8.16% - from half the maximum to the maximum Social Security contribution;
- 17.13% - from the maximum to three times as much the maximum social security contribution, and
- 24.48% - more than three times the maximum Social Security contribution, for participants subjected to previous regulations.

In accordance with the technical pronouncement issued by IBRACON – Brazilian Institute of Independent Auditors and approved by CVM Resolution No. 371, of December 13, 2000, which establishes the method to be adopted by the sponsors in accounting for the benefits granted to employees, the management of ELETROBRÁS performs, on an annual basis, an actuarial revaluation of the benefit plan it sponsors and the required actuarial liability coverage, for which the Company is responsible, identified in the report prepared by an independent actuary based on the projected credit unit.

The actuarial valuation executed as of December 31, 2007 demonstrated that the fair value of benefit plans exceeds the present value of actuarial obligations, as follows:

	R\$ thousand	
	COMPANY	
	2007	2006
Fair value of the assets of the plans	1,590,535	1,402,208
(-) Present value of actuarial obligation	(1,493,373)	(1,348,077)
	97,162	54,131
Obligations with guarantee of minimum income	(33,565)	(33,195)
Net assets	63,597	20,936

ELETROBRÁS assures to pensioners of defined benefit plans of ELETROS a minimum income of 90% of the initial adjusted global income (INSS + ELETROS).

Estimation of the expected cost for the defined benefit plan.

	R\$ thousand
	COMPANY
Cost of current services	5,647
Interest cost	122,600
Return on investments	(160,972)
Contributions expected from employees	(2,696)
Estimated cost for 2008	(35,421)

Actuarial calculations involve projections of future actuarial assumptions, such as salaries, interest rates (nominal and effective), inflation, mortality, disability, and others. Actuarial results obtained from those assumptions cannot be analyzed without the previous knowledge of the scenario used in the evaluation.

The economic actuarial assumptions used were established considering the long-term period projected for their maturity, and, thus, should be analyzed under that perspective. As a consequence, in the short-term period, they may be not necessarily realizable.

For purposes of the actuarial revaluation made pursuant to CVM Decision No. 371/00, the following assumptions were used:

#### a) ECONOMIC HYPOTHESES

Discount rate	9.72% (inflation + 5.5% p.a. of real interest)
Expected yield rate of assets	10.76% p.a. (inflation + 6.5% p.a. of real interest)
Salary increase rate	7% p.a. (inflation + 2.86% p.a. of real increase)
Vested benefits adjustment index	4% p.a. (only inflation)
Benefit's capacity factor	0.98

#### b) DEMOGRAPHIC HYPOTHESES

Turnover rate	No turnover
Mortality table	AT-2000
Disability table	LIGHT-WEAK
Mortality table of disabled people	AT-83

## 2 – Defined contribution pension plan

In 2006, participants of ELETROS' defined benefit plan started to be migrated to a new defined contribution pension plan sponsored by ELETROBRÁS.. Part of those participants that have already migrated to the new plan opted to maintain their entitlement to a defined benefit partially or totally. The process mentioned here will continue until June 28, 2008.

As of December 31, 2007, the plan had 142 active participants and 11 retired ones.

The contribution rates for the defined contribution plan are as follows:

4.5% - up to 10 Plan Adjustable Units – URP

15% - for amounts higher than 10 Plan Adjustable Units - URP

## II – CONSOLIDATED

Besides ELETROS, which is sponsored by ELETROBRÁS, the controlled companies of ELETROBRÁS sponsor their own pension funds organized in a similar way, with the objective of supplementing their employees' retirement and pension benefits through benefit and contribution plans. Below, a list of these funds:

Sponsor	Pension fund
FURNAS	REAL GRANDEZA
CHESF	FACHESF
ELETROSUL	ELOS
ELETRONORTE, MANAUS and BOA VISTA	PREVINORTE
ELETRONUCLEAR	NUCLEOS and REAL GRANDEZA
ITAIPU	FIBRA (Brazil) and CAJA (Paraguay)
CGTEE	ELETROCEEE

Contributions, which are charged to administrative expenses totaled R\$ 222,646 thousand as of December 31, 2007 (R\$ 310,864 thousand on December 31, 2006).

In accordance with the plan's regulations and IBRACON's technical pronouncement approved by CVM Deliberation no. 371/2000, the companies perform an actuarial evaluation of their obligations arising from supplementary benefits granted to employees, the need for coverage of which is reflected in the financial statements corresponding to R\$ 982,135 thousand, thus divided: R\$183,512 thousand under the current liability portion (R\$ 338,355 thousand on December 31, 2006) and R\$ 798,623 thousand as the noncurrent portion (R\$1,992,061 thousand on December 31, 2006), under the caption Supplementary pension plans.

In the year 2007, in accordance with the conditions established by decision CVM 371/2000, the results of the actuarial evaluations of the Complementary Pension Plans of ELETROBRÁS presented a surplus of R\$ 1,224,384 thousand, recorded as a reducer of actuarial obligations, as follows:

	R\$ thousand
	CONSOLIDATED
Balance as of Dec. 31, 2006	2,330,417
(-) actuarial adjustments – CVM 371/2000	(1,224,384)
(-) realization of debt contracts	(123,898)
Balance as of Dec. 31, 2007	982,135

The surplus in the defined benefit plans reduces the risk of a possible future actuarial liability for the Company.

## NOTE 32 - CONTINGENT LIABILITIES

At the closing date of the financial statements, the Company had the following provisions for contingencies:

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2007	2006	2007	2006
<b>CURRENT</b>				
Labor	-	-	377,155	331,311
Tax	-	-	13,575	4,615
Civil	-	-	677,599	620,487
Other	-	-	118,241	47,249
(-) Escrow deposits	-	-	(157,461)	(110,363)
	-	-	1,029,109	893,299

### NONCURRENT

Labor	17,072	17,072	304,711	247,807
Tax	-	-	127,384	157,548
Civil	1,328,244	1,328,244	1,872,640	1,868,764
(-) Escrow deposits	(130,788)	(46,927)	(261,948)	(126,198)
	1,214,528	1,298,389	2,042,787	2,147,921
	1,214,528	1,298,389	3,071,896	3,041,220

There are several lawsuits, mainly labor and civil suits, at different trial stages against ELETROBRÁS and its controlled companies. According to resolution 489 from October 03, 2005, of the Brazilian Securities Commission (CVM), the Company's management adopts the procedure of classifying the lawsuits against the Company according to the risk of loss, based on the opinion of its legal counselors, as follows:

- For lawsuits for which an unfavorable outcome is considered as probable, provisions are set up;
- For lawsuits for which an unfavorable outcome is considered as possible, the related information is disclosed in Notes to the financial statements, and
- For lawsuits for which an unfavorable outcome is considered as remote, only the information deemed relevant by management is disclosed in the Notes to the financial statements.

Accordingly, provisions for the contingencies mentioned above have been set up. According to the Company's management and its legal counselors, those provisions, net of escrow deposits, are deemed sufficient to cover for losses from lawsuits of different nature. In the year, they developed as follows:

	R\$ thousand	
	COMPANY	CONSOLIDATED
Balance as of Dec. 31, 2006	1,298,389	3,041,220
Provisions set up	-	335,829
Reversal of provisions	-	(165,407)



Payments	-	(25,629)
Monetary restatement	-	19,886
Escrow deposits	(83,861)	(139,824)
Escrow deposits survey	-	5,821
Balance as of Dec. 31, 2007	<u>1,214,528</u>	<u>3,071,896</u>

## I – Lawsuits against the Company

### 1) Civil lawsuits

#### 1.a) Parent Company:

a) The Company's provision for civil contingencies, in the amount of R\$ 1,328,244 thousand (R\$ 1,328,244 thousand on December 31, 2006), refers to Compulsory Loan-related lawsuits, taken on behalf of ELETROBRÁS starting in 1978, with monetary restatement criteria different from those established in the specific Law.

Those actions should not be confused with those filed claiming the redemption of the currently unenforceable Bearer Bonds issued in association with the compulsory loan.

The proceedings accrued for challenged the calculation system of monetary restatement determined in the law that governs the compulsory loan, used for adjustment of the credits taken starting in 1978. Those credits have been fully paid by ELETROBRÁS through conversions into shares as defined in the 72nd, 82nd, and 142nd extraordinary meetings of ELETROBRÁS.

There are 3,181 lawsuits under way at different stages, aiming at recognition of the right to receive full monetary restatement on the amounts paid as compulsory loan. Supported by their legal counselors' opinion, ELETROBRÁS management estimated at eight to ten years, the average term for a final lawsuit settlement.

Under this criterion, ELETROBRÁS management, based on its legal counselors' opinion, evaluates that the risk of loss on the Compulsory Loan-related lawsuits as possible.

However, due to the substantial amounts involved, management, on a conservative basis and taking into account lower-court unfavorable decisions and the lack of judgment by the Higher Court of Justice on the merits of the cause, adopts the practice of setting up a provision for contingencies, which was made in prior years, to cover possible losses on unfavorable legal decisions.

In this scenario, therefore, the Company's management, due to the importance of the issue, decided to carefully consider matters affecting the company's assets, in case something changes the course of the trials. Through this, the Company fulfills its duty to best protect the users of the Financial Statements, mainly regarding the assessment of its liabilities, and, consequently, of its stockholders' equity, trying to avoid extremely optimistic analyses in making decisions based on account information.

Thus, the accumulated amount provisioned, corresponding to R\$ 1,328,244 thousand, despite the classification of possible risk, is considered sufficient by the Company's management and it is in conformity with the different stages of the lawsuits and their natures. It is not possible, at the current stage and circumstances, to get to a conclusion about the outcome of the proceedings, that may reach an approximate amount of R\$3,000,000 thousand.

b) ELETROBRÁS is the defendant in an action filed by Associação Brasileira dos Consumidores de Água e Energia Elétrica – ASSOBRAEE, in judgment at the 17th Federal Court in Brasília, where it is claimed the use of the market value of ELETROBRÁS' shares as the issuance price of the stocks used for payment of compulsory loan credits, made through the book value. An amount of R\$2,397,003 thousand was attributed to the action, which is classified as a remote loss according to the legal advisors.

c) ELETROBRÁS is also a party to other lawsuits whose purpose is the redemption of the Bearer Bonds issued by the Company regarding the compulsory loan collected between 1964 and 1976. Pursuant to the provisions of article 4, paragraph 11 of Law 4,156/62 and article 1 of Decree 20.910/32, the said obligations are unenforceable.

The Company's management, supported by its legal counselors, considers that the possibility of an unfavorable outcome on these ongoing lawsuits for ELETROBRÁS is remote, considering that jurisprudence on the issue is unanimous on the statute of limitations period for the right to claim redemption of the obligations (See note 28).

#### 1.b) Controlled companies:

a) Indemnity actions filed against CHESF by the Consortium formed by CBPO/CONSTRAN/Mendes Júnior claiming for condemnation of the Company and payment of an additional financial compensation, due to the delayed payment of invoices under the Xingó Hydroelectric Power Plant construction contract. One of these actions filed in June 1999, referred to invoices issued as from April 1990, and the other, filed on May 2000, referred to invoices issued until then. The plaintiffs' general claims under these actions were restricted to the existence of an alleged right to financial compensation, the determination of the respective amounts being postponed to the end of the action. Currently, with the actions completed, the sentence is about to be given, and the risk involved is considered as possible.

b) Public civil actions against the controlled company CHESF involving R\$100,000 thousand, claiming for financial compensation for alleged environmental damage to fishermen resulting from the construction of the Xingó Hydroelectric Power Plant. According to the opinion of Company's legal counselors, the risk of an unfavorable outcome is possible, but the loss amount is not known. No provision has been set up for that suit.

c) The controlled company CHESF also faces actions involving remote risk of loss in the legal counselors' opinion. Worth mentioning is a collection action filed by the company Mendes Júnior, engaged for the UHE Itaparica construction, claiming for indemnification of alleged financial losses caused by the delayed payment of invoices on the part of the CHESF. Said collection action is based on the Declaratory Action found valid for the purposes of declaring the existence of a Mendes Júnior's credit against CHESF, thus ensuring financial refunding.

d) The controlled company CHESF has filed a civil lawsuit claiming for partial annulment of an amendment to the Xingó Hydroelectric Power Plant construction contract (Factor K – Analytical price correction), signed with the Consortium formed by Companhia Brasileira de Projetos e Obras - CBPO, Constran S.A. - Construções e Comércio and Mendes Júnior Engenharia S.A., and reimbursement of approximately R\$ 350,000 thousand. The lawsuit filed by the Company was considered groundless and the counterclaim filed by the defendant was deemed groundful by the 12th Civil Court of the Judicial District of Recife – State of Pernambuco. the special appeal and the bill of review brought by the Company awaited decision, and the related expert work had already been completed and the court records completed for the Judge's examination. Based on their legal counselors'

opinion, the Management recorded under “Noncurrent Liabilities” a provision of R\$ 330,537 thousand for possible losses on that suit.

Under this action, to be entitled to some sort of financial refunding, and in compliance with the decisions of the Pernambuco Court of Justice and the Superior Court, Mendes Júnior was required to prove that it raised funds specifically for financing the UHE Itaparica works, because CHESF delayed to pay some invoices, and that the fund raising expenses were higher than the total additional payments made by CHESF

As determined by the Pernambuco 12th Federal Court, an accounting expert work is under way, with the expert appointed by the Court, stating in reply to CHESF’s question that “based on an analysis of Mendes Junior’s accounting records, it is impossible to confirm that in the periods of delayed invoice payment, it actually raised funds in the money market, specifically for funding the Itaparica works”.

After delivering the expert appraisal report, the expert was questioned by the parties, their questions having not been analyzed by the Pernambuco 12th Federal Court. The court records have already been sent to the Federal Public Prosecution Service, the members of which declared that they are preparing their opinion on the action for subsequent presentation to the Court.

Given the annulment of all actions taken at the State Court of Justice, and the strict instructions of the Federal Judge concerning the need for a new expert work, requiring thorough identification of own or externally-raised funds for actual investment in Itaparica works, it is impossible to estimate the amount involved in this litigation, not even on a tentative basis. Also, it should be taken into consideration that thus far, it has not been proved the existence of credit in favor of the plaintiff. According to the opinion of the Company’s legal advisors, such proceeding is rated as a remote possibility of loss for the Company.

## 2) Labor Lawsuits

### 2.a) Parent Company:

There are no individually significant labor contingencies involving the Company, and the mentioned actions have been rated by the Company’s legal counselors as possible losses. Still, the Company maintains a provision of R\$ 17,072 thousand, totally set up in previous years, to cover possible losses on ongoing suits.

### 2.b) Controlled companies:

a) Several labor actions have been filed against FURNAS, for which provisions have been set up, the most relevant referring to the change in the base date of rise in the compensation of Company’s engineers, involving R\$ 71,500 thousand (R\$64,686 thousand on December 31, 2006), of which R\$ 5,674 thousand refers to employees transferred to ELETRONUCLEAR, due to the 1997 split. Also, the risk premium granted to the electricity sector’s employees subject to risk of electricity damage is a matter of concern, since in the Superior Labor Court’s opinion the increase should be calculated at a full rate, rather than on a proportionate basis as FURNAS had been doing. The coverage for possible losses on these actions is estimated at R\$ 58,156 thousand.

b) The controlled company FURNAS has accrued for an amount of R\$ 38,921 thousand for complementation to the retirement pensions for equivalence with the earnings of active employees.

c) The jointly-owned company ITAIPU Binacional has recorded long-term provisions for several legal, civil and labor actions involving R\$ 160,770 thousand (R\$ 188,755 thousand on December 31, 2006) and R\$ 208,759 thousand (R\$ 176,569 thousand on December 31, 2006), respectively.

d) Several civil, tax and labor suits have been filed against the controlled company ELETRONORTE. The company's management evaluated the risks of contingency arising from these suits and, based on its legal counselors opinion, set up provisions totaling R\$ 866,239 thousand, (R\$ 793,819 thousand on December 31, 2006), thus divided: civil suits - R\$ 667,006 thousand (R\$ 604,718 thousand on December 31, 2006), labor suits - R\$194,889 thousand (R\$ 167,123 thousand on December 31, 2006) and others - R\$ 4,344 thousand (R\$ 21,978 thousand on December 31, 2006), net of respective escrow deposits, all deemed sufficient to cover possible losses on lawsuits, which unfavorable outcome risk is considered as probable.

## II – Tax contingencies

### 1) Parent Company:

In 2003 the Federal Revenue Service issued a notice against ELETROBRÁS assessing COFINS' deficiencies in the amount of R\$ 281,702 thousand, which restated through December 31, 2007 totals the amount of R\$ 514,219 thousand.

The notice is about the deduction from that tax basis of the revenues earned from financing transactions for the acquisition of property, plant, and equipment performed with ITAIPU Binacional.

The Company's management and legal counselors do not agree with this notice of deficiency, supported by the International Treaty signed between the governments of Brazil and Paraguay and subsequent related legislation, including Federal Revenue Service regulations on transactions conducted with and by ITAIPU Binacional, including tax issues.

ELETROBRÁS challenged the notice of deficiency and did not obtain a favorable decision at the first administrative level, which confirmed the debt under discussion. An appeal was filed, which awaits decision by the Board of Tax Appeals, where the case is under review.

Based on the opinion of its legal counselors, the Company's management expects to obtain a favorable decision on the case, whose likelihood of unfavorable outcome is considered remote, and for this reason no provision for contingencies was set up.

### 2) Controlled companies:

a) In May 2001, the controlled company FURNAS received a notice issued by the Federal Revenue Service assessing deficiencies in social security contribution FINSOCIAL, COFINS and PASEP (tax on sales), at the restated amount as of December 31, 2007 of R\$ 1,098,900 thousand (R\$ 1,068,958 thousand on December 31, 2006), due to deductions from related tax bases, especially of the revenues from the pass-on and transmission of ITAIPU's electricity for a ten-year period. These deficiencies are in addition to others assessed in 1999 for an inspection period of five fiscal years, in the amount of R\$ 615,089 thousand, which were included in a tax debt refinancing program (REFIS) in March 2000 and transferred in July 2003 to the Special Tax debt refinancing program (PAES), under amortization.

FURNAS' management challenged the notice of deficiency claiming the tax procedure was incomplete and followed not in accordance with legal provisions, the inspection was performed more than once and for a period outside the statute of limitations period. In 2004, the Board of Tax Appeals granted the appeal filed by FURNAS for the assessment of FINSOCIAL deficiency. In 2005, a decision favorable to FURNAS was rendered on the assessment of PASEP deficiency, due to the fact that the inspection exceeded the statute of limitations period established in five years. Regarding the assessment of COFINS deficiency, the appeal filed by FURNAS has not yet been judged to date.

The controlled company's management, based on the opinion of its legal counselors, understands that tax actions exceed legal limits, and there is the possibility of a favorable outcome to FURNAS. For this reason, no provisions for contingencies were set up.

### **NOTE 33 – OBLIGATIONS ASSUMED FOR THE RELEASE OF ASSETS**

The decommissioning of nuclear plants comprises a program of activities demanded by National Nuclear Safety Authority (Brazilian Commission of Nuclear Energy - CNEN) that allows to safely discontinue those nuclear facilities, with minimum impact to the environment. In the case of Brazilian thermonuclear plants (Angra 1 and Angra 2), the option chosen was the decommissioning program known as "SAFSTOR," that comprises the plant dismantlement after a period of confinement of 15 years (quarantine).

The calculation of the liabilities arising from the decommissioning program is based on prevailing Brazilian and International laws and regulations, the technology currently available to carry out such activities, and the costs specific to the place where the plants are located.

According to article 16 of Law 10,308/2001, Eletronuclear is legally responsible for the initial deposits of waste arising from the activities of the decommissioning program of Angra 1 and Angra 2 and, accordingly, it bears the costs of such obligation. Under the provisions of Law 10,308/2001, CNEN is responsible for and bears the costs of implementing the intermediate and final deposits of waste. Therefore, such costs are not included in the calculation of the liabilities resulting from Angra plants' write-off, though the costs for the storage of the waste are. Article 18 of the mentioned Law establishes that intermediate and final waste storage services will have their respective costs reimbursed to CNEN by the depositing parties, according to a table approved by the Deliberation Commission of CNEN to be in force starting on the first business day following the publication in the federal official gazette.

With Angra II becoming operative, new studies on decommissioning costs were performed, taking as a reference estimates made in specific studies applicable to a set of 17 US plants and 10 European, Canadian and Japanese plants which are at different decommissioning stages, as well as criteria set by the US NRC – Nuclear Regulatory Commission. These criteria were used in studies of plants similar to the Brazilian ones, including a specific study conducted at the Krisko plant, which is considered as Angra's 1 twin sister.

Angra's 1 and Angra's 2 deactivation cost is estimated in US\$ 197,816 and US\$240,000, and the end of the plants' useful life forecast for December 2014 and August 2030, respectively.

Recently, the Company's management reviewed and adjusted the values, besides defining parameters and regulations for setting up the necessary financial reserves to cover the decommissioning of the plants. Therefore, the adjusted costs are US\$ 307,000 thousand and US\$ 426,000 thousand for Angra I and Angra II, respectively and the economic useful lives of the plants were adjusted to 40 years.

As a result of that revaluation, total obligation changed from US\$ 437,816 thousand to US\$733,000 thousand, in complementation of the already recognized obligation of R\$123,252 thousand, or US\$ 69,583 thousand.

The balance as of December 31, 2007 of the liabilities corresponding to the decommissioning of Angra I and II is R\$ 451,017 thousand (R\$ 356,604 thousand - December 31, 2006), as follows:

CONSOLIDATED						
	Recorded liabilities		Unrecorded liabilities		Total	
	US\$ thousand	R\$ thousand	US\$ thousand	R\$ thousand	US\$ thousand	R\$ thousand
Angra I	176,225	312,678	130,775	231,111	307,000	543,789
Angra II	78,100	138,339	347,900	616,235	426,000	754,574
	<u>254,325</u>	<u>451,017</u>	<u>478,675</u>	<u>847,346</u>	<u>733,000</u>	<u>1,298,363</u>

The amounts presented in liabilities for decommissioning of nuclear plants were estimated and will be reviewed during the useful lives of the facilities, considering advances in technology and in the way of recognizing the accumulated costs to be incurred with the technical-operational deactivation.

Currently, there is no current specific legislation in Brazil dealing with the decommissioning of thermonuclear plants and, accordingly, the conditions for the decommissioning, the procedures to be implemented, amounts to be spent, and the measures to be taken in case such amounts are insufficient or in excess, are not established.

ELETRONUCLEAR manages Low, Medium, and High radioactivity waste. Low Activity Waste comprises disposable materials used in the operation and maintenance of the nuclear plants. Medium Activity Waste is the water purification resin and filters of the process. The High Activity Waste is the fuel used.

Accordingly, ELETRONUCLEAR has already built a Waste Management Center - CGR for the storage of low and medium activity wastes, located at the Central Almirante Álvaro Alberto in Angra dos Reis, in the State of Rio de Janeiro.

For high activity waste, ELETRONUCLEAR has already built and operates 2 (two) initial deposits (spent fuel pool), inside the respective plants of Angra 1 and Angra 2. There is also the project of another storage pool for spent fuel elements, located outside the plants, which will increase the storage capacity of the Nuclear Center and allow it to store all the fuel used by Angra 1 and Angra 2 reactors, throughout the useful life of those units.

Decommissioning costs include services referring to the removal, transportation, and final disposal of low and medium activity waste generated during the decommissioning program. They also include the removal and transportation of the fuel elements used to be stored where established by CNEN. These costs, however, do not include the services of intermediate and final storage of those fuel elements.

These two costs are not considered because there are no procedures, technical regulations, and specific legislation for the long-term storage of used fuel elements. Besides, that used fuel might be recycled in the

future through reprocessing techniques, as currently made in countries such as France and Japan. That might generate enough funds to pay for the costs of the final storage of the resulting high activity waste.

Given the specific characteristics of operation and maintenance of nuclear plants, whenever changes happen in the estimated value of deactivation cost caused by new studies and advances in technology, decommissioning values should be adjusted to the new reality.

## NOTE 34 – STOCKHOLDERS' EQUITY

### I - Capital stock

The Company's capital stock amounts to R\$ 24,235,829 thousand and its shares have no nominal value. Preferred shares are non-voting and non-convertible to common, but take priority in capital reimbursement and dividend distribution at the rates of 8% p.a. for class "A" shares (subscribed prior to June 23, 1969) and 6% for class "B" shares (subscribed as from June 24, 1969), calculated ratably to the capital corresponding to each class of share.

According to notice given on July 16, 2007 to Stockholders, the 147th Extraordinary General Meeting of the Company, which took place on that date, approved the reverse split of the totality of the shares comprising the Company's capital stock according to article of Law no. 6,404/76 at the rate of 500 shares per each share of the same type. Capital stock was then represented by 1,129,498,502 book-entry shares with no par value, and the Company's capital stock remained the same, which, as of December 31, 2007, was distributed according to major shareholders and types of shares as follows:

STOCKHOLDERS	NUMBER OF SHARES							
	COMMON SHARES		PREFERRED SHARES			TOTAL CAPITAL		
	QUANTITY	%	Class A	Class B	%	QUANTITY	%	
Brazilian Federal Government	488,656,241	53.99	-	35,191,002	15.69	523,847,243	46.38	
BNDESPAR	133,757,951	14.78	-	-	-	133,757,951	11.84	
FND	45,621,589	5.04	-	-	-	45,621,589	4.04	
FGP	40,000,000	4.42	-	-	-	40,000,000	3.54	
OTHER	196,987,746	21.77	146,920	189,137,053	84.31	386,271,719	34.20	
	<u>905,023,527</u>	<u>100.00</u>	<u>146,920</u>	<u>224,328,055</u>	<u>100.00</u>	<u>1,129,498,502</u>	<u>100.00</u>	

Of the total 386,271,719 shares held by minority stockholders, 247,205,522 shares or 64% are owned by non-resident investors, 140,058,203 of which are common shares, 27 preferred class “A” shares, and 107,147,292 are preferred class “B” shares.

Of the shares owned by investors domiciled abroad, 82,507,374 common shares and 27,740,069 preferred class “B” shares are under custody, to support the ADR – *American Depositary Receipts* - level I Program.

ELETROBRÁS’ shares, through ADR level I, are negotiated at the rate of 1 ADR for each 500 hundred shares, and in Latin America’s Stock Market they are negotiated in Euros (LATIBEX) at the same rate of 500 shares.

As of December 31, 2007, the book value per thousand shares was R\$ 70.79 (R\$68.91 on December 31, 2006, considering the reverse split of shares).

Starting August 20, 2007, the shares representing the Company’s capital stock have been traded exclusively splitted and with nominal value per share in Brazilian reais.

## II - Capital Reserves

	R\$ thousand	
	COMPANY AND CONSOLIDATED	
	2007	2006
Compensation for insufficient remuneration - CRC	18,961,102	18,961,102
Goodwill on issuance of shares	3,243,272	3,243,272
Special- Decree law 54,936/1964	387,419	387,419
Monetary restatement of opening balance – 1978	309,655	309,655
Monetary restatement of compulsory loan – 1987	2,708,432	2,708,432
Donations and subventions - FINOR, FINAM and others	297,424	297,424
	<u>25,907,304</u>	<u>25,907,304</u>

The CRC capital reserve corresponds to Eletrobrás’ percent interest in any shortfalls in the return on investments in its controlled companies (Compensation account - CRC), accounted for upon the settlement of obligation of the Federal Treasury, in accordance with the former guaranteed return system prevailing in the Electricity Sector up to 1993.

## III - Revenue Reserves and Retained earnings

Under the Company's by-laws, 50% of net income should be appropriated to the investment reserve and 1% to the reserve for studies and projects. Investments and Studies and Projects are limited, respectively, to 75% and 2% of the capital stock:

	R\$ thousand	
	COMPANY AND CONSOLIDATED	
	2007	2006
Legal (art.193 – Law 6,404/76)	1,731,038	1,653,644
Statutory (article 194 – Law 6,404/76):		



Studies and projects	255,899	240,422
Investments	15,432,771	14,658,843
Other	11,081	11,081
Retained earnings (article 196 – Law 6,404/76)	68,748	68,748
Special (article 202 – Law 6,404/76):		
Dividends not distributed	8,300,832	7,421,521
	<u>25,800,369</u>	<u>24,054,259</u>

#### IV - Revaluation surplus

These comprise the reserves of the relevant affiliates CELPA and CEMAT, evaluated on the equity method, which revaluated its property, plant, and equipment items.

#### V - Advances for future capital increase

The advances of resources received from the controlling stockholder are classified under “Stockholders’ Equity” in accordance with the Brazilian Federal Treasury Accounting Coordination Department’s regulations (Execution Standard no. 20/1990). These advances were granted for the following purposes:

	R\$ thousand	
	COMPANY AND CONSOLIDATED	
	2007	2006
Acquisition of interest in the company CEEE	1,742,265	1,571,393
Acquisition of interest in the company CGTEE	1,673,938	1,482,931
Banabuí–Fortaleza transmission line	57,670	51,561
UHE XINGÓ	162,034	144,869
Transmission lines in the State of Bahia	25,365	22,677
Federal Electrification Fund - Law 5,073/66	150,353	134,427
	<u>3,811,625</u>	<u>3,407,858</u>

### NOTE 35 – OPERATIONS WITH ELECTRICITY

	R\$ thousand	
	CONSOLIDATED	
	2007	2006
Power sold to final consumers	7,091,009	7,901,155
Power sold to concessionaires	8,384,910	5,608,078
Transference of Energy from ITAIPU	3,781,161	2,860,190
Transmission	3,380,463	3,669,373
Commercialization at CCEE – short-term energy	1,066,798	945,944
Late payment charges on energy sold	2,260	21,030
Other	-	5,584
	<u>23,706,601</u>	<u>21,011,354</u>

### NOTE 36 – DEDUCTIONS TO THE OPERATIONS WITH ELECTRICITY

	R\$ thousand	
	CONSOLIDATED	
	2007	2006
RGR	454,519	418,870
CCC	373,055	394,462
CDE	67,434	62,489
PROINFA	57,975	37,242
P&D	161,493	379,466
	<u>1,114,476</u>	<u>1,292,529</u>
ICMS (State VAT)	438,710	465,555
	<u>1,553,186</u>	<u>1,758,084</u>

### NOTE 37 – OPERATING REVENUES - OWNERSHIP INTEREST

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2007	2006	2007	2006
Investments in controlled companies				
Equity in earnings (loss)	1,149,525	175,852	-	-
Interest on equity capital	-	423,184	-	-
Yield on ITAIPU capital	39,325	42,623	39,325	42,623
	<u>1,188,850</u>	<u>641,662</u>	<u>39,325</u>	<u>42,623</u>
Significant affiliated companies				
Equity in earnings (loss)	411,725	111,119	411,725	111,119
	<u>411,725</u>	<u>111,119</u>	<u>411,725</u>	<u>111,119</u>

#### Other investments

Interest on equity capital	126,878	17,095	126,878	15,260
Dividends	88,004	139,626	88,004	139,626
Return on investments in partnerships	67,832	79,062	87,360	53,039
	<u>282,714</u>	<u>235,780</u>	<u>302,242</u>	<u>207,925</u>
	<u>1,883,289</u>	<u>988,561</u>	<u>753,292</u>	<u>361,667</u>

In 2007, from the income of participating interests held, corresponding to an amount of R\$1,883,289 thousand, a portion of R\$ 913,818 thousand (R\$ 682,887 thousand on December 31, 2006), was realized upon the receiving of dividends and interest on equity capital amounting to R\$ 803,882 thousand and R\$ 109,936 thousand, respectively (R\$196,649 thousand and R\$ 486,238 thousand on December 31, 2006).

#### NOTE 38 – PERSONNEL, MATERIAL, AND SERVICES

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2007	2006	2007	2006
Personnel	260,425	189,108	2,927,383	2,561,881
Materials	2,284	2,871	197,874	241,616
Services	55,661	95,045	1,230,010	1,174,203
	<u>318,370</u>	<u>287,024</u>	<u>4,355,267</u>	<u>3,977,700</u>

#### NOTE 39 – ENERGY PURCHASED FOR RESALE

	R\$ thousand	
	CONSOLIDATED	
	2007	2006
Supply of electricity	1,672,567	1,441,455
Energy from ITAIPU	3,320,526	2,856,722
Commercialization at CCEE – short-term energy	1,108,673	595,427
Other	23,866	1,621
	<u>6,125,632</u>	<u>4,895,225</u>

#### NOTE 40 – OPERATING PROVISIONS

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2007	2006	2007	2006
Contingencies	-	(3,127)	160,446	158,017

Allowance for doubtful accounts - consumers and resellers	-	-	6,408	213,872
Allowance for doubtful accounts - RTE	-	-	(42,256)	351,988
Allowance for doubtful accounts - CCEE	-	-	293,560	-
Allowance for Doubtful Accounts - loans and financing	62,977	(365,874)	62,977	(359,999)
ICMS credits	-	-	127,709	73,447
Provision for release of assets	-	-	171,736	39,840
Temporary investments				
Stockholders' deficit	532,781	288,415	532,781	288,415
Loss in realization	42,394	244,242	42,394	244,242
Other	(51,669)	(48,722)	(75,079)	(51,480)
	<u>586,483</u>	<u>114,934</u>	<u>1,280,676</u>	<u>957,613</u>

#### NOTE 41 - FINANCIAL INCOME (EXPENSES)

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	12/31/2007	12/31/2006	12/31/2007	12/31/2006
Financial income (expenses)				
Revenues from interest, commission and fees	4,188,934	3,937,621	2,090,688	1,709,150
Debt charges	(447,237)	(438,203)	(1,389,793)	(1,347,442)
Charges on stockholders' funds	(1,353,792)	(1,475,447)	(1,370,808)	(1,526,524)
Revenues from financial investments	537,453	340,012	867,825	692,473
Other revenues (expenses)	142,913	140,522	1,347,696	131,847
	<u>3,068,272</u>	<u>2,504,505</u>	<u>1,545,608</u>	<u>(340,496)</u>
Monetary and exchange restatements				
Monetary restatements, net	529,245	330,606	92,184	(954,741)
Exchange restatement, net	(3,001,673)	(1,599,337)	(2,564,462)	(1,410,802)
	<u>(2,472,428)</u>	<u>(1,268,731)</u>	<u>(2,472,278)</u>	<u>(2,365,543)</u>
	<u>595,844</u>	<u>1,235,774</u>	<u>(926,669)</u>	<u>(2,706,039)</u>

#### NOTE 42 – PROFIT SHARING

ELETROBRÁS, and its controlled companies, adopt a profit sharing program applicable to all employees that has as objective to promote quality and better productivity levels and global results of the Company.

The program is based on collective bargaining agreements with employees and unions, under the terms of the prevailing federal law, and is carried out through previous negotiation of goals and commitments.

In 2007, ELETROBRÁS accrued for an amount of R\$ 18,000 thousand (R\$ 17,000 thousand on December 31, 2006) and R\$ 159,926 thousand in the consolidated (R\$ 138,468 thousand on December 31, 2006), referring to

profit sharing of employees and management, observing Resolution 10, of May 30, 1995, of the Council for the Coordination and Control of Government-Controlled companies - CCE.

The payment of profit sharing will be discussed during an ordinary general meeting of stockholders, who will analyze the Financial Statements.

#### **NOTE 43 – BUSINESS SEGMENTS**

The information about operations per business segment of ELETROBRÁS is presented in Attachment VI. It follows the management model, based on internal standards for evaluation of segment performance and decision-making about investments.

The disclosure criteria are in accordance with what is provided by ANEEL and recommendations of the Brazilian Securities and Exchange Commission (CVM) and are supported by pronouncement SFAS 131 - Disclosures about Segments of an Enterprise and Related Information, contemplating the following business areas:

**GENERATION** - construction and operation of hydroelectric, thermal and thermonuclear plants and other sources with the purpose of producing electricity to be supplied mainly in Brazil;

**TRANSMISSION** - construction and operation of transmission lines, aiming the transfer of electricity between production centers and consumers.

**COMMERCIALIZATION** - intermediation in electricity purchase and sale operations.

**DISTRIBUTION** – construction and operation of electricity distribution systems in urban centers destined for final consumers.

**ADMINISTRATION** - corporate bodies whose costs cannot be attributed to other areas, in particular those linked to financial management, interest holding and central management.

The information per business segment was prepared under the assumption of acknowledgment of items under actual control and management of areas totally identified with that operational segment.

#### **NOTE 44 – INSURANCE**

Main property, plant and equipment in use at ELETROBRÁS are insured in accordance with a coverage policy, taking into account the nature and degree of risk, at amounts considered sufficient to cover possible significant losses. Insurance composition is as follows:

RISK	R\$ thousand	
	COMPANY AND CONSOLIDATED Amount Insured	Premium
Named perils	17,660,464	57,238
Aircraft perils	16,578	459
Various	635,574	2,781
	<u>18,312,616</u>	<u>60,478</u>

Named perils - coverage for losses and material damages stemming from fire, lightning, explosion of any kind and electric damages in the facilities.

Aircraft perils - coverage for losses incurred, refund of expenses and civil liability associated with accidents with aircrafts.

Various risks - coverage for portable equipment, local and international transportation, and others.

## **NOTE 45 – AUCTION OF ELECTRICITY AND TRANSMISSION LINES**

### **I – Existing Energy**

Along 2007, the controlled company ELETRONORTE took part and was the outbidder in various auctions for sale of electricity to final consumers and resellers within the Free Contracting Environment (ACL). It negotiated very short-term contracts of 400.5 MW on average, in relation to an average availability of 610.08 MW, representing a performance of 65.65%. Total accumulated revenues in the year reached R\$ 267,750 thousand, which represents 12.54% of the annual target of R\$ 237,000 thousand, not considering the values accounted for and settled in relation to CCEE.

### **II – New energy**

The Company, through the energy auctions held by ANEEL for new enterprises, in compliance with the rules established by Law 10,848 of March 15, 2004 and regulated by Decree 5.163, of July 30, 2004, obtained authorization to build and operate the following described power plants and sell within the Regulated Contracting Environment (ACR) the respective energy that will be generated:

a) UHE Santo Antonio - On December 10, 2007, Consórcio MESA S.A., composed of the companies FURNAS (39%), Odebrecht Investimentos (17.6%), Andrade Gutierrez Participações (12.4%), CEMIG (10%), Fundos de Investimentos e Participações da Amazônia (20%) and Construtora Norberto Odebrecht (1%), was the outbidder in an auction organized by ANEEL regarding the concession to build and operate the construction project of UHE Santo Antônio by the river Madeira in the State of Rondônia, with projected investments of R\$ 12,200,000 thousand. The work is scheduled to start in December 2008, and the first and second generation units scheduled to begin operations in December 2012 and the last unit in June 2016.

b) UHE São Domingos - a plant with installed capacity of 48MW, and sale of 36MW on average, at the price of R\$ 128.73 MWh, for supply of energy in the period between January 2012 and December 2041.

### **III – Transmission lines**

a) Consórcio Jauru, led by ELETRONORTE, was the outbidder in the auction 004/2007 held by ANEEL, Lot “C”, aiming the granting of an electricity transmission public service concession, with allowed annual revenue of R\$ 14,946 thousand.

b) Still in the auction of ANEEL 004/2007, ELETRONORTE was the individual outbidder of Lot "G" for construction and operation of the following enterprises:

- b.1) A transmission line between São Luis II and São Luis III, with 230 kV of voltage, and 36 Km of extension;
- b.2) Substation São Luis III, 230/69 kV, and allowed annual revenue of R\$ 2,122 thousand.
- c) Transmission line Presidente Médici/Santa Cruz (State of Rio Grande do Sul), 230 kV of voltage, and 233 Km of extension. That transmission line will receive R\$ 52,700 thousand in investments and should be concluded in 2009.

## **NOTE 46 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

### **I – Management of funds**

Most of the financial investments of ELETROBRÁS are long-term loans and financing, in addition to the interests held in public service concessionaires, detailed in notes 10 and 19 and in attachments II and III.

### **II - Financial Instruments**

Loans and financing granted are linked with financing in the domestic electric sector, where the most important operations are those with ITAIPU Binacional and with the controlled companies ELETRONORTE and CHESF, restated according to an average rate of 8.99% p.a. (8.83 % p.a. on December 31, 2006).

Financing is restricted to electricity public concessionaires and, therefore, defines the market rate (or cost of opportunity of the Company's capital), taking into account the risk premium compatible with the activities of the sector. In case it is not possible to find other alternatives that not the own electric sector, the fair value of those loans corresponds to their book value.

Loans and financing obtained with financial institutions are recorded in long-term accounts, in particular those obtained overseas and Federal Government Funds, such as the Global Reversion Reserve Quota (RGR)

The funds raised are composed of contracted financing with international multilateral agencies - BID, BIRD, CAF - and it is not practicable to discount them at a rate different from the one established in the Brazilian debt agreement. Other loans are obtained at international rates, which makes book value approximate fair value.

The Compulsory Loan, abolished by Law 7,181 of December 20, 1993, had December 31, 1993 as limit period for payment. Now ELETROBRÁS manages the residual value of the compulsory loan collected, adjusting it according to the IPCA-E index and adding to it interest of 6% p.a., with a defined redemption period. Given the restrictions of those investments, the book balances are presented at fair value.

ELETROBRÁS ended the year with 12 contracts recorded in liabilities, among which loans, financing and bonuses, that total R\$ 1,716,302 thousand (R\$ 2,177,429 thousand on December 31, 2006), as demonstrated below:

Currency	Corresponding value in US\$ thousand	%	Corresponding value in R\$ thousand
US dollar	620,127	64.00	1,098,431
Yen	207,069	21.37	366,781
EURO	141,755	14.63	251,090
Total	<u>968,951</u>	<u>100.00</u>	<u>1,716,302</u>

At the end of the year, the Company had executed 846 contracts in relations to loans and financing granted, corresponding to R\$ 36,522,430 thousand (R\$ 37,319,541 thousand on December 31, 2006), as follows:

Currency	Corresponding value in US\$ thousand	%	Corresponding value in R\$ thousand
US dollar	8,894,873	43.14	15,755,489
IGP-M	5,480,114	26.58	9,706,925
Real	5,590,876	27.12	9,903,118
Yen	225,010	1.09	398,561
EURO	428,125	2.08	758,337
Total	<u>20,618,998</u>	<u>100.00</u>	<u>36,522,430</u>

### III - Risks

#### a) Regulatory Risk

The Company, through its controlled companies, holds concessions for exploitation of electricity generation and transmission services, whose maturities under the terms of the current law are demonstrated in note 2. In case those concessions are not renewed or are renewed at higher costs for the Company, the current levels of profitability and activity might be changed.

#### b) Exchange Risk

A significant part of the Company's assets and of result of operations is affected by the exchange variation risk, in special the changes in the American dollar rate. As of December 31, 2007, the Company had credits stemming from financing granted in foreign currency at the amount of R\$ 16,912,387 thousand, (US\$ 9,548,007 thousand).

By comparing the receivable in foreign currency with the debt of the Company, we observe a coverage of approximately 9.8 times.

At the date of closing of these statements, ELETROBRÁS had not contracted any financial operations with the purpose of protecting the Company against the risk of exchange rate flotation. Nevertheless, the balance of receivables in foreign currency and the flow of its realization are sufficient for the Company to fulfill its obligations.



### c) Credit Risk

ELETROBRÁS, through its controlled companies, is engaged in the markets of generation and transmission of electricity, supported by contracts executed in a regulated contracting environment. Through bilateral contracts entered into with electricity distributors, the Company aimed to minimize its credit risks through collateral mechanisms involving receivables from customers.

In transactions with industrial customers called 'free consumers', the credit risk is minimized through previous analysis of business conditions.

### d) Price Risk

Until 2004, the prices of energy from the generation activity were set by ANEEL. Starting in auction 001/2004 organized by that Regulating Agency, the generating plants began selling their electricity to a larger number of consumers, at prices defined by the market.

The activity of transmission has prices defined by ANEEL through the so-called Allowed Annual Revenue (RAP), deemed sufficient to cover operating costs and maintain the economic-financial balance of the concession.

### e) Market Risk

A significant part of the electricity generated by the companies that ELETROBRÁS controls is sold through Contracts of Commercialization in a Regulated Contract Environment – (CCEAR's), executed in view of the participation of its controlled companies in energy auctions held by ANEEL.

## IV – Management of investments

ELETROBRÁS performs the functions of a holding, investing in participating interests in six electricity generating and transmission companies - FURNAS, CHESF, ELETRONORTE, ELETRONUCLEAR, ELETROSUL and CGTEE, whose shares are not traded at stocks exchanges.

Besides those majority interests, ELETROBRÁS holds 50% of the capital of ITAIPU Binacional, where it is the jointly owner with the Paraguayan company ANDE and the stock control of LIGHTPAR. The Company also has a temporary investment in the following federal energy distribution companies - ELETROACRE, CEAM, CERON, CEAL and CEPISA, which were acquired as a result of the National Privatization Program (PND).

In addition, ELETROBRÁS holds significant minority interests in other eleven concession holders.

As of December 31, 2007, ELETROBRÁS also had non-material investments, valued at cost, corresponding to R\$ 536,710 thousand, of which R\$ 378,320 thousand refers to public companies - energy public service concessionaires. Although those shares can be negotiated at stock exchanges, their reduced volume of business do not characterize the existence of an active market, as defined by Instruction CVM 235/96, and their prices do not necessarily represent the values that would be obtained in a negotiation with a higher number of shares, demonstrating, therefore, the non-existence of reasonable conditions to establish market prices for those assets, and allow an appropriate comparison with book values.

#### **NOTE 47 – COMPENSATION OF EMPLOYEES AND MANAGEMENT**

The lowest and highest compensation paid to employees, taking as basis the month of December 2007, were R\$ 1,571.79 and R\$ 26,798.58 (including transfer additional) respectively, in accordance with the salary policy of ELETROBRÁS. The highest fees attributed to a manager, taking as basis the month of December 2007, corresponded to R\$27,013.12.

#### **NOTE 48 – DISCRETIONARY RESIGNATION PROGRAM**

ELETROBRÁS implanted a Discretionary Resignation Program (PDVE), aiming a restructuring of its staff, open to all employees that fulfill the following conditions:

- a) Participants of the Defined Benefit Plan of Fundação Eletrobrás de Seguridade Social (ELETROS) who were retired by the Federal Social Security Institute (INSS) and meet the requirements to obtain the complementary retirement benefit within twenty-four months after joining the PDVE;
- b) Participants of the Defined Contribution Plan of ELETROS who satisfy the requirements to obtain the complementary retirement benefit within twenty-four months after joining the PDVE, and
- c) Non-participants of ELETROS – who were retired by the Federal Social Security Institute (INSS) or that are in conditions to obtain retirement within twenty-four months after joining the PDVE, even if in a proportional manner, under the General Social Security Regime.

After the end of the employment period with ELETROBRÁS, the Company no longer is responsible for any contributions to the Public Social Security or private pension plan.

The incentive to the employee in relation to PDVE is made through payment of a complementary compensation, per year of service, plus the termination amounts payable for an unjustified dismissal, in accordance with the following criteria:

- a) fifty percent of a monthly compensation per complete year of work, limited to twenty-four years and to the amount corresponding to twelve times the highest salary of the Company;
- b) medical assistance during twelve months counted upon the dismissal date.

The period to join PDVE ended on December 31, 2007, with the inclusion of 311 employees. 30 employees were dismissed in December 2007.

The remaining dismissals will be carried out in the following manner:

- a) 35 employees with dismissals scheduled to 2008;
- b) 246 employees with dismissals scheduled to 2009.

The Company had accrued for an amount of R\$ 66,500 thousand under the caption "Estimated obligations" at the reference date of December 31, 2007 to cover the expenses with the implantation of PDVE, realizable until December 2009 as employees are dismissed.

## NOTE 49 – MANAGEMENT OF FEDERAL GOVERNMENT FUNDS

ELETROBRÁS is responsible for managing the Global reversion reserve quota (RGR), a fund created with a view to covering expenses incurred by the Federal Government with the payment of indemnities referring to the reversal of public electricity concessions. RGR funds are invested in the Brazilian electricity sector financing, improvement of the service and financing the programs PROCEL, RELUZ, LUZ PARA TODOS, and the Incentive Program for Alternative Sources of Electricity - PROINFA.

The Global reversion reserve quota is funded by contributions from the concession holders of the public electricity service, which provide a quota for the reversal and expropriation of electricity services equivalent to up to 2.5% of the amount invested by concession and permission holders, limited to 3% of gross annual revenues. The value of the quota is computed as part of the service cost of those entities (See note 6.i).

The concessionaires deposit their annual quotas for the Global reversion reserve in twelve equal parts, up to the last business day of each month, in a bank account created for this specific purpose. ELETROBRÁS manages the account in compliance with Law No. 5,655/71 and subsequent amendments.

Accordingly, the RGR funds are used in specific investment projects, as follows:

I – Financing provided to the concession and permission holders as well as to rural electrification cooperatives with a view to expanding electricity distribution services (especially in rural and low-income areas) and to developing an energy saving program;

II – Investments in installations for power generation using renewable energy (wind, solar, biomass) as well as small hydroelectric power plants and thermoelectric power plants in association with small hydroelectric power plants;

III – Specific investment projects for studies involving inventory and feasibility of potential water resources;

IV – Investments in the implementation of power generators up to 5,000 kW, intended exclusively for public services in communities using an isolated electricity system;

V – Incentive Program for Alternative Sources of Electricity – PROINFA, created by Law No. 10,438 of April 26, 2002 and reviewed by Law No. 10,762 of November 11, 2003, the objective of which is to diversify the Brazilian energetic matrix and seek regional solutions through the use of renewable energy sources based on the economic use of available input and applicable technology. The goal is to increase the share of electricity produced through those sources by implementing 3,300 MW of capacity;

VI – For the National Program for Efficient Public Lighting (RELUZ) that aims at rendering efficient 5 million points of public lighting and installing one million more in Brazil. The program expects to cover up to 96% of the potential of energy saving of the national network of public lighting, currently consisting of 13 points of public lighting;

VII – For the National Program for Energy Conservation (PROCEL), a federal government program implemented in December 1985 aimed at energy saving both in production and consumption, helping to improve the quality of products and services, reducing the environmental impact and encouraging job creation;

VIII – For the Universalization of the Access to Electricity - LUZ PARA TODOS program, of the Ministry of Mining and Energy;

IX – for the Ribeirinhas project, carried out in regions where communities are largely scattered and to which access is difficult due to the type of soil and the rainy season. Its basic assumption is the use of renewable natural resources existing in several places where electricity cannot be supplied by extending the transmission network.

The Reserve is remunerated at 5% p.a., according to the funds used. The funds withdrawn as of December 31, 2007, to invest in the projects described above totaled R\$ 6,769,011 thousand (R\$ 6,171,300 thousand on December 31, 2006), recorded in the account of Global reversion reserve quota - RGR, in current and noncurrent liabilities. In 2007, the drafts to RGR, corresponded to R\$ 847,462 thousand and the sums added to the fund amounted to R\$ 517,575 thousand.

Additionally, under the managerial responsibility of ELETROBRÁS is the Conta de Desenvolvimento Energético – CDE (Energetic Development Account), a federal fund aimed at promoting energy development from alternative sources in the areas assisted by the interlinked system, and financing the universalization of the public electric power service. The Fund is valid for 25 years, starting in 2004, and arises from payments for the use of public assets and fines charged by ANEEL to concessionaires, permit-holders and other entities authorized to explore the electricity service, whose financial operations do not affect the Company's financial statements.

## **NOTE 50 – INFORMATION ON RELEVANT FACT**

### **I – Guarantees given by CGTEE**

In order to investigate the facts on the supposed guarantees given to Bank KfW Bankengruppe amounting to R\$ 408,766 thousand (EUR 156,700 thousand), which would have been issued on behalf of CGTEE in favor of private companies, the controlled company's management started an investigation whose final report was approved by the Board of Directors at the meeting held on August 06, 2007.

Among the conclusions of the Investigation, we highlight:

- a. the assumed guarantees were constituted in violation to the Brazilian law and of statutory standards of CGTEE, involving strong indications of forgery of documents and signatures; and
- b. CGTEE does not have, and has never had, any business or contract relationships with the benefited companies.

The Investigation Report was sent to pertinent authorities and institutions - Federal Public Prosecution Office, Federal Police, Federal Audit Count, General Accounting Office, Ministry of Mining and Energy, ANEEL, Commission of Mining and Energy of the House of Representatives.

On June 22, 2007, CGTEE had already notified the Federal Police about the non-existence of supposed guarantees given.

In order to protect CGTEE and the public interest, the controlled company hired the law firm Pinheiro Neto Advogados and notified the Bank KfW out-of court on July 18, 2007, about the non-existence of those supposed guarantees given on that company's behalf, filing a Declaratory Action of Document Falsification together with a Request for Submission of Documents with the Central Court of the District of Porto Alegre on September 10, 2007. In time, other legal measures applicable will be evaluated.

The Company's management does not expect to incur losses on account of this issue.

## II – Bearer Bonds issued by ELETROBRÁS

The Bearer bonds issued because of the compulsory loan do not constitute securities, are not negotiable at Stock Exchanges, do not have quotation and are unenforceable. Therefore, the management of ELETROBRÁS clarifies that the Company does not have outstanding debentures (See note 28).

The issuance of those bonds was associated with a legal obligation and not with a business decision of ELETROBRÁS. In a similar way, the bondholders did not follow an action of will, but a legal obligation under the provision of Law 4,156/62. Therefore, the provisions of Law 6,404/76 are not applicable to those bonds or of ones addresses by Law 6,385/76.

The Brazilian Securities and Exchange Commission (CVM), in the decision rendered to the administrative proceeding CVM RJ 2005/7230, filed by the holders of the mentioned bonds, stated that "the obligations issued by ELETROBRÁS in association with Law 4,156/62 cannot be considered securities."

CVM understood that there are no irregularities in the procedures ELETROBRÁS adopted in its financial statements in relation to the mentioned obligations or in the disclosure of the existing lawsuits claiming the redemption of those bonds (See note 30).

Besides, the non-enforceability of the Bearer Bonds was reinforced by a recent decision of the Superior Court of Justice corroborating the understanding that those notes are not debentures and should not be used to guarantee executions.

## NOTE 51 – SUBSEQUENT EVENTS

### I - Conversion of Compulsory Loans into Shares

On January 24, 2008, the Company's management council decided about the 4th conversion of the compulsory loan into nominative class B preferred shares representing the capital stock of ELETROBRÁS, comprising all existing credits as of December 31, 2007, corresponding to R\$ 202,375 thousand, taken after the 3rd conversion approved in the extraordinary meet of April 28, 2005.

The issuance price of the stocks will take as basis the book value per share of ELETROBRÁS as of December 31, 2007, corresponding to R\$ 70.79, under the terms of article 4 of Law 7181/83.

Residual values not resulting in entire shares will be paid in kind, as establishes article 10 of Decree 81.668/78, plus the amounts received in the year referring to the preference in subscribing the shares of other stockholders, as establishes the instruction of CVM.

The period for exercising the subscription right by the other stockholders will be set in accordance with article 171, paragraph 2 of Law 6.404/76, as well as the period for the delivery of the shares arising from the conversion. Those periods will 30 and 60 days, respectively, counted upon the extraordinary meeting date. In addition, article 6 of ELETROBRÁS' by-laws will be amended, which addresses the composition of the Capital Stock and Shares.

## II – Acquisition of interests in companies

As disclosed in a Notice to the Market dated February 22, 2008, the management council of the controlled company ELETROSUL decided during a meeting on February 20, 2008, to exercise ELETROSUL's right to purchase the 51% interests in the capital of the companies Empresa de Transmissão de Energia de Santa Catarina S.A. (SC ENERGIA) and Empresa de Transmissão de Energia do Rio Grande do Sul (RS ENERGIA), owned by Schahin Engenharia S.A. and Engevix Engenharia S.A.

The enterprise totals 620 km of transmission lines, from which 360 km refers to SC ENERGIA, connecting Campos Novos to Blumenau (both in the State of Santa Catarina) and 260 km to RS ENERGIA, to be concluded in 2008, connecting Campos Novos (State of Santa Catarina) to Nova Santa Rita (State of Rio Grande do Sul).

Those new transmission lines represent about 6.8% of the current extension of the lines of that controlled company, which totaled 9,145 km as of December 31, 2007.

## III – Amendments to Law 6,404/76 that regulates joint stock companies

On December 28, 2007, the President of the Republic of Brazil enacted Law 11,638. It promoted amendments to and abolished certain provisions of Law 6,404/76, with the intention of coordinating the Brazilian accounting practices with the International Financial Reporting Standards (IFRS) for preparation and presentation of financial statements.

We present below the main accounting changes or new requirements introduced to the Brazilian corporate law:

### 1) Financial Statements

The Statement of Changes in Financial Position will be not longer used. Instead, it was introduced the Statement of Cash Flows and the Statement of Added Value for public companies.

### 2) Bookkeeping

The law previously determined that provisions of the tax law or special regulations should be recognized in subsidiary books. As a result of the changes, those records can be made in subsidiary books or in the main accounting books, provided that in the last case, the respective accounting records to prepare the financial statements are made.

Public companies should observe the standards established by CVM and International Financial Reporting Standards (IFRS). Private companies can or not follow the standards issued by CVM for public companies. Adjustment entries made exclusively to coordinate the accounting standards with the statements and the numbers determined in them cannot be the basis of taxation nor have any tax effects.

### 3) Balance Sheet

Permanent assets were divided into investments, property, plant and equipment, intangible assets and deferred charges, separating tangible and intangible assets.

The structure of stockholders' equity was changed, and the revaluation surplus and retained earnings eliminated. Shares held in treasury start taking part of stockholders' equity, and instead of a the account 'revaluation surplus', now 'adjustments to equity valuation' should be used.

The existing balances in those reserves should be held until their realization or reversed until the accounting year where the law comes into effect.

### 4) Assets

a) Rights that have as object physical assets destined to the maintenance of the activities of the company or used for that purpose should be recognized under property, plant, and equipment, including those stemming from operations where the benefits, risks, and control of those assets are transferred to the Company.

#### b) Valuation of Investment in Affiliates and Controlled Companies

Investments in affiliated companies, where the Company has significant influence or holds 20% interest or more of voting capital, as well as the ones in controlled companies and in other companies that take part of a same group or are under a common control, should be valued under the equity method.

The requirements of the new law are applicable to financial statements for the years ended after January 01, 2008. Thus, at this moment is not possible to determine the effects of the mentioned new regulations on the income (loss) and stockholders' equity of ELETROBRÁS.

c) Pre-operating expenses and restructuring expenditure leading to an increase in the income (loss) of more than one fiscal year and which are not reducers of costs or additions to the efficiency of operations, should be classified as deferred assets.

d) The rights referring to non-physical assets for the maintenance of activities of the company or used for that purchase should be classified as intangible assets, including goodwill obtained.

### 5) Criteria for valuation of assets

I - Financial instruments, including derivatives and receivables, classified in current assets or long-term assets should be valued:

a) at market value or equivalent value, when they refer to investments destined to trading or available for sale; and

b) at acquisition cost or issuance value, restated according to legal or contract provisions, and other investments, rights and receivables adjusted to the probable realizable value, when that is lower;

II - at the cost incurred in acquisition, less the balance of the respective amortization account in intangible assets;

III - Assets from long-term operations will be adjusted at present value, and others adjusted if the value is material.

6) Criteria for valuation of Liabilities

Obligations, charges, and risks classified in the long-term liabilities will be adjusted at present value, and other liabilities adjusted when the value is material.

7) Stockholders' equity

The premium received in the issuance of debentures was excluded from the caption stockholders' equity, as well as donations and subventions for investment.

8) Statement of Operations

The statement of operations will include the portion referring to debentures, and profit sharing of employees and management, even the ones in the form of financial instruments, and from institutions or assistance or pension funds of employees, not characterized as expense.

9) Reserves and Retention of Income

A tax incentive reserve was created. Donations and government grants for investment will take part of income (loss) for the year, and as proposed by the management, a general meeting will decide the destine for the portion of net income from those incentives to form the mentioned reserve.

10) Limit for the income reserve

The balance of reserves for contingencies, tax incentives and of income realizable can from now on exceed the amount of capital stock.

**José Antonio Muniz Lopes**  
*President*

**Astrogildo Fraguglia Quental**  
*Finance Director and Director of  
Relations with Investors*

**Ubirajara Rocha Meira**  
*Director of Special Projects and  
Technical and Industrial  
Development*

**Valter Luiz Cardeal de Souza**  
*Engineering Director*

**Miguel Colasuonno**  
*Administration Director*

**João Vicente Amato Torres**  
*Accountant*  
*CRC-RJ-057.991/O-S-DF*



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## ANNEX A - GLOSSARY OF CERTAIN TERMS USED IN THIS LISTING CIRCULAR

Unless the context otherwise indicates, references in this listing circular to the following terms have the following meanings:

- *Amazonas Energia*: Amazonas Energia S.A., a distribution company wholly owned by Eletrobrás and operating in the state of Amazonas. Amazonas Energia was formed in 2008 as a result of the merger between Ceam and Manaus Energia S.A.;
- *ANDE*: *Administración Nacional de Electricidad*;
- *ANEEL*: *Agência Nacional de Energia Elétrica*, the Brazilian Electric Power Agency;
- *Average tariff or rate*: total sales revenue divided by total MWh sold for each relevant period, including unbilled electricity. Total sales revenue, for the purpose of computing average tariff or rate, includes both gross billings before deducting VAT and other taxes and unbilled electricity sales upon which such taxes have not yet accrued;
- *Basic Network*: interconnected transmission lines, dams, energy transformers and equipment with voltage equal to or higher than 230 kV, or installations with lower voltage as determined by ANEEL;
- *BNDES*: *Banco Nacional de Desenvolvimento Econômico e Social*, the Brazilian Development Bank;
- *Boa Vista*: Boa Vista Energia S.A., a distribution company operating in the state of Roraima;
- *Brazilian Corporate Law*: collectively, Law No. 6,404 of December 15, 1976, Law No. 9,457 of May 5, 1997 and Law No. 10,303 of October 31, 2001;
- *Capacity charge*: the charge for purchases or sales based on contracted firm capacity whether or not consumed;
- *CCC Account*: *Conta de Consumo de Combustível*, or Fuel Consumption Account;
- *CCEAR*: *Contratos de Comercialização de Energia no Ambiente Regulado*, contracts for the commercialization of energy in the Regulated Market;
- *CDE Account*: *Conta de Desenvolvimento Energético*, the energy development account;
- *Ceal*: *Companhia Energética de Alagoas*, a distribution company operating in the state of Alagoas;
- *Ceam*: *Companhia Energética do Amazonas*, a distribution company that used to operate in the state of Amazonas. In March 2008, Ceam merged with Manaus Energia S.A. The resulting entity is Amazonas Energia S.A.;
- *Cepel*: *Centro de Pesquisas de Energia Elétrica*, a research center of the Brazilian electric sector;
- *Cepisa*: *Companhia de Energética do Piauí*, a distribution company operating in the state of Piauí;
- *Ceron*: *Centrais Elétricas de Rondônia S.A.*, a distribution company operating in the state of Rondônia;

- *Chesf: Companhia Hidro Elétrica do São Francisco*, a generation and transmission subsidiary of Eletrobrás;
- *CGE: Câmara de Gestão da Crise de Energia Elétrica*, the Brazilian Energy Crisis Management Committee;
- *CGTEE: Companhia de Geração Térmica de Energia Elétrica*, a generation subsidiary of Eletrobrás;
- *CMN: Conselho Monetário Nacional*, the highest authority responsible for Brazilian monetary and financial policy;
- *CNEN: Comissão Nacional de Energia Nuclear S.A.*, the Brazilian national commission for nuclear energy;
- *CNPE: Conselho Nacional de Política Energética*, the advisory agency to the President of the Republic of Brazil for the formulation of policies and guidelines in the Energy sector;
- *Concessionaires or concessionaire companies*: companies to which the Brazilian Government transfers rights to supply electric energy services (generation, transmission, distribution) to a particular region in accordance with agreements entered into between the companies and the Brazilian Government pursuant to Law No. 8,987 (dated February 1995) and Law No. 9,074 (the Power Sector Law, dated July 7, 1995) (together, the “Concessions Laws”);
- *Distribution*: the transfer of electricity from the transmission lines at grid supply points and its delivery to consumers through a distribution system. Electricity reaches consumers such as residential consumers, small industries, commercial properties and public utilities at a voltage of 220/127 volts;
- *Distributor*: an entity supplying electrical energy to a group of customers by means of a distribution network;
- *DNAEE: Departamento Nacional de Águas e Energia Elétrica*, the Brazilian national department of water and electrical energy;
- *Electricity Regulatory Law*: Law No. 10,848 (*Lei do Novo Modelo do Setor Elétrico*), enacted on March 15, 2004, and which regulates the operations of companies in the electricity industry;
- *Eletroacre*: Companhia de Eletricidade do Acre, a distribution company operating in the state of Acre;
- *Eletrobrás*: Centrais Elétricas Brasileiras S.A. – Eletrobrás;
- *Eletronorte*: Centrais Elétricas do Norte do Brasil S.A., a generation and transmission subsidiary of Eletrobrás;
- *Eletronuclear*: Eletrobrás Termonuclear S.A., a generation subsidiary of Eletrobrás;
- *Eletropar*: Eletrobrás Participações S.A., a holding company subsidiary created to hold equity investments (formerly, *Light Participações S.A. - Lightpar*);
- *Eletrosul*: Eletrosul Centrais Elétricas S.A., a generation and transmission subsidiary of Eletrobrás;

- *Energy charge*: the variable charge for purchases or sales based on actual electricity consumed;
- *Environmental Crimes Act*: Law No. 9,605, dated February 12, 1998;
- *Final consumer (end user)*: a party who uses electricity for its own needs;
- *FND*: *Fundo Nacional do Desestatização*, the national privatization fund;
- *Free consumers*: customers that were connected to the system after July 8, 1995 and have a contracted demand above 3 MW at any voltage level; or customers that were connected to the system prior to July 8, 1995 and have a contracted demand above 3 MW at voltage level higher than or equal to 69 kV;
- *Furnas*: Furnas Centrais Elétricas S.A., a generation and transmission subsidiary of Eletrobrás;
- *Gigawatt (GW)*: one billion watts;
- *Gigawatt hour (GWh)*: one gigawatt of power supplied or demanded for one hour, or one billion watt hours;
- *High voltage*: a class of nominal system voltages equal to or greater than 100,000 volts (100 kVs) and less than 230,000 volts (230 kVs);
- *Hydroelectric plant or hydroelectric facility or hydroelectric power unity (HPU)*: a generating unit that uses water power to drive the electric generator;
- *INB*: *Indústrias Nucleares Brasileiras*, a Brazilian Government-owned company responsible for processing uranium used as power to provide electricity at Angra I and Angra II Nuclear Plants;
- *Installed capacity*: the level of electricity which can be delivered from a particular generating unit on a full-load continuous basis under specified conditions as designated by the manufacturer;
- *Interconnected power system*: systems or networks for the transmission of energy, connected together by means of one or more links (lines and/or transformers);
- *Isolated system*: generation facilities in the North of Brazil not connected to the national transmission grid;
- *Itaipu*: Itaipu Binacional, the hydroelectric generation facility owned equally by Brazil and Paraguay;
- *Kilowatt (kW)*: 1,000 watts;
- *Kilowatt Hour (kWh)*: one kilowatt of power supplied or demanded for one hour;
- *Kilovolt (kV)*: one thousand volts;
- *Megawatt (MW)*: one million watts;
- *Megawatt hour (MWh)*: one megawatt of power supplied or demanded for one hour, or one million watt hours;
- *Mixed capital company*: pursuant to Brazilian Law No. 6,404 of December 15, 1976, a company with public and private sector shareholders, but controlled by the public sector;

- *MME*: Ministério de Minas e Energia, the Brazilian Ministry of Mines and Energy;
- *MRE*: Mercado Regulado de Energia, the Brazilian Energy Regulated Market;
- *National Environmental Policy Act*: Law No. 6,938, dated August 31, 1981;
- *Northeast region*: the States of Alagoas, Bahia, Ceará, Maranhão, Paraíba, Pernambuco, Piauí, Rio Grande do Norte and Sergipe;
- *ONS*: *Operador Nacional do Sistema*, the national system operator;
- *Power Sector Law*: Law No. 9,074 of July 7, 1997;
- *Procel*: *Programa Nacional de Combate ao Desperdício de Energia Elétrica*, the national electric energy conservation program;
- *Proinfa*: *Programa de Incentivo as Fontes Alternativas de Energia*, the program for incentives to develop alternative energy sources;
- *RGR Fund*: *Reserva Global de Reversão*, a fund we administer, funded by consumers and providing compensation to all concessionaires for non-renewal or expropriation of their concessions used as source of funds for the expansion and improvement of the electric energy sector;
- *Selic rate*: an official overnight government rate applied to funds traded through the purchase and sale of public debt securities established by the special system for custody and settlement;
- *Small Hydroelectric Power Plants*: power plants with capacity from 1 MW to 30 MW;
- *Substation*: an assemblage of equipment which switches and/or changes or regulates the voltage of electricity in a transmission and distribution system;
- *TFSEE*: *Taxa de Fiscalização de Serviços de Energia Elétrica*, the fee for the supervision of electricity energy services;
- *Thermoelectric plant or thermoelectric power unity (TPU)*: a generating unit which uses combustible fuel, such as coal, oil, diesel natural gas or other hydrocarbon as the source of energy to drive the electric generator;
- *Transmission*: the bulk transfer of electricity from generating facilities to the distribution system at load center station by means of the transmission grid (in lines with capacity between 69 kV and 525 kV);
- *TWh*: Terawatt hour (1,000 Gigawatt hours);
- *UBP Fund*: *Fundo de Uso de Bem Publico*, the public asset use fund;
- *U.S. GAAP*: United States generally accepted accounting principles;
- *Volt (V)*: the basic unit of electric force analogous to water pressure in pounds per square inch; and
- *Watt*: the basic unit of electrical power.

## THE ISSUER

**Centrais Elétricas Brasileiras S.A. - Eletrobrás**  
Avenida Presidente Vargas, 409 – 13th floor  
Edifício Herm. Stoltz – Centro  
CEP 20071-003, Rio de Janeiro - RJ  
Brazil

## LEGAL ADVISERS

*To the issuer*

*As to English and United States law*

**Clifford Chance US LLP**  
31 West 52nd Street  
New York, New York 10019  
United States of America

*As to Brazilian law*

**General Counsel to Eletrobrás**  
Avenida Presidente Vargas, 409  
Edifício Herm. Stoltz – Centro  
CEP 20071-003, Rio de Janeiro - RJ  
Brazil

*To the Initial Purchaser*

*As to English and United States law*

**White & Case LLP**  
Alameda Santos, 1940 – 3º andar  
01418-200 São Paulo – SP  
Brazil

*As to Brazilian law*

**Vieira, Rezende, Barbosa e Guerreiro Advogados**  
Rua Iguatemi, 192, 12º andar  
São Paulo – SP  
Brazil

## INDEPENDENT AUDITORS

*For the years ended December 31, 2008, 2007 and 2006*

**BDO Trevisan Auditores Independentes**  
Rua 7 de Setembro, 71  
15º e 21º andares - Centro  
20050-005 Rio de Janeiro - RJ  
Brazil

*Appointed as of January 1, 2009*

**PricewaterhouseCoopers Auditores Independentes**  
Rua da Candelária, 65  
20091-020 - Rio de Janeiro - RJ  
Brazil

## TRUSTEE, PAYING AGENT, TRANSFER AGENT AND REGISTRAR

**Deutsche Bank Trust Company Americas**  
60 Wall Street  
New York, New York 10005  
United States of America

## PRINCIPAL PAYING AGENT

**The Bank of Tokyo-Mitsubishi UFJ, Ltd.**  
12-15 Finsbury Circus  
London EC2M 7BT  
United Kingdom

## LUXEMBOURG PAYING AGENT, TRANSFER AGENT AND LISTING AGENT

**Deutsche Bank Luxembourg S.A.**  
2, Boulevard Konrad Adenauer  
L-1115 Luxembourg  
Luxembourg

**Eletrobrás** 