

Transformação
SISTEMA ELETROBRÁS
ISTO FAZ A DIFERENÇA



Strategic Plan Eletrobras System 2010-2020

Final draft

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A message from the President

I have great satisfaction in announcing the Corporate Strategic Planning of the Eletrobras System for the period 2010-2020.

I see the effort of the many collaborators in our companies as a genuine milestone in the history of the Eletrobras System, spearheading the Transformation Plan that we structured and developed based on the strategic guidelines received from the Minister of Mines and Energy, at the inauguration of the Board I have lead since March 2008.

We now have in the Strategic Planning a compass that points to a better future for the Eletrobras System. Thus this tool will now be part of the permanent process of management, with the mission of reinventing itself – and ourselves – as it faces new opportunities and challenges, at each reconfiguration of the external environment.

Due to partnership in its elaboration and the successive levels of review and approval, this Strategic Plan aligns all views directly committed to the project of raising Eletrobras to the condition of a megacompany with global presence, capable of leading the expansion of the Brazilian electricity sector and leveraging the sustainable development of the country.

We have already established solid foundations and we now need to build on them the complex structure of increasingly strategy, action plans and initiatives, which will enable the renovation of our companies, and integrate them to definitely commit themselves to the necessities of profitability and sustainability that a XXI century society demands of its large organizations.

JOSÉ ANTONIO MUNIZ LOPES

President

Part 1. Premisses

1. External environment

1.1 Conditioning factors for the future

The analyses that have been developed indicate that the external context of the Eletrobras System shows some processes and characteristics that can be considered unchangeable in the strategic planning horizon. It also shows tendencies that are quite visible and consolidated.

The main invariant factors and known trends, identified in the external context of the Eletrobras System taking into account the strategic planning horizon are:

Invariant factors and known trends

1. Worldwide economic growth putting pressure on energy, food and water resources.
2. Growth of the demand of electric energy
3. Diversification of the national energy matrix, with the advent of new renewable sources, emphasis in biofuels, and more participation in nuclear energy.
4. Predominance of hydroelectric energy generation in Brazil, new hydroelectric power plants using smaller reservoirs.
5. Incentive to greater energy efficiency and conservation
6. Continuity of the State presence in the electric sector both as a planner of its expansion and as an entrepreneur and investor for new projects
7. Increased concern of the society about climatic change, causing an increase of environmental requirements for the construction of power plants and greater difficulties in obtaining the correspondent licenses
8. Incorporation of requirements for sustainability in companies and new energy projects.

To a lesser degree of uncertainty, the external context shows a set of potential and ongoing changes, as yet immaterialized, but able to measurably impact and effect the Eletrobras System.

The main ongoing facts and changes which were identified in the context of the System are shown in the box bellow:

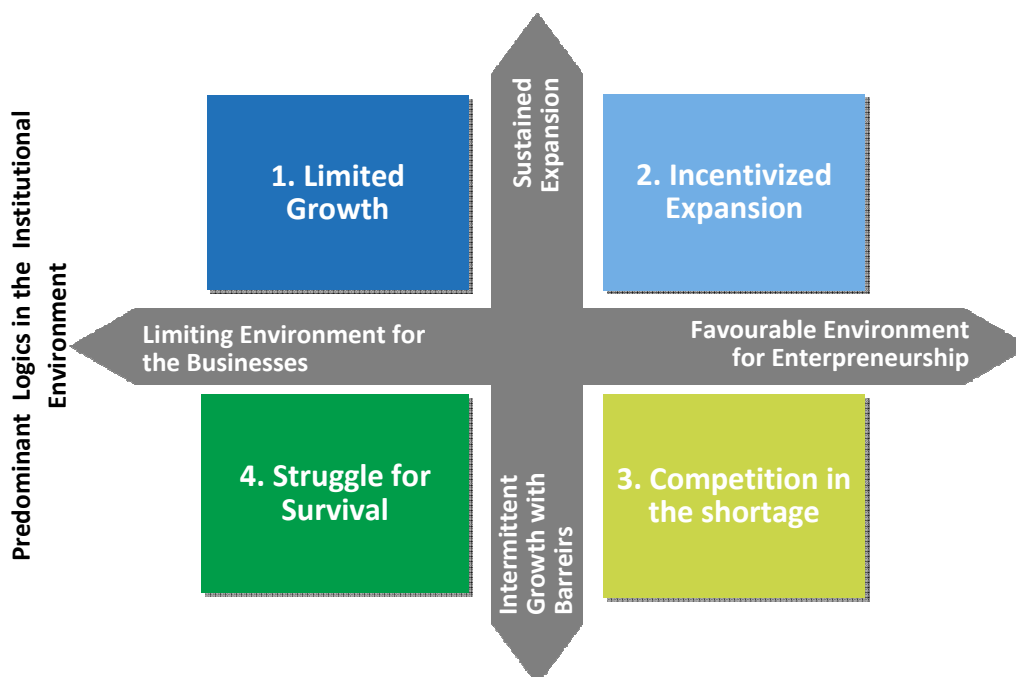
Ongoing Facts and Changes

1. Central and South America exploring processes of eletro-energetic integration between neighbor countries
2. Increase change of the energy companies into electric energy producers; Petrobrás being an important actor in the electric sector
3. Change in the electric energy consumption habits due to an increase of the society awareness
4. Development of new technologies in energy generation, specially new sources for production (solar, hydrogen, tides, etc.), clean burning of coal, fuel cells and hydrogen fuel cells, energy storage.
5. Electric cars commercialization
6. Development of new technologies for the transmission and distribution of energy, especially superconductivity, hexaphasic systems, flexible systems and the SmartGrid
7. The beginning of a new concept of hydroelectric entrepreneurship (platform concept for hydroelectric power plants)
8. Technology convergence, allowing the use of the Internet (data and voice) through electric lines (cables)

1.2. Most Likely Alternative Scenarios

Through the utilization of scenario building techniques and taking into account the chart of conditioning factors for the future environment where Eletrobras System performs, four alternative scenarios have been identified which are most likely to occur, as indicated in the next graphic

Dynamics of the Economic, Technological, Commercial and Financial Contexts



1.3. Reference Scenario

The adopted criteria was to choose the most favorable scenario for the development of the Eletrobras System – “Stimulated Expansion” – although it is clear that it is an audacious option and it will require a deep transformation in the dimensions and basic characteristics of the System and its components.

Summary Description of the Chosen Scenario

In the “Stimulated Expansion” scenario, Brazil is experiencing a time of high and sustained economic expansion, with a favorable availability of capital, i.e., low cost and abundance. The demand for electric energy is high and increasing at a greater rate than the GDP (Gross Domestic Product), while new technologies are being developed and gradually absorbed by the industry.

In turn, the governmental policies are favorable and serve as a lever for the Eletrobras System. With government intervention in the System restricted to the strategic level, it is possible for the system to perform its entrepreneurial function with greater autonomy. The regulation of the sector has clear rules and is oriented to the market, creating a favorable environment for entrepreneurship.

Consequently, there is a strong decrease in the institutional ties imposed on the Eletrobras System. Finally, obtaining the environmental licenses becomes a speedier and more homogeneous and manageable process, facilitating investments in new undertakings.

Driving Forces of the Scenario

The “Stimulated Expansion” scenario shows two driving forces, whose basic characteristics are stressed in the next chart.

Driving Forces and their Basic Elements

Driven Forces	Basic Elements
Sustained Expansion in the Economic, Technological, Commercial and Financial Context	<ul style="list-style-type: none"> ○ High and sustained Brazilian economic growth, ranking above the worldwide average ○ Low cost and abundant capital availability ○ High national demand for electric energy , growth rate greater than GDP ○ Accelerated Technological changes, with gradual absorption by the electric sector
Political-Institutional Environment Favorable to Entrepreneurship	<ul style="list-style-type: none"> ○ Governmental policies conducive allowing the leverage of the Eletrobras System, with minimal intervention ○ Stable regulation and clear rules, market driven ○ Strong decrease of institutional ties to the Eletrobras System ○ Manageable impact of climatic changes ○ Agile environmental licensing, with stable environmental requirements

Significance of the Chosen Scenario and Demands on the Eletrobras System

Among the identified alternative scenarios, the option, as highlighted, focuses on the most favorable scenario for the development of the Eletrobras System and to meet its purposes. Although, it does not mean an easy and comfortable option, on the contrary, the adoption of a proactive posture enables the Eletrobras System to influence, both directly and indirectly, the realization of the chosen scenario.

This orientation requires an ability of the System to accept risks, a high potential for an aggressive action and, consequently, the existence of organizational forces that support its performance in the energy market. Therefore, with the strong probability of occurrence of

the “Stimulated Expansion” occurring, the great challenge for the Eletrobras System consists of strengthening and developing the internal conditions required for a proactive and competitive performance.

2. Opportunities and Challenges

The trends and changes previously emphasized in the context analysis indicate a broad set of opportunities, for both increasing performance of the Eletrobras System and its penetration of new markets. On the other hand, the analysis foresees the possible risks and threats which can compromise not only the performance of the System, but the offered opportunities.

Thus, the identification and characterization of opportunities and challenges is a fundamental step in the strategic planning process of the Eletrobras System. Seizing opportunities and overcoming challenges, however, requires in due course, using an assertive and elevated complex formulation of strategic orientations and initiatives.

2.1. Main Opportunities

2.1.1 Sustainable national economic growth and high rates of expansion

It is expected that Brazil will rapidly overcome the current worldwide crisis, as pointed by many relevant socioeconomic indicators. The country will resume and reach high sustainable rates of economic expansion, generating strong repercussions and demands on its infrastructure, with emphasis to the electric sector (electric utility industry).

This general context is favorable for the Eletrobras System development, rendering opportunities of great relevance and extension, highlighting the following:

- a) High sustained growth of demand for electric energy in the country;
- b) New investment perspectives in generation, transmission and distribution;
- c) Higher return expectations and attractiveness in the electric energy market;
- d) Financial resources availability for investment in Brazil at lower rates compared to the opportunity costs;
- e) Favorable environment for the development of creative financial engineering to funding;
- f) Favorable context for partnership development, mergers and takeovers in the electric sector, for utilities (energy companies) contractors, suppliers and big customers.

2.1.2 Strengthening and Diversification of the Integration of the country in the Worldwide Economy, Especially with Latin-American Countries

The insertion of the Country in the worldwide economy, within the globalization process, has progressively advanced throughout the last decades. More recently, however, it is the intensification of the integration process with the Latin American countries, both in order to broaden MERCOSUL participation and to strengthen partnerships and commercial flow with the other countries in the region.

Therefore, in this context, countless opportunities arise for a steady action of the Eletrobras System in the external market, based on the following conditions:

- a) Opening of the global market, especially the Latin-American, for investments in generation and transmission of electric energy.
- b) Expansion perspectives and diversification of the energy interconnection between Brazil and its neighbor countries in South America.

2.1.3 Diversification and Improvement of the Brazilian Electric Sector

The expansion and diversification expected for the Brazilian economy will undoubtedly require better productive capacity from the national electric sector, but not only. In fact, in order to support the demands of the development and the opening of the national economy, the electric sector will have to undergo a strong changing process, in its various dimensions – new products, markets and inputs; better qualified workforce; new technologies in the production, communication, management, finance and administration areas.

As a consequence, there are broad perspectives for the Brazilian electric sector, including the Eletrobras System, which can be represented by the following opportunities:

- a) Emergence of new markets, products and inputs in the electric energy sector, capable of promoting a strong and radical redefinition of the sector;
- b) Energy conservation and energy efficiency markets in expansion
- c) Development and offering of new technologies not only for energy generation, transmission and distribution but also for the management departments, information technology and telecommunication;
- d) Larger number of improved and qualified workforce.

2.1.4 Elimination or minimization of legal and bureaucratic restrictions imposed to the Eletrobras System, providing more freedom in its performance in the market

The effective presence of the Eletrobras System in the electric sector demands an agile, flexible and effective performance. In order to meet its demand, it is fundamental the elimination or mitigation of certain legal and bureaucratic restrictions.

In this context, the Federal Government, together with the Company Management Brand have taken a set of legal measures and made changes in the norms and regulations in order to overcome the restrictions and to create conducive conditions for entrepreneurial performance. This is an opportunity of the most significant relevance for the System, taking into account the expectations and demands set by the new standard of development of the country.

2.2. The Main Challenges

The trends and expectations of growth in the country which require a better development of the Brazilian electric sector, provide/represent important opportunities for the Eletrobras System, as pointed out before. However, they also bring great challenges and threats to be faced by the Eletrobras System, as follows:

2.2.1 Increase in the competitiveness in the Brazilian electric sector in the production, resources and basic input departments

In economic sectors, such as the Brazilian electric sector, characterized by high growth rate perspective and by free entrance and association of players, the inevitable consequences are the strengthening of competitiveness among companies, power differentiation between those involved in the sector, producer, suppliers and/or clients cartel formation, pressure for qualified workforce and continuous creation of products and alternative means of production.

These are the Eletrobras System's challenges, due to the increase of competitiveness in the electric sector:

- a) The possibility of entry of new companies in the sector, including foreign and multinational corporations, stimulated by the existence of few barriers;
- b) Strengthening the power of the suppliers of resources and of basic inputs, through the formation of associations and cartels;
- c) Strengthening of the very large consumers, increasing the pressure for quality energy and tax reduction;

- d) Strong demand by the electric sector companies for qualified workforce from the Eletrobras System
- e) Market loss by the Eletrobras System because of the intensification of consumption of alternative products and of an increase in energy self-production.

2.2.2 Accelerated intensification of the agenda associated to the climate changes

The environmental issue has been a challenge for the electric sector for a long time. The concession of environmental licenses for electric undertakings is a factor that generates strong conflicts with environmental agencies and with the impacted communities, incurring in considerable delays and even work halt.

This situation tends to worsen for two basic reasons. On one hand, the strong necessity of expansion of the electric sector in order to meet the expected growth in the Brazilian economy. On the other hand, the intensification of world discussions and impasses associated with the climate changes and global warming with the Brazilian government pursuing a world leadership role in the search for solutions.

Therefore, Eletrobras System is facing the challenge to meet high energy demand, the requirements of environmental agencies and communities, and to respect the external commitments taken by the Brazilian government. Seeking an effective, consistent and synergistic connection with the environmental entities and the local communities, is the ultimate challenge Eletrobras System faces.

2.2.3 High risks of inappropriateness in choosing technology solutions, face to its increasing complexity and accelerated rhythm of technological innovation

The basic technologies employed in the products, processes and basic inputs in the electric sector show a high degree of complexity and an accelerated rhythm of innovations.

In this context, it is difficult for the Eletrobras System to accompany the technological innovations and/or acquire the necessary knowledge to clearly understand their characteristics and explore all their potential.

Thus, Eletrobras System takes serious risks in its decisions and choices related to better technological solutions for its products and processes. There is still a permanent risk that the adopted technologies become obsolete, even considering the choices at the moment of the decision, given the accelerated rhythm of innovations in the electric sector.

2.2.4 Risks of the current concessions renovation

Legally and formally, many existing/present concessions in the electric energy generation, transmission and distribution areas (about a fourth of the installed capacity), expire as of 2015. If there is no solution presented in time for this question, the expired concessions will be taken to auction, even with all the risks for the power utility companies that it implies, including many of the companies of the Eletrobras System.

Therefore, if the current rules are not changed, it is strongly likely that companies of the Eletrobras System lose their concessions. Furthermore, there are risks of the delaying or the halting of the necessary expansions, in case the available resources or funding have to be used by the System for purchasing old assets. There are many alternatives being studied and debated by the government, specialists and interested companies/utilities, but without definitive visible solutions. Therefore, the Eletrobras System remains under a potential risk of unexpected consequences.

PART II. Strategy Formulation

3. The grand structures bases

The solid and strong structures which the Brand of the Eletrobras System Senior Management has established to conduct the future of the organization are consolidated within the topics below, which consider separately the basic functions, the businesses and the main institutional changes required.

3.1. Basic Functions of the Eletrobras System

The Eletrobras System will perform the following functions simultaneously and integrally:

a) Management function – associated to criteria which ensure efficiency and effectiveness to the generation transmission, distribution and commercialization business of electric energy, to the management of holding and to the attractiveness of new investments.

b) Government function – relative to the support and management of the Nation's social and development programs in its operating areas, according to the governmental guidelines and requirements related to the economic-financial balance present in the institutional nature of the System.

3.2. Eletrobras System's Business

3.2.1 Electric Energy Generation

The Eletrobras System should take active part in the national market and in making possible large scale of generation of electricity enterprises, as a conductor of the socio-economic and environmental development in the country. From the operational aspect, the attention should turn to the increase in effectiveness and efficiency and in the improvement of quality of services of generation of electric energy.

3.2.2 Electric Energy Transmission

In the business of electric energy transmission, the Eletrobras System will focus its action on structuring projects and in the regional interconnections with isolated systems and with the countries in South America, and on broadening its participation in the transmission network of the Sistema Interligado Nacional (SIN). It will act strongly in the improvement of profitability, in the increase of operational effectiveness and efficiency, in the improvement of quality of services and the reduction of loss in transmission operations.

3.2.3. Distribution

The distribution business of the Eletrobras System should be conducted according to the following guidelines:

- a) Consolidation of the integrated management and the accomplishment of economic and financial recovery and balance for the Eletrobras System distribution companies;
- b) Improvement of operational effectiveness and efficiency, improvement of quality of services and reduction of loss of energy and of default;
- c) Modernization of the organizational structure and the management system, improvement and integration of administrative processes, and training and professionalization of the distribution companies management and technical-administrative team.

3.2.4. Electric Energy Commercialization

The Eletrobras System will promote the development of the business of commercialization and management of electric energy in a free market, inside and outside of concession areas of their distribution companies. It will develop innovative strategies for the commercialization of energy coming from their future projects abroad and from the new thermonuclear power plants in the country.

Besides the focus on commercialization and management of electric energy, the Eletrobras System give attention to the commercial viability of new businesses connected to the generation, transmission and distribution of energy and to the use of the System's assets.

3.2.5. Internationalization

The Eletrobras System will act in the international market of electric energy, directly or in a pool with national or international companies, for the setting up of and operation of undertakings, mainly in hydraulic generation and energy transmission, as long as they are in agreement with its business interests and after a meticulous risk and opportunity evaluation.

The operation of the System in the international market should bear, equally, in mind the creation of new opportunities for investment in other countries and the generation of new markets for the segment of suppliers of goods and services. It should focus mainly on the business opportunities on the American continent, mainly, in Argentina, Colombia, in the United States and in Peru.

3.3. The Major Institutional and Organizational Changes Required

3.3.1. Institutional Restructuring

The institutional restructuring of the Eletrobras System should be promoted, aiming at an **integrated, cohesive and a synergic** action of the group, obeying the following structuring principles:

- a) **Leadership of the holding**, with strategic, supervision and coordination guiding functions in the controlled companies;
- b) Strategic alignment of the controlled companies, with a **collaborative** action among them;
- c) Controlled companies with their own **identities** and **autonomy** to attend the guidelines of the holding;
- d) Goals for **performance and results** among the holding and the controlled companies, based on the Corporate Strategic Plan, Business Plans and Long Term Investment Plan;
- e) **Partnership** with the private initiative or other state companies.

3.3.2. Corporate Governance

The Corporate Governance of Eletrobras System should go through a modernizing and re-structuring process, aiming at the development of adjustments in the structures and necessary mechanisms to ensure transparency to its shareholders.

3.3.3. Business Management

The Eletrobras System will promote the setting up and consolidation of an effective and appropriate model of business management, based on internal cohesion, on the focus on results and innovation, on business efficiency, on the social economic and financial balance of its business and on the setting up and modernization of basic instruments for planning, control, organization and coordination.

4. Eletrobras System's Mission

4.1. Mission Statement

The Mission of Eletrobras System, its reason for existence and institutional identity, consists of

Acting in energy markets in an integrated, profitable and sustainable way

4.2. Mission Attributes

4.2.1 *Acting in Markets*

The new formulation of the Mission neither specifies nor restricts the geographic space for Eletrobras System action. It does not mean, however, an exclusive option for the internal market, even though until recently, with the exception of the experience of Itaipu Binacional, the System has centered its action on the national territory.

As it is formulated, the Mission, enables and even legitimates the action of Eletrobras System to go beyond the borders of the country, in tandem with the dominating trends and expectations. The new Mission, therefore, not only allows the consolidation of Eletrobras System in the national market, but it also enables its change into a global *player*.

4.2.2 *Energy*

Simultaneously with the opening for operation in the external market, the new Mission signals an important change in the Eletrobras System scope. The definition of the institution as an energy company, not restricted exclusively to electric energy, opens new and important horizons for it.

The persisting perspectives in the field of electric energy, linked to the available potential of expansion of generation and transmission, give meaning to the opening of other fields of energy, in the short-term, a meaning which is more symbolic than a concrete and immediate reality. However, in the medium and long-term, the referred change is of extreme relevance, both in terms of broadening the Eletrobras System alternatives of action, as well as for the energy development of the country.

4.2.3 Acting in an Integrated way

Acting in an integrated way means, first of all, a consistent, coordinated and synergic action of different companies in the Eletrobras System in the energy market, avoiding conflicts, competition and overlapping of objectives and actions. In second place, it requires equally a strong alignment among strategic decisions of the group forming the System and an effective coordination of corporate processes. All that, however, without loss of flexibility and activity of the controlled companies, essential conditions for the effectiveness and efficiency of the System as a whole.

As a basic condition for an integrated action, the Eletrobras System should promote the modernization of its corporate governance, its management system and its shareholders and organizational structure, investing substantially in the organizational culture and in the management of people.

4.2.4 Acting in a Profitable Way

The profitability importance suggested in the Mission statement *means that*, although the concern is already contemplated in the notion of sustainability, described below, the Eletrobras System should take, explicitly and strongly, an entrepreneurial posture, without loss for the other functions and commitments.

In this sense, the Eletrobras System will make a great effort to look for and expand the economic-financial results, in its operations and inversions, in line with indexes and criteria such as, profitability, cost effectiveness and the return of investments. Appropriate strategies for action in the financial and stock market, associated to good corporate governance practices and specialized competences, constitute the supporting base for the profitable action predicted by the Mission.

4.2.5 Acting in a Sustainable Way

Acting in a sustainable way means that the Eletrobras System will always look for harmonic development, balancing the environmental, social and economic dimensions; and ensuring that its business action is guided by globally recognized parameters.

In terms of environmental *dimension*, the System will turn its action mainly towards the rational use of internal resources and for the control and mitigation of negative impacts of its actions and undertakings over the environment.

In the *social dimension*, the Eletrobras System will promote policies and actions intended to recognize the value and importance of its staff, in all of its dimensions. Besides that, it will support community projects on education and on professional qualification, and will promote job and income opportunities, health, social inclusion and local development.

Special attention will be given to the care of populations and sites in the immediate surroundings of its undertakings.

The care with the economic *dimension* means that the System will give special attention to the value delivery to shareholders, which will require a series of basic conditions. First of all, keeping shareholders and the financial market constantly and appropriately informed. Second, to have a high level of economic-financial competence in cost and corporate management. Finally, to ensure that investments and the government programs management are effectively submitted to feasibility criteria and to standards of economic-financial balance.

5. Future vision of the Eletrobras System

5.1. Vision Statement

The Vision of the Eletrobras System, an image that summarizes the desired situation for the institution in the year 2020, is the following

Future vision of the Eletrobras System

In 2020, to be the largest global clean energy company system, with a profitability comparable to the best companies in the electric sector

5.2 Attributes of the Vision

a) *The largest global clean energy company system*

Electric energy produced with low carbon emission has been adopted as clean energy concept. This formulation, defended, among others, by the Brazilian Government, addresses a broader vision of sustainable development and allows a more accurate comparison with the portfolio shown by other global players.

In this direction, the ranking of the 10 companies generating the cleanest energy, compared to the total of generated energy, is shown on the table below.

Ranking of Clean Energy Generators

Companies	Total Generated Energy (TWh)	Clean Energy Generated (TWh)	Clean Energy / Total Energy (%)
Hydro Quebec	206.60	206.60	100.00
ISA	10.11	10.07	99.69
Eletrobras System	229.62	225.49	98.20
Electricité de France	609.90	536.71	88.00
GDF Suez	277.00	240.99	87.00
Iberdrola	141.27	121.12	85.74
7. Ontario Power	107.80	84.60	78.48
8. Tepco	273.50	207.15	75.74

Companies	Total Generated Energy (TWh)	Clean Energy Generated (TWh)	Clean Energy / Total Energy (%)
9. ENEL	253.20	183.34	72.41
10. Kansai Electric Power	154.30	111.10	72.00

In this framework, although the Eletrobras System has a leading position, the effort needed to reach the desired level is still considerable and hard, requiring the complete elimination, by 2020, of non-clean sources of generation, according to the adopted criteria.

b) Profitability consistent with the best companies in the electric sector

The index adopted to measure the profitability of companies in the electric sector, for the purpose of comparison with the Eletrobras System, is centered in the index of Return On Capital Employed (ROCE). In turn, to be among “the best companies in the electric sector”, means that the Eletrobras System should be positioned in the first quartile of the ranking of 10 most profitable corporations, according to the chosen criteria.

The ranking of the most profitable companies from the electric sector, according to the ROCE index, on the average between 2005 and 2008, is shown in the table below.

Ranking of the Most Profitable Companies

Classification	Company	Country	Average ROCE 2005-2008 after taxes
1	Stadtwerke Hannover	GER	31%
2	Elektrizitäts-Gesellschaft	SUI	28%
3	CTEEP	BRA	26%
4	Hafslund ASA	NOR	23%
5	Celesc	BRA	23%
6	Alpiq Holding AG	SUI	23%
7	STADTWERKE DUESSELDORF	GER	23%
8	Sembcorp Industries	SIN	21%
9	Centralschweizerische Kraftwerke	SUI	20%
10	Cemig	BRA	20%

Classification	Company	Country	Average ROCE 2005-2008 after taxes
11	STATKRAFT	NOR	19%
12	Sasol Limited	RSA	19%
13	Dogan Sirketler Grubu	TUR	18%
14	CPFL Energia	BRA	17%
15	BKW FMB Energie	SUI	17%
16	Energisa	BRA	17%
17	Prazska Energetika AS	CZE	17%
18	Enka Insaat VE Sanayi	TUR	17%
19	Enbw	GER	17%
20	Light AS	BRA	16%
158	Eletrobras	BRA	5%

6. Eletrobras System's values

6.1 Identification of Values

The values which guide the practices and the behavior of Eletrobras System and of their corporation, representing their essential and permanent doctrines, are

Values of the Eletrobras System

- Focus on results
- Entrepreneurship and Innovation
- Appreciation and Commitment to people
- Ethics and Transparency

6.2. Values Description

6.2.1 *Focus on results*

Organizational actions and efforts oriented to permanently meet the needs and expectations of the different Eletrobras System target public. This attribute should permeate and align the organization's culture, the structure, the instruments and practices, requiring a high capacity of formulation, setting up, managing and monitoring indicators and targets of effectiveness and efficiency for the set of organizational actions.

6.2.2 *Entrepreneurship and innovation*

Initiative and ability to notice, to anticipate and take opportunities, to mobilize resources and competences, to overcome obstacles, assume risks and implement changes, together with creativity, change of posture and of permanent improvement, continuous learning, to be open to new ideas, generating and exploring new knowledge or new knowledge combinations.

6.2.3 Appreciation and commitment to people

Respect to dignity, to individual rights and to citizenship of Eletrobras System corporate members and commitment to the promotion of their personal and professional growth. Adherence, commitment and integration of professionals of the System to its mission, vision and values.

6.2.4 Ethics and Transparency

Honesty, integrity, respect, loyalty, dignity, responsibility, reliability and transparency are the ethical values which permeate the business of the Eletrobras System and its relationship with the employees, society, the State, the government, the clients, the consumers, the shareholders, the partners and suppliers, the environment, the stock market and the media.

7. Strategic positioning

7.1. Overall Vision

In order to fulfill its Mission and to complete its Vision of the Future, the Eletrobras System takes a Strategic Positioning which is based on its **value proposition**: the identification of its target public and the benefits that the System should generate for each one of them.

To generate the benefits defined for the target public, on the Strategic Planning Horizon, the Eletrobras System will concentrate its best efforts and resources in the accomplishment of five **final strategic objectives**, which are business oriented. In order to support these objectives, the System should ensure a synergic action and the best performance of the organization, through the accomplishment of their **strategic competence and management objectives**.

The integrated vision of Strategic Positioning of the Eletrobras System is represented in the next chart.

Strategic Positioning

Mission	Acting in energy markets in an integrated, profitable and sustainable way
Values	Focus on results Entrepreneurship and Innovation Appreciation and Commitment to people Ethics and Transparency
Vision	In 2020, to be the largest global clean energy company system, with a profitability comparable to the best companies in the electric sector

Rewards for target public	Shareholders	Customers	Government	Society
	Attractive profitability Shares with high liquidity, low volatility and market value compliant with the asset value	Clean electric energy in quantity, with quality and at competitive prices throughout the supply chain	Enabling structuring projects for tariff modicity(energy prices and taxes) Differentiation of Brazil as a global reference in clean electric energy generation	Inducing development Commitment with clean energy

Final Strategic Objectives	To increase and improve the GTD&C electric energy business in a competitive and profitable way	To maximize the production of clean energy, including new renewable sources, in the Eletrobras System power grid	To selectively expand the international operation in GT&C, aligned with the company business and oriented to the Americas	To support electric energy programs of government interest, agreeing about goals of execution and of economic-financial balance	To ensure that the projects of Eletrobras System are vectors of sustainable development for the areas around them.
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Strategic Objectives of Competence Management	To implement a new business and organization management model to ensure an integrated, profitable and competitive operation	To improve the corporate governance, based on the best market practices	To attract, develop and retain talents in the Eletrobras System	To improve the business, participations and partnership management	To leverage the reputation, credibility and reliability of the Eletrobras System before their employees, the market and society	To maximize the internal and external institutional ties to ensure an operation under competitive conditions	To intensify the integrated action in Research, Development and Innovation (R&D+I) and measure its contribution for the results of the Eletrobras System
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7.2. Value Proposition: Benefits for target public

The Value Proposition describes the benefits and results which the Eletrobras System should create for delivery to the target public considered (shareholders, clients, government and society)

Value Proposition of the Eletrobras System

7.2.1 Shareholders

- Attractive profitability
- Shares with high liquidity, low volatility and market value compliant with the asset value

7.2.2 Clients

- Clean electric energy in quantity, quality and at competitive prices in all the supply chain

7.2.3 Government

- Enabling structure projects aiming at the tariff modicity/energy prices and taxes
- Brazil as a global reference in the generation of clean electric energy (its differentiation)

7.2.4 Society

- Inducement of development
- Commitment to clean energy

The choice of the target public significantly reflects the entrepreneurial and governmental functions that the Eletrobras System should perform simultaneously and in synergy, in consonance with its objectives and according to the framework established by the Company's Senior Management.

Thus, together with attending to shareholders specific interests and to the demands of energy by the clients, the Eletrobras System proposes to play the role of an instrument of government projects enablers in its operating area and of inducing the development of society. In this context, the commitment to clean energy is emphasized, as an added value to the governmental and entrepreneurial functions.

7.3. Final Strategic Objectives and Associated Strategies

7.3.1 Concepts

They define the strategic focus of action for the final areas of the Eletrobras System, in terms of business, products and markets, bearing in mind the generation of benefits and of results for the target public that was indicated in the Value Proposition.

They essentially face two approaches. First, focus on the improvement and expansion of electric energy business and markets and on the improvement of the management of programs. On the other, they emphasize the participation of clean energy on the System's energy matrix and the sustainable development of the regions impacted by the projects.

The unfolding of the Final Objectives originates the associated Final Strategies, which are lines of action or relevant initiatives, indicating how the Eletrobras System will try to reach each of them.

7.3.2 Final Objectives and Associated Strategies

Objective 1 – To widen and improve the business of generation, transmission, distribution and commercialization (GTD&C) of electric energy in a competitive and profitable way

Main Associated Strategies

1. To take active part in the best predicted opportunities in government planning for the expansion of electric energy generation

2. To improve the business of distribution, obtaining profitability consistent with the other companies in the Brazilian market

3. To act selectively in the commercialization of energy

4. To invest in energy efficiency on the offer of energy: renewal of power plants performance ability and reduction of technical loss in generation and transmission

5. To invest in the reduction of non-technical losses in distribution

Objective 2 – To maximize the participation of clean energy, including new alternative sources, within the Eletrobras System power grid.

Main Associated Strategies

6. To develop technological and cross functional empowerment for the generation of clean energy

7. To invest in new experiments for the generation of energy with new renewable sources

8. To take part aggressively in the auctions for generation of renewable sources, ensuring the technical and economic-financial feasibility of projects

9. To invest in the reduction of emissions of thermal sources, ensuring the return of investments.

Objective 3 – To selectively expand the international participation in GT&C, aligned to the company's business and with focus on the Americas

Main Associated Strategies

10. To promote the acquisition of assets and form partnerships to develop hydro-electrical and transmission projects, with focus on the Americas

11. To intensify the fund raising and the search for tax incentives to speed up the internationalization process of the Eletrobras System

12. To strengthen institutionally the international area of the System, including the constitution of a subsidiary company

13. To act pro-actively together with the MME and MRE to facilitate and protect overseas investments

14. To speed up the selection and training of staff to act specifically in the international area

Objective 4 – To support electric energy programs of government interest, agreeing on implementation policies and measures to obtain economic-financial balance

Main Associated Strategies

15. To negotiate guidelines, criteria and conditions for the Eletrobras System to participate

in governmental programs associated to electric energy

16. To have an agreement with the MME Management contract for each governmental program, explaining goals, resources, yield, schedule and responsibilities

17. To improve the management system, the follow up and cost allocation of governmental programs in which the Eletrobras System has a relevant part

Objective 5 – To ensure that the Eletrobras System projects are sustainable development vectors for their surrounding areas

Main Associated Strategies

18. To promote sustainable development programs in the surrounding communities around all projects in which the Eletrobras System is involved

19. To negotiate and previously agree with the communities about the proposed rewards and measures in regional integration and sustainable development programs.

7.4. Strategic Competence and Management Objectives and Associated Strategies

7.4.1 Concepts

They establish strategic focus on the basic supporting areas, in terms of institutional and organizational skills, aiming at meeting the requirements indicated in the Final Strategic Objectives.

For that purpose, they focus on the need of strong investments in management, according to a broad perspective, from the corporate governance to the company's, economic-financial management and for the institutional and organizational management change. Not of least importance is the use of reputation and credibility potential inherent to the Eletrobras System, as a fundamental condition for its transformation and modernization.

In the areas of personal and technological competencies on one hand, the objectives emphasize especially the development and the retention of talents; on the other hand, the intensifying and integration of research, development and innovation efforts. Finally, in the operational field, the reduction of legal and bureaucratic ties, which can damage the action and operation of the Eletrobras System, was specially stressed.

The unfolding of the Management and Competencies Objectives results in a set of Associated Strategies, which are lines of action or relevant initiatives to be developed by the Eletrobras System in order to reach each one of them.

7.4.2 Competence and Management Objectives and the Associated Strategies

Objective 1 – To implement a new company and organization management model which ensures an integrated, profitable and competitive action

Main Associated Strategies

1. To implement the shareholding restructuring of the Eletrobras System

2. To develop and implement a management model that is consistent with the particularities of the Eletrobras System and with the new demands and challenges

3. To adapt the System's structure, the organizational processes and the projects to a new paradigm of costs and efficiency

4. To formulate and implement a model and process of change management of the Eletrobras System

Objective 2 – To improve corporate governance, based on the best practices in the market

Main Associated Strategies

5. To formulate, develop and implement the corporate governance model, according to the best practices

6. To adapt the by-laws and internal regulations, requiring an appropriate profile from the shareholders' representatives in Eletrobras System Companies

7. To provide support and mechanisms for use by of the Company's Senior Management and for the external representation of the Eletrobras System

Objective 3 – To attract, develop and retain talents in the Eletrobras System

Main Associated Strategies

8. To establish policies to improve staff management processes, mainly in the area of selection and dismissal, payment, career and succession, performance assessment, compliant with the new business and organizational management model of the Eletrobras System

9. To develop and implement a knowledge management model, networks and programs in the Eletrobras System

10. To promote a continuous evaluation of performance, guiding the career development, with a focus on the results and competencies

11. To create and keep a work environment and a management approach which are stimulating and able to motivate and involve people.

Objective 4 – To improve the business, participations and partnership management

Main Associated Strategies

12. To improve, implement and integrate the technical and economic-financial management practices in business

13. To create and improve instruments and conditions for negotiation, structuring, for management and follow up of joint ventures and partnerships of the Eletrobras System

14. To promote necessary investments and divestitures, looking for the maximization of portfolio profitability

Objective 5 – To maximize the reputation, credibility and reliability of the Eletrobras System with their employees, the market and the society

Main Associated Strategies

15. To associate the brand and the image of the Eletrobras System to a business system of clean energy, efficient, profitable and inductor of development

16. To consolidate the institutional and marketing communication of the Eletrobras System

Objective 6 – To minimize the internal and external institutional ties to ensure competitive conditions of operation

Main Associated Strategies

17. To identify the institutional ties which hamper the operation of the Eletrobras System in competitive conditions and act together with the decision makers looking for the suppression of restrictions

18. To review and improve the internal norms (Supply, HR, Legal) aiming at the suppression of endogenous restrictions

19. To implement management aimed at the elimination of redundancies, increasing opportunities and the search for operational efficiency

20. To negotiate and implement performance measuring contracts of the Eletrobras System companies with the majority stockholder

Objective 7 – To intensify the integrated action in Research, Development and Innovation (R&D+I) and measure its contribution for the results of the Eletrobras System

Main Associated Strategies

21. To consolidate and improve the mechanisms of integration and of identification, analysis, proposition and execution of projects of R&D+I of the Eletrobras System

22. To improve the management of R&D+I projects, considering the mechanisms for measuring results

23. To establish mechanisms to ensure the continuous flow of resources to R&D+I

7.5. Innovative Experiments Portfolio

The Portfolio of experiments constitutes a group of strategies that are complementary to or concurrent with the Associated Strategies in the adopted scene, whose objective is to put the organization in a prominent or defending position, in case the main strategies are not successful. They should be implemented through progressive investments.

In the case of the Eletrobras System, the formulated Experiment Portfolio is indicated in the next frame

Experiment Portfolio

Final Experiments

1. Electric transport: supply network, storage capacity, R&D and battery cost reduction
2. Generation of revenue with the commercialization of carbon credits
3. Offer of water to the Northeast region through the process of desalinization combined with nuclear generation and other sources of energy
4. Investment in intelligent networks – Smart Grid and PLC (broad band) and in generation of distributed energy

Management Experiments

1. Flexibility and modernization of work networks strongly based on results
2. Negotiation of business performance measuring contracts with the major shareholder

