

Sustainability Report | 10

Executive Summary

Resumo Executivo



Eletrobras



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Report | **10**
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Eletrobras





Vision

To be the largest global clean energy conglomerate by 2020 with profitability comparable to the best businesses in the energy industry.

Mission

Work in the energy markets in an integrated, profitable and sustainable way.

Values

The values that guide practices and behavior in the Eletrobras System and its members, representing its fundamental and permanent doctrines, are:

- Focus on results
- Entrepreneurship and innovation
- Appreciation of and commitment to people
- Ethics and transparen





Eletrobras published its Sustainability Report 2010 gathering information about economic, social and environmental performance of its subsidiaries.

This Executive Summary presents the main results of the indicators reported by Eletrobras, as well as the holding positioning about the establishment of the concept of sustainability in the business strategies.

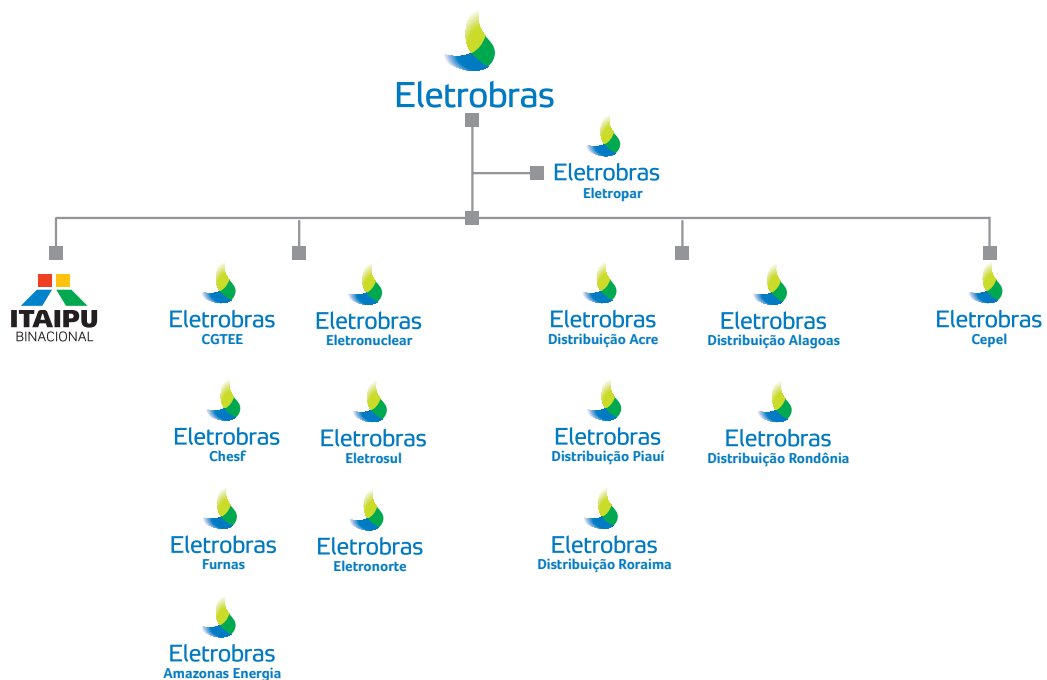
For details on all activities undertaken by Eletrobras, visit:

www.eletrobras.com

1. Eletrobras

The Eletrobras System is Latin America's largest clean energy conglomerate, composed of 16 companies operating in the generation, transmission and distribution of electricity, in addition to a research center, holding company and Itaipu Binacional. In 2010 the System employed 28,450 employees with net income of R\$2,247 million. Managed by the holding Centrais Elétricas Brasileiras, Eletrobras is a publicly-held government-linked company with shares traded on the São Paulo, New York, and Madrid (Latibex) stock markets. Eletrobras is headquartered in Brasília, with central office in Rio de Janeiro and offices in Lima, Peru, Montevideo, Uruguay, and Panama City.

ELETOBRAS SYSTEM: BUSINESS ROLE



¹ The concept of clean energy adopted by Eletrobras refers to power produced with low carbon emissions.

MAIN NUMBERS

- 85% of installed capacity in hydroelectric plants, 9% from oil, 5% from nuclear plants and 1% from coal
- 21 ventures came on stream under Alternative Energy Source Incentive Program (Proinfa) – 14 wind farms, six small hydroelectric power plants and one biomass power plant
- Net income of R\$2.2 billion, 149% higher than in 2009
- More than 28 000 employees
- R\$204 million invested in environmental impact management
- R\$62 million for private social investment
- 99 corporate Research, Development and Innovation projects
- Investments of R\$696 million and conservation of approximately 6.16 thousand GWh of power, under the National Electricity Conservation Program (Procel)
- Investments of R\$2.03 billion in the Luz para Todos Program

2. Sustainability Management

The mission to sustainably operate in the energy market and vision of becoming, by 2020, the largest global clean energy conglomerate in the world have put sustainability at the core of the Eletrobras System business strategy. In 2010, important events marked the evolution of Eletrobras' governance and sustainability management in the System, some of which are worth noting.

- **Sustainability Policy:** established the commitment to sustainability and guidelines for Eletrobras companies in matters related to social responsibility, the environment, and financial stability, in addition to defining the responsibilities of Eletrobras companies' Sustainability Committees and Executive Boards.
- **Sustainability Committee:** the main Eletrobras System sustainability management body, directly subordinate to the Board of Directors. With its restructuring in 2010, it incorporated the participation of representative coordinators from each company and assumed the main tasks of monitoring System sustainability initiatives, elaborating goal and improvement plans, planning and elaborating the Sustainability Report, and participating in the application processes of the BM&FBOVESPA's ISE and the NYSE's DJSI.
- **Social and Environmental Indicators for Corporate Sustainability Management (IGS):** the IGS tests were also concluded in 2010, which will be the primary tool of Eletrobras System companies in managing environmental impacts. Starting in 2011, four major issues will be monitored - water, energy, waste, and wildlife - through 39 indicators that will be continually updated.

3. Main Indicators

3.1. Economic

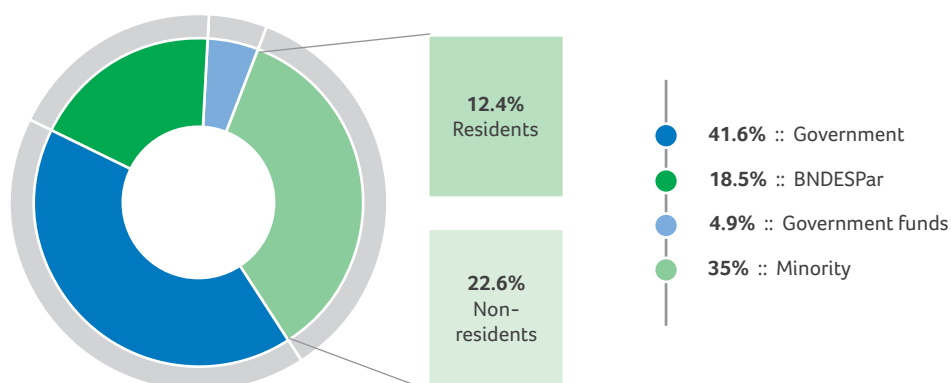
This demonstration aims to highlight the value added by the Eletrobras System and its distribution during 2010, reaching R\$15,939,587 thousands in 2010, with a growth of 3.2% over 2009

Distribution of added value (R\$ thousands)

	2010	2009
	15,939,587	15,440,138
PERSONNEL		
Personnel, taxes, and fees	4,877,556	4,251,184
Employees profit sharing	296,270	284,534
Retirement and pension plan	-32,309	214,682
TOTAL PERSONNEL	5,141,517	4,750,400
TAXES		
Taxes, fees and contributions	4,245,666	1,742,321
TOTAL TAXES	4,245,666	1,742,321
THIRD PARTIES		
Financial charges and rents	3,738,414	7,459,299
Donations and contributions	261,006	237,978
TOTAL THIRD PARTIES	3,999,420	7,697,277
SHAREHOLDERS		
Dividends and interest on equity	370,755	370,755
Minority shareholders participation	305,072	338,673
Retained earnings/ profits	1,877,158	540,712
TOTAL SHAREHOLDERS	2,552,985	1,250,140

The evolution of corporate governance is a cornerstone of the Eletrobras System Transformation and Strengthening Plan, and the holding company has been working to improve the management tools of its subsidiaries to ensure, first, market credibility and, second, the best results for its various stakeholders.

SHAREHOLDING STRUCTURE OF COMMON SHARES*



* Position as of 12/31/2010: R\$ 26 billion.

In 2010, the holding's centralized financial management made a broad financial restructuring process possible in the Eletrobras System companies, which has reduced debt and increased investment capacity for expansion. At the same time, the operation increased the tax efficiency of the System as a whole, as many of the businesses that had historically accumulated losses began to generate positive results and take advantage of deferred tax credits. The System obtained a net income of R\$2,247 million.

Consolidated economic indicators

	2010 (R\$ million)	2009 (R\$ million)	Variation (%)
Net Operating Income (NOI)	27,419	24,712	11.0
Personnel, material and services	7,371	6,486	13.6
Other costs	14,045	12,550	11.9
Earnings before interest, taxes, depreciation and amortization (EBITDA)	6,003	5,676	5.8
Net debt	8,985	5,556	61.7
Shareholders' equity (SE)	70,530	69,346	1.7
Investments made	6,965	5,190	34.2
Investments planned	10,233	8,359	22.4
Net profit	2,248	911	146.8
Net profit /SE	3.2%	1.3%	1.9 pp
Personnel, materials, third party services and other expenses (PMSO)/NOI	26.9%	26.2%	0.7 pp
Net debt /EBITDA	1.5	0.9	0.6
Investments made/Investments planned	68.1%	62.1%	6.0 pp

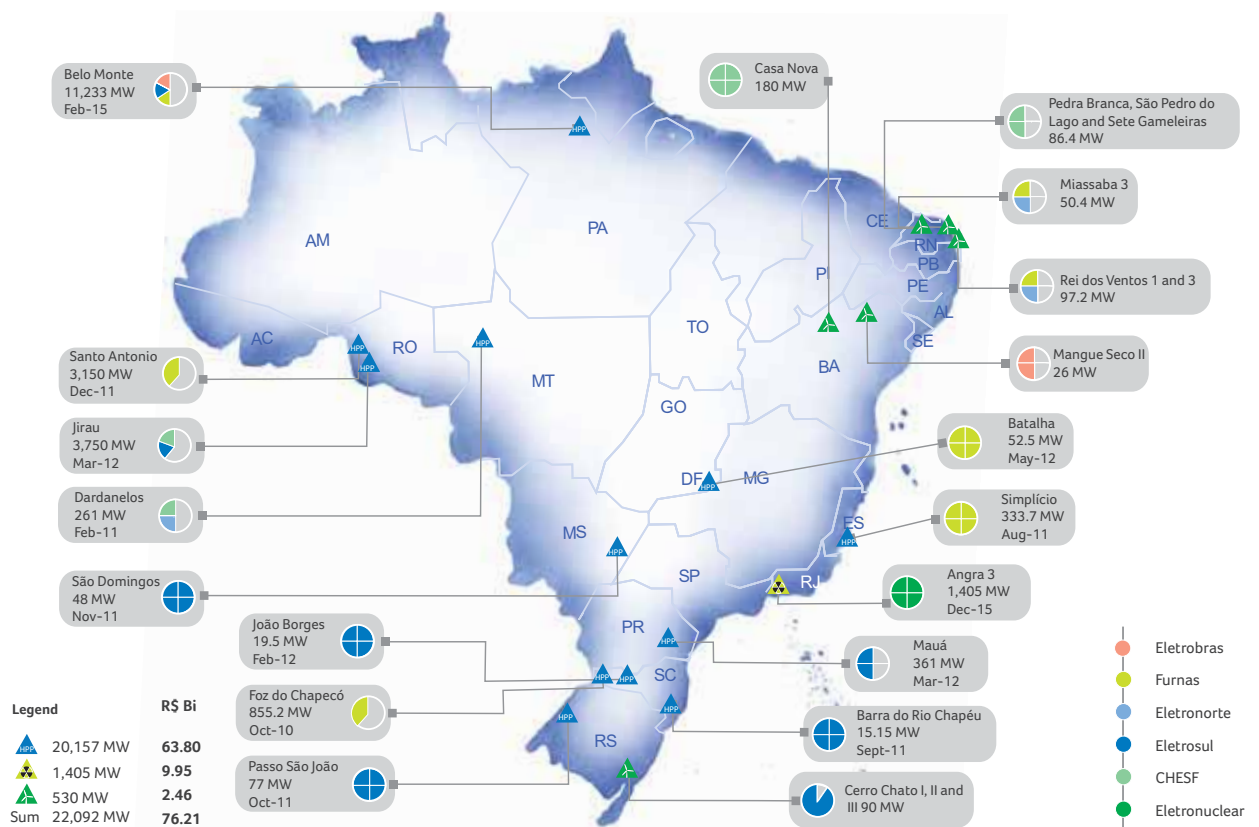
ELETROBRAS BUSINESS PERFORMANCE

Generation

In 2010, R\$2.815 billion was invested in expansion of the Eletrobras System generation business, up 7.4% compared to the previous year, which helped installed capacity to increase from 39,402 MW to 42,080 MW, including its participation in partnerships. The power added to the System by partnerships amounted to 487 MW, corresponding to the Eletrobras participation in 1,150 MW of the installed capacity added with three new hydroelectric power plants that came on stream.

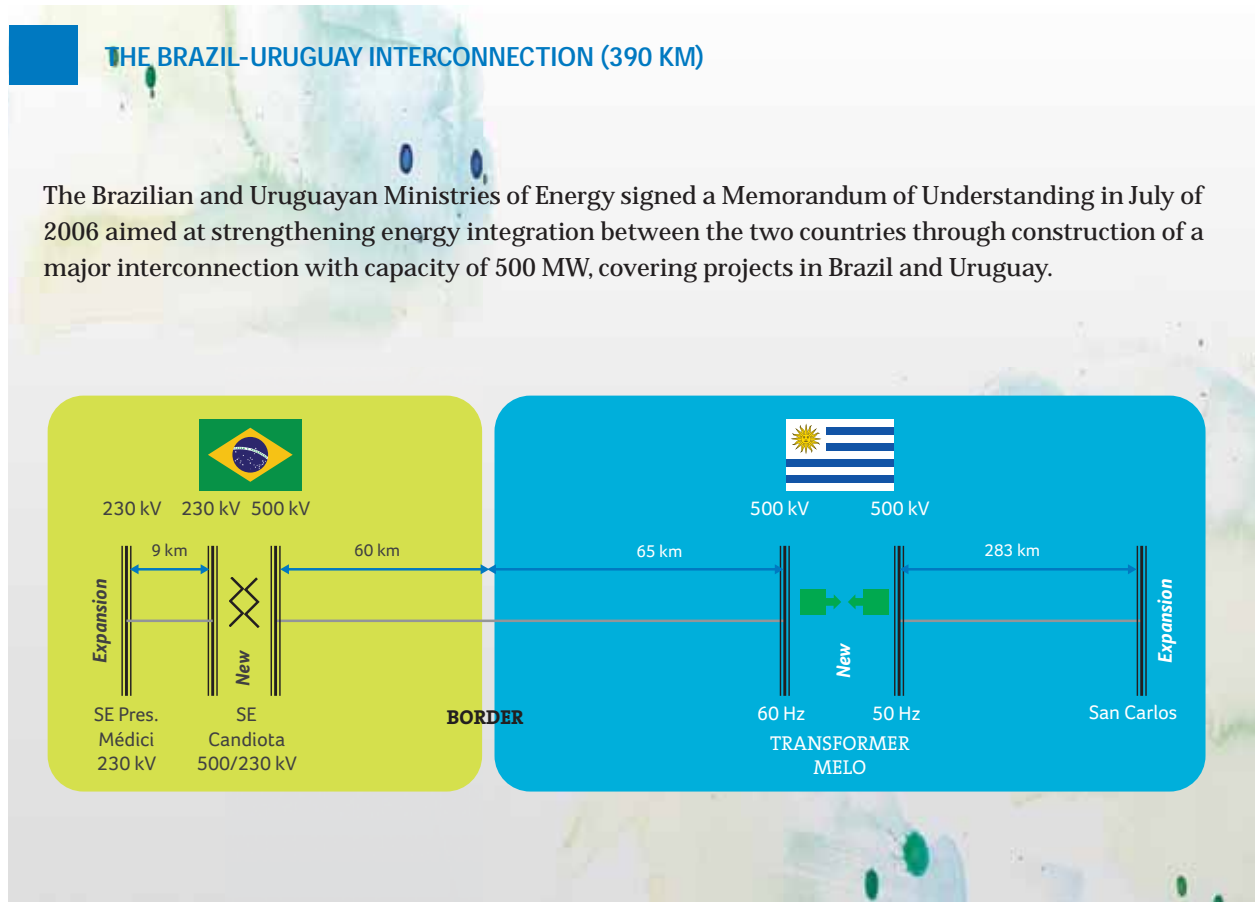
In addition, Eletrobras System companies are building nine power plants with a total installed capacity of 2,426 MW, including the Angra 3 nuclear power plant, which will come on stream in 2015.

MAP OF PLANTS UNDER CONSTRUCTION



Transmission

In 2010, the System included 922 km of transmission lines, 2,568 MVA of transformation capacity at substations and 1,000 MVAR of reactive compensation. Eletrobras companies also incorporated another 64 km of transmission lines via SPCs with the private sector.



Distribution

The recovery process of the Eletrobras Distribution Companies (EDs), still underway, has improved companies' management with some positive results that became visible this year, but still with problems. Investments are being made in 2011 with the goal of improving their performance.

Regarding financial results, the EDs, as a whole, recorded losses of R\$1.4 billion. Of this total, about R\$700 million is due to an accounting effect resulting from the provisions that had been booked due to the termination of asset concessions in 2015.

3.2. Social

2010 was characterized by important advances in the corporate staff management of the Eletrobras System, which included the disclosure of the People Management Policy, whose comprehensive, complementary programs create a work environment governed by meritocracy. The Eletrobras System currently has 28,450 employees distributed nationwide.

Total employees, per region

REGION	NUMBER OF EMPLOYEES
Northeast	3,627
Southeast	9,037
North	3,717
South	3,850
Midwest	8,199
TOTAL	28,450

To modernize and unify people management policies and practices across all Eletrobras companies based on contemporary theories and concepts and the best practices adopted by world class companies, in January of 2010, with the approval of the People Development and Training Plan, part of the Eletrobras System Transformation Plan, Eletrobras established the premise of cooperative and integrated performance of all companies in the System, in line with the strategic purposes of integration, competitiveness and profitability.

This model is composed of Eletrobras System Corporate University (Unise) and 15 associated Corporate Education units representing each of the companies, aiming to promote the development of all employees in their requisite abilities.

Indicators of Unise

PROGRAMS	HOURS	STUDENTS	INVESTMENT
52	67	2,120	R\$9 million

The Luz para Todos Program received investments of R\$2.03 billion. More than two million people in Brazilian rural areas were benefited in 2010 by the Program, with 419,204 new connections. This corresponds to 72.5% of the overall goal of 578,429 connections for 2010, including the commitments of executors with Eletrobras and state governments.

Contracted connections as of 12/31/2010 in Luz para Todos, including executors and Eletrobras

REGION	WORK PROGRAMS	SPECIAL PROJECTS	TOTAL
North	504,990	297	505,287
Northeast	1,317,035	51	1,317,086
Midwest	184,402	-	184,402
Southeast	445,802	-	445,802
South	202,307	-	202,307
BRAZIL	2,654,536	348	2,654,884

A major focus for the Eletrobras System in terms of social responsibility is the development of actions complementary to rural electrification programs to encourage efficient electricity use as a vector to induce development of underprivileged communities. To this end, Eletrobras promotes the implementation of Community Production Centers (CCP).

The Eletrobras System also supports third party projects priority for job creation, income generation, education and training of youth and adult professionals. These projects address issues such as gender; racial equality; traditional and rural communities; promoting human rights, combating discrimination, and guaranteeing the rights children and adolescents; family agriculture; promotion of citizenship; and environmental education.

Private social investment

FUNDING SOURCE	AMOUNT
Total local development/job creation and income generation	R\$ 39,732,973
Total Energy Efficiency Program - for low-income groups	R\$ 2,263,333
Total education	R\$ 18,313,639
FIA and Councils of Children's and Adolescents' Rights (municipal, state, and federal involvement)	R\$ 573,885
Total	R\$ 60,883,830

In 2010, with investments of almost R\$13,909 million, excluding resources from the Global Reversion Reserve (RGR), Procel developed projects that helped to conserve approximately 6.16 million GWh of power. This result is equal to the annual power consumption of nearly 3.3 million homes, representing postponed investments of R\$696 million in power generation expansion.

POWER CONSERVED UNDER PROCEL (GWH/YEAR)



The Alternative Energy Source Incentive Program (Proinfa) fulfilled its main objective: to increase participation in the National Interconnected System (SIN) of electric energy produced by wind farms, biomass and small hydroelectric power plants. Its implementation helped diversify energy sources and create approximately 150,000 direct and indirect jobs across the country, providing large industrial demand and internalization of state of the art technology.

In 2010, 21 ventures came on stream, adding 451.61 MW of power to the Eletrobras System.

With these new ventures, by the end of 2010, Proinfa had employed 113 power plants, representing the inclusion of more 2484.07 MW of installed capacity in the country.

VENTURES ON STREAM AS OF 12/31/2010, UNDER PROINFA

VENTURES	NUMBER	INSTALLED CAPACITY (MW)
SMALL HYDROELECTRIC POWER PLANTS	53	1,049.74
BIOMASS POWER PLANTS	20	540.34
WIND FARMS	40	893.99
TOTAL	113	2,484.07

Investment in support and sponsorship is part of the Eletrobras companies' corporate practices. The milestone for 2010 was the creation of the Sponsorship Policy, which established guidelines for financial support by all System companies for cultural, social and environmental, sporting, educational and technical-scientific projects.

Investment in support and sponsorship, by area

AREA	AMOUNT (R\$)
Culture*	35,724,486.24
Sport (encouraged)**	1,241,735.29
TOTAL	36,966,221.53

* The following Eletrobras companies were considered: Chesf Eletronorte Eletronuclear, Eletrosul Furnas and Eletrobras holding

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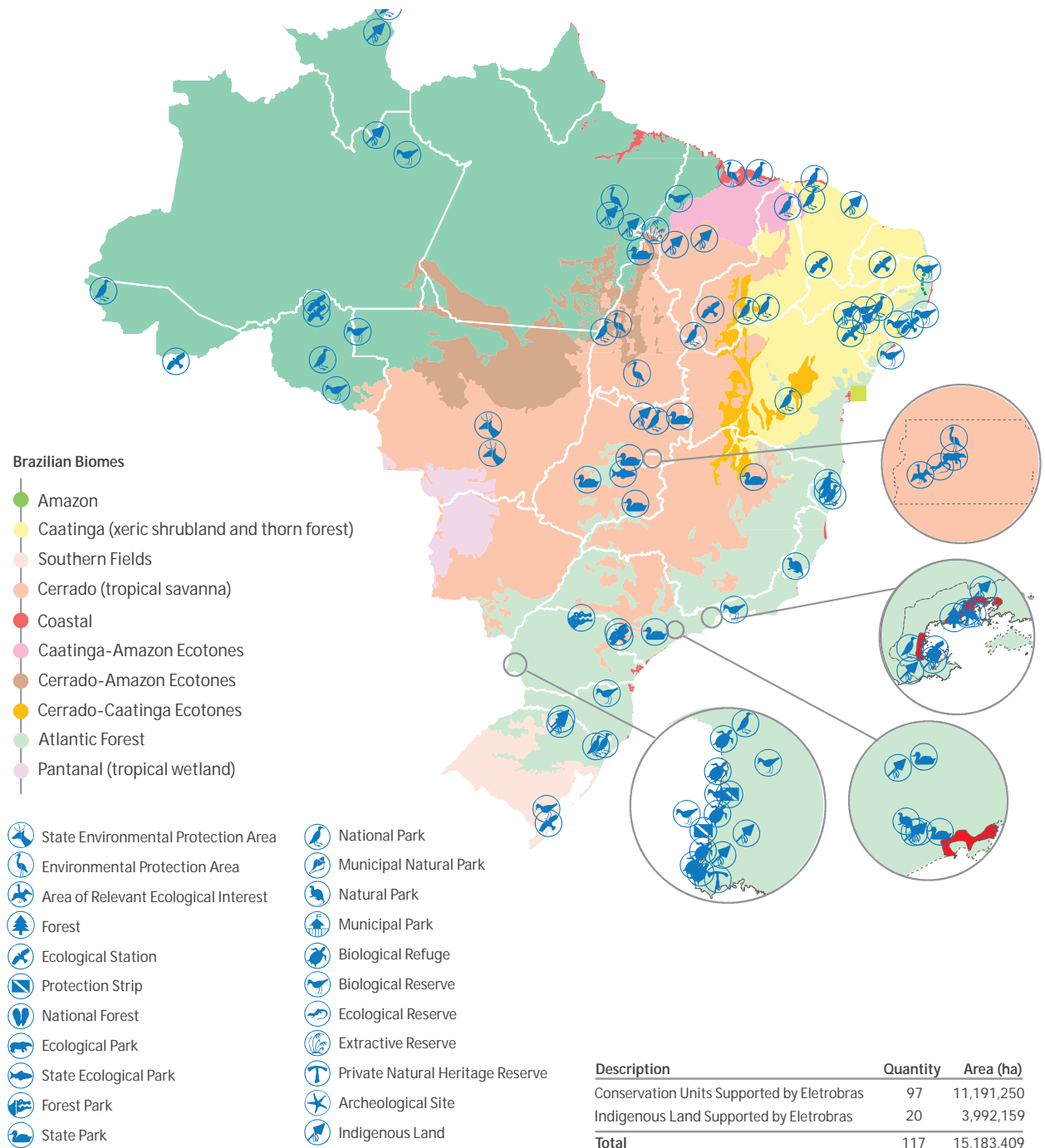
3.3. Environmental

The Eletrobras Environmental Policy has guidelines to address issues related to conservation and recovery of the fauna and flora. The Eletrobras companies have developed biodiversity recovery and conservation programs according to the Electric Sector Environmental Master Plan (PDMA). To rationally explore the energy resources and maintain the balance in the physical, organic and human and cultural occupation of spaces, all activities, from planning to operation, should simultaneously comply with energy engineering designs and respect environmental, social, and economic aspects.

Protected areas supported by Eletrobras companies

Eletrobras System environmental activities are guided by Brazilian legislation. In addition to identifying environmental impacts, the EIA proposes actions for mitigation, control, monitoring, and offsetting. As part of the environmental licensing process, after obtaining the pre-operational license, companies elaborate Basic Environmental Plans that review, expand and detail the EIA social and environmental programs at a level compatible with project engineering elements. Enterprises implemented before the application of the environmental law are also considered for environmental management actions in compliance with the same principles and practices.

PROTECTED AREAS SUPPORTED BY ELETROBRAS COMPANIES



The management measures of main impacts of Eletrobras activities are appropriate for these specific realities. Once identified, the environmental impacts give rise to programs, projects and monitoring and mitigation initiatives developed by each company, according to the location, the respective social and environmental aspects and compliance with legal requirements. In 2010, Eletrobras invested R\$204.877 million in environmental impact management.

Investments and expenses for environment impact management (R\$ million)

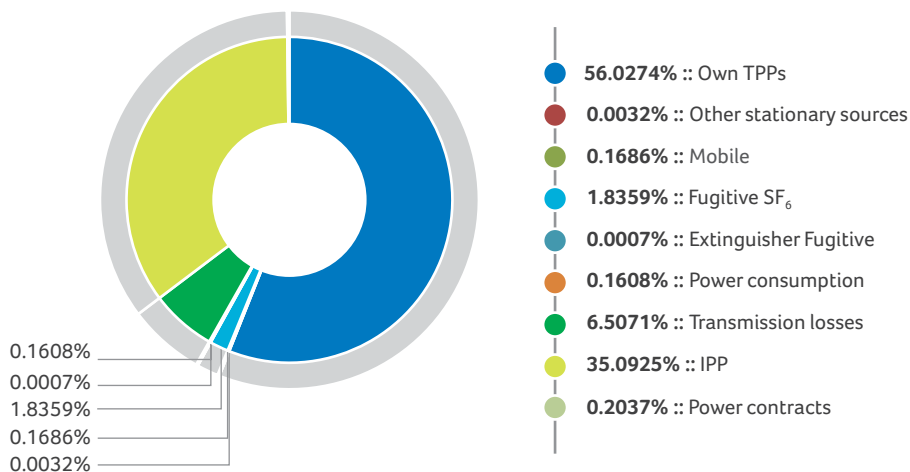
DESCRIPTION	AMOUNT
Maintenance of operating processes for environmental improvement	110.747
Preservation and/or recovery of degraded areas	55.047
Community environmental education	2.771
Other environmental projects	32.336
Environmental liabilities and contingencies	3.976
TOTAL	204.877

In 2010, the Eletrobras System formalized its commitment to conduct an annual inventory of its greenhouse gas (GHC) emissions using the Intergovernmental Panel on Climate Change methodology and the GHG Protocol guidelines.

GHC emissions (tCO₂e), by source [GRI EN16 and EN17]

GHG PROTOCOL SCOPE	SOURCE	EMISSIONS
1	Own thermoelectric power plants	4,883,603.79
	Other stationary sources	280.12
	Mobile	14,699.03
	Fugitive (SF ₆)	160,024.54
	Fugitive (extinguisher)	63.41
2	Power consumption	14,019.21
	Transmission losses	567,186.57
3	Independent Power Producer (IPP)	3,058,828.45
OTHER	Electric energy contracts	17,757.87
TOTAL		8,716,462.98

GHG EMISSIONS (tCO₂e) [GRI EN16 AND EN17]



CREDITS

The elaboration process of the 2010 Eletrobras Sustainability Report has the participation of employees in data collection and information gathering relating to operational, economic, social and environmental aspects. This report is the result of the commitment and collaborative work from the Eletrobras team, so that all involved were able to share knowledge and add important information to demonstrate our commitment to sustainability.

General Coordination

Eletrobras Corporate Sustainability Committee

Publication

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