

# 2008



## Annual Report

Eletrobrás 



Eletrobrás 

2008

Annual Report

5008

# Message from the President



Stronger, integrated, full of plans for the future. This is how the Eletrobrás System ended 2008. The year, which began with the expectation of the approval of Law 11.651, brought with it a strengthening of the company, the expansion of its scope of activities and the finalization of projects that had been heating up for years. A Transformation, with a capital "T", began for all of the companies in the System. An exceptionally good net profit of R\$ 6,136,497,000 crowned a period of excellent results.

The sanction of Law 11.651 in April increased the Company's flexibility in its ability to conduct its business, opening the possibility of international business and the formation of consortiums and participation with other companies in Brazil and overseas. This means that Eletrobrás gained even more opportunities to act as a leader in the electric power industry.

To meet these new challenges, the creation of the Board of Distribution marked the end of an era of chronic problems with the electric power distribution companies in the North and Northeast. With unified management, a reduction in operating costs and integrated strategic planning, the results are already beginning to appear.

In the subsidiaries, the change in the company bylaws ratified the role of the holding company. The new conditions in corporate governance were the focus of various projects in the Transformation Plan for the Eletrobrás System, developed to adapt the companies to their new role in Brazil's electric power industry. A series of articulated actions was designed to increase the income earning possibilities and reduce operating costs.

The significant achievements in 2008 reflect these internal changes, as well as the performance of a team with more than 27,000 employees today. The start of trading of our shares on the New York Stock Exchange represents on the one hand the recognition of our transparency and, on the other, the perspective of greater visibility of our securities and the increase in the market value of the company.

In the area of sustainability, the listing of the company, for the second year in a row, on the Corporate Sustainability Index of the São Paulo Stock Exchange (ISE/Bovespa) is yet another confirmation of the positive choices that have been the hallmark of our corporate governance and our decisions with regard to environmental, social and economic-financial issues.

As the largest company in Brazil's electric power industry, the Eletrobrás System made an important contribution to the history of Brazil in 2008. Companies of the Eletrobrás System formed partnerships that participated successfully in the auctions for Jirau hydroelectric power project, the transmission lines for Rio Madeira and the giant Tucuruí-Manaus-Macapá transmission line. In addition, the resumption of construction activities at Angra 3 and Belo Monte that reflect a more modern approach, which begins a new cycle in the construction of hydroelectric power plants. And, once again, the company performed an important role in the federal government programs – Light for Everyone, The Incentive Program For Alternative Electric Power Sources (Proinfa) and the National Program for Electric Power Conservation (Procel).

It was a year of hard work with changes, excellent results and achievements. At the end, 2008 left us with an expectation of many years to come filled with energy. The internationalization of the company and the Tapajós complex, with 10,600 MW and five plants, are two of the most promising projects along with the resumption of the work at Angra 3 and auctions for Belo Monte. The Transformation Plan for the Eletrobrás System will continue to help prepare us all for these and other commitments that Eletrobrás is proud to assume with Brazil and the Brazilian people.

José Antonio Muniz  
President of Eletrobrás



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## II - Corporate Identity



*Eletronorte - Mato Grosso To  
(Eletronorte Image Bank)*



**Mission**

To create, supply and implement solutions for the domestic and international market for electric energy, with corporate excellence providing profitability and social and environmental responsibility, contributing to the development of Brazil and in the countries in which it operates.

**Vision**

To be a worldwide reference in the electric energy industry, with corporate efficiency, profitability and social and environmental responsibility.

**Values**

Ethics, integration, recognition of the individual, excellence in management, transparency and social and environmental responsibility.

# III – Profile



*Eletronorte –Rotor for Unit  
22 of the UHE Tucuruí*

*(Eletronorte Image Bank)*



Eletrobrás is a publicly traded mixed-capital company, controlled by the Federal Government of Brazil. It was created in 1962 to conduct and promote studies, projects of construction and operation of generator plants, transmission lines and substations in order to supply electric power to Brazil. It is the largest holding company in the electric power industry in Latin America, responsible for nearly 60% of the transmission lines and 40% of the installed capacity to be used in the generation of electricity in Brazil.

Currently, the Eletrobrás System is composed by six companies which are responsible for the transmission and generation of electric energy: Cia. Hidroelétrica do S.Francisco - Chesf, Furnas Centrais Elétricas S.A. (Furnas), Centrais Elétricas do Norte do Brasil - Eletronorte, Eletrobrás Termonuclear S.A. - Eletronuclear, Eletrosul Centrais Elétricas (Eletrosul) and Companhia de Geração Térmica de Energia Elétrica (CGTEE). In addition, the Company holds 50% of the capital stock of Itaipu Binacional, and has six electric power distribution companies (Ceal, Ceron, Cepisa, Manaus Energia, Boa Vista Energia, Eletroacre) and Cepel, which is the largest electric power research center in the southern hemisphere.

The Federal Government holds 58% of the common shares of Eletrobrás, which are traded on the New York, São Paulo and Madrid Stock Exchanges. The company is the principal agent and investor for the Government in the domestic electric energy sector and has been updating its management practices to align them with international trends.

The companies of the Eletrobrás System have an installed capacity of 39,753 MW, provided by 30 hydroelectric power plants, 15 thermal electric plants and two thermo-nuclear plants. In addition to financing the development of projects of generation, transmission and distribution of electric energy, Eletrobrás plays an important role as manager of government programs in energy area such as "Luz para Todos" (Light for Everyone), which aims at expanding consumer service. The company also fosters the use of alternative energy sources, by means of programs to encourage the use of Alternative Sources of Electric Energy (Proinfa), and the efficient use of electric energy, through its National Program F for Electric Energy Conservation (Procel).

## 2. Generation, Transmission and Distribution

### DISTRIBUTION

Situation on 31/12/2008	Hydroelectric*		Thermo-Nuclear		Nuclear		Total*	
	(MW)	Usinas	(MW)	Usinas	(MW)	Usinas	(MW)	Usinas
	Plants	Potential	Plants	Potential	Plants	Potential	Plants	Potential
CGTEE	---	---	490	3	---	---	490	3
Chesf	10,268	14	350	1	---	---	10,618	15
Eletronorte	8,694	4	479	6	---	---	9,173	10
Eletronuclear	---	---	---	---	2,007	2	2,007	2
Furnas	8,122	8	962	2	---	---	9,084	10
Manaus Energia	250	1	780	3	---	---	1,030	4
<b>TOTAL</b>	<b>27,334</b>	<b>27</b>	<b>3,061</b>	<b>15</b>	<b>2,007</b>	<b>2</b>	<b>32,402</b>	<b>44</b>

\*Not Including 50% of Itaipu (7.000 MW)

Installed Capacity – Situation on 31/12/2008 (MW)						
Companies	UHE	UTE	UTN	(EOL+SOL)	Total	%
Eletrobrás System	27,334	3,061	2007	---	32,402	31
Itaipu (50%)	7,000	---	---	---	7,000	7
Others *	43,174	19,695	---	338	63,207	62
<b>Brazil</b>	<b>77,508</b>	<b>22,756</b>	<b>2,007</b>	<b>338</b>	<b>102,609</b>	<b>100</b>

\* Dados obtidos do relatório da Aneel (SFG). Capacidade instalada até 31/12/2008, subtraída a participação do Sistema Eletrobrás.

### TRANSMISSION

Companies	High Tension Transmission Lines (above) 230 Kv	
	Situation on 31/12/08	
	Length (Km)*	
Chesf	18,010	
Eletronorte	9,027	
Furnas	16,950	
Eletrosul	8,165	
Manaus Energia	365	
<b>TOTAL</b>	<b>52,537</b>	

\*Length of Lines including partners.



*Eletronuclear -  
Angra 2 Nuclear Power Plant  
(Eletronuclear Image Bank)*







CGTEE - Candiota/RS -  
Presidente Médici Plant  
(Photo: Gustavo Vara/Satolep Press)



## DISTRIBUTION

### Growth in the Distributor's Market in 2008

#### Consumption of Electric Energy - GWh

	2007	2008	Growth (%)	Share (%)
Brazil	378,362	392,764	3.8	100
Ceal	2,124	2,246	5.7	0.6
Cepisa	1,740	1,831	5.3	0.5
Ceron	1,627	1,743	7.1	0.4
Eletoacre	540	581	7.6	0.1
Interior Table	570	626	9.9	0.2
Capital Table	3,563	3,727	4.6	0.9
Boa Vista Energia	378	403	6.5	0.1
<b>Total - Distributors</b>	<b>10,542</b>	<b>11,157</b>	<b>5.8</b>	<b>2.8</b>

Sources: EPE/MME and DEND/DEN/DE

Despite the small participation of the distribution companies of the Eletrobrás System in the domestic energy market, all of them are presenting a superior growth in comparison to the national average for the period, which demonstrates the tendency for an increasing participation of the Eletrobrás System in the electric power distribution market.



Itaipu – Itaipu Plant  
(Photo: Caio Coronel)

### 3. Electric Energy Research Center (Cepel)

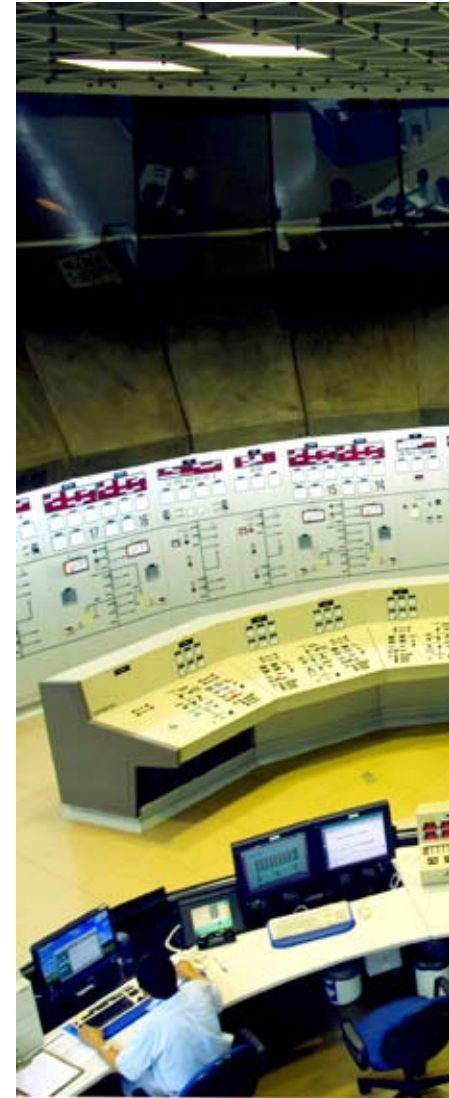
The largest energy research center in the southern hemisphere, Cepel, has a complex of 30 laboratories, many of them not only pioneering in Brazil, but not seen anywhere else in South America. Its rich collection of methodology and computer programs are applied to the planning of the generation and transmission expansion of electric power, taking into account environmental issues and the use of alternative energy sources.

Its projects in Research, Development and Innovation (PD&I) benefit not only the Eletrobrás System but also industry organizations such as the Energy Research Company (EPE), the National Electric System Operator (ONS), the Electric Energy Sales Chamber (CCEE) and the National Electric Energy Agency (Aneel), in addition to concessionaires and manufacturers. Among the project developed, one of the strongest is the interconnected hydrothermal plant system, the operation of the basic energy grid, the development of technologies for the transmission, monitoring and diagnosis of equipment, conservation and efficient use of energy, metallurgy and new materials development, and technology for the energy use of hydrogen.

Cepel also provides technical support to important government programs and projects, such as Light for Everyone, Proinfa, Procel and Reluz, as well as cooperating in the preparation of the Energy Expansion Plans.



*Cepel – Chemical Analysis  
Laboratory  
(Photo: Milton Maurente)*



## 4. Shareholder Interests



*Itaipu – Sala de Controle  
(Foto: Caio Coronel)*

Eletrobrás has stockholders' participation in the segments of generation, transmission and distribution of electric energy, including:

- 111 controlled companies;
- 26 parent companies with a minority shareholder position;
- 5 specific purpose companies (SPE), whose capital consists of redeemable preferred shares whose remuneration corresponds to the IGP-M plus interest of 12% per year;
- 50-% of the capital of Itaipu Binacional.

In addition to the stockholder's participation, Eletrobrás has Government Bonds from the process of privatization of the electric power sector in Brazil which occurred in the 1990s. The most representative is the CFT-E1 (Treasury Financial Certificates) that has a market value of R\$ 209 million.

## 5. International Activities

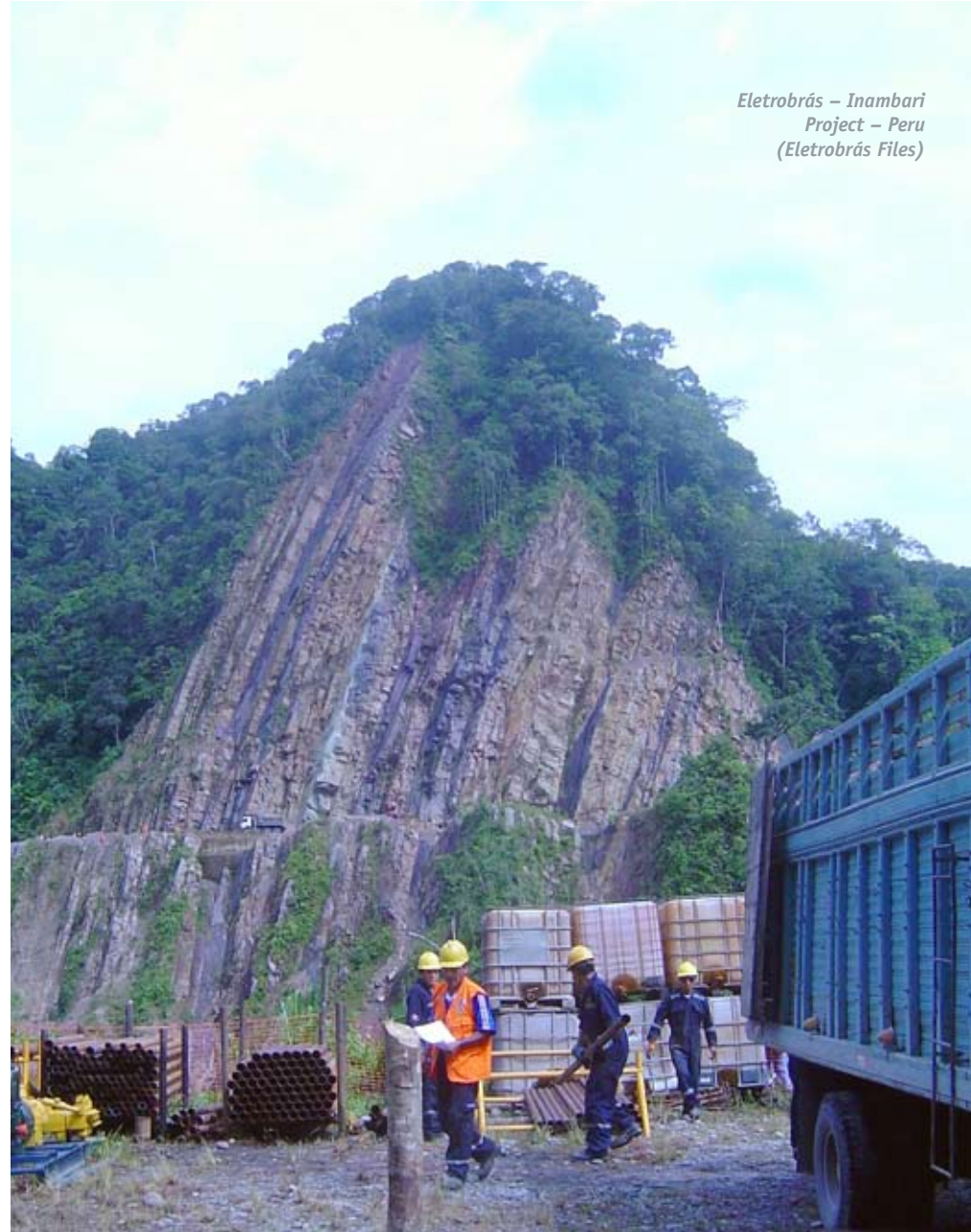
On April 7, 2008, Law 11.652 modified the by-laws of Eletrobrás, authorizing the Holding Company to associate with, directly or through its subsidiaries, with or without funding, for the constitution of business consortiums in Brazil and off-shore aimed at the exploration of electric power production or transmission of under a regime of concession or authorization.

For this purpose, the Superintendence of Operations Abroad (PE) was created reporting to the Presidency. Based on the guidelines determined by the Board of Directors, its role is to coordinate the activities of the Eletrobrás System in the international market, identifying and evaluating potential opportunities overseas.

In addition, a structured business plan was developed for priority businesses and countries, with activities that are expected to be concluded during the first quarter of 2009 according to the following strategic guidelines:

- All project of interest in these segments of generation, transmission and others identified in the international market will be required to present appropriate profitability;
- The insertion into new markets will take place preferably in countries located in South America (geographic proximity);
- An effort will be made to promote the integration of electric power among the countries in South America and the spread of Brazilian expertise in the segment of generation based on renewable resources.
- Based on these guidelines, the Superintendence for Operations Abroad has been developing activities together with the local private sector and large international energy groups aiming at signing a series of agreements for the joint participation in projects that are considered attractive, in countries of South America, Central America and Africa.





# IV – Management

Annual Report 2008

*Eletrobrás – Presentation  
of the Transformation Plan*

*(Photo: Jorge Coelho)*



## 1 – Transformation Plan for the Eletrobrás System – PTSE

Studies prepared by the technicians of Eletrobrás and the Ministry of Mines and Energy during 2006 and 2007, identified the necessity of searching for the transformation and strengthening of the Eletrobrás System, through initiatives in two areas:

- Managerial and institutional with changes in the companies of the Eletrobrás System;
- Structural and regulatory, with changes pointed out directly by the Federal Government.

To reach internal goals, based on guidelines determined by the Federal Government, the Company prepared the Transformation Plan for the Eletrobrás System (PTSE). In the search for a new strategic platform from the institutional, organizational and market-oriented point of view, the PTSE is designed to provide the Eletrobrás System with a structure of corporate management that is integrated and transparent, making it more competitive in the operation and expansion of the service of electric power, capable of providing appropriate remuneration for its shareholders and contributing to the assurance of meeting the energy needs for the sustainable development of Brazil. The repositioning includes four vectors of activities:

- Improvement in corporate governance;
- Reorientation of the distribution business;
- Institutional restructuring of the holding company;
- Reorganization of the corporate management model.

The PTSE is composed of a set of 41 projects, distributed among the four vectors of activities. To coordinate the activities involved, the Committee for the Management of the Transformation of the Eletrobrás System was created, composed of representatives of each of the companies in the Eletrobrás System and each of the departments in Eletrobrás.

**Transformação**  
**SISTEMA ELETROBRÁS**  
ISTO FAZ A DIFERENÇA



## 2 – Strategic Planning

With the new Directors that took office on March 10, 2008, and the strategic guidelines of the Minister of Mines and Energy, the Strategic Corporate Plan and its integrated development for the group of companies was seen as an important factor for the success of the Eletrobrás System.

The development of the Strategic Plan began with the a selection process for hiring consulting prepared to contribute to the necessary conceptual and methodological support to the process. This consulting support is to begin in the second semester of 2009.

While the Strategic Plan is being prepared, and because of the need to have strategic orientation for the corporation immediately for the Eletrobrás System, it was determined that a pluriannual action plan would be created to take effect already in 2009.

The Strategic Actions Program of the Eletrobrás System (PAE 2009-2012) aligns the corporate strategies in the Eletrobrás mission (corporate excellence, profitability and social and environmental responsibility) with the vectors and actions that constitute the Plan for Transformation of the Eletrobrás System, together with a set of objectives and goals whose achievement depends on the integrated efforts of the companies of the System.



*Eletrobrás – Meeting to discuss  
Issues of corporate  
management  
(photo: Arquivo Eletrobrás)*



### 3 – Corporate Management

The reorganization of the corporate management model is one of the four guidelines given by MME for the strengthening of the Eletrobrás system. It was transformed therefore into one of the vectors of the PTSE, including 16 principal activities which, when integrated, would take the holding company and its companies to a new level of management.

These activities include the preparation and implementation of a planned corporate restructuring, including the redefinition of organizational processes as well as their indicators for performance and control, and the realignment of the used information systems, as a way of meeting the new demands of management. By the end of 2008, initiatives were in process for the re-adaptation of procedures related to the: Integrated Management of Corporate Risk, Management of Internal Controls, Management of the Logistics of Supplies, Management of New Business and Management of Investments, all of them to be applied to all companies of the Eletrobrás System.

In particular, it should be pointed out that the adaptation of internal controls of all the companies of the Eletrobrás System to the requirements of section 404 of the Sarbanes-Oxley law (SOX) that will allow the trading of ADRs level 2, initiated in October 2008 on the New York Stock Exchange, should be maintained.

Further in 2008, was developed a model for the integrated management of corporate risks for the holding company. This project produced: the mapping of the universe of risks for the company; the identification of the most important corporate risks - that have a direct impact on its strategic financial objectives; the definition of methodology for treatment; and the recommendations of actions for the implementation of the management of identified risks. Some of these activities are now in process and it is expected that they will be implemented during 2009. In parallel, within the Transformation Plan a replication of the methodologies developed to other companies of the Eletrobrás System is being examined.

Specific activities to mitigate the financial risks associated with currency variation were also put in practice and in 2008. Based on the exchange rate hedging policy, approved at the end of 2007, designed to protect the net asset exposure in dollars, short-term operations with derivative instruments, in the amount of US\$ 280 million were realized. These operations will continue incorporating not only the mismatch in foreign currency over the next fiscal years, but also the protection of the results of the Company against adverse movements in the rates of interest, price indices and maturities.

Finally, it should be noted that the extension of corporate risk management practices throughout the System will satisfy the precepts of Corporate Governance and contribute to an increase of the return to the shareholder, which, in the final analysis, should have an impact on the valuation of the company by the financial market and the consolidation of its participation in the electric power sector.

## 4 – Corporate Governance

The principal organs of governance of Eletrobrás, formerly constituted and with regular responsibilities, are:

- General Shareholders Meeting – during 2008, six General Meetings were held; five of them were Special and one was a General Shareholders Meeting.
- Board Of Directors – composed of nine members, of which seven are nominated by the MME; one by the Ministry of Planning, Budget and Management; and one by the minority shareholders, elected in a separate vote in the General Meeting, not including the controlling shareholder. The meetings are monthly, dedicated to corporate and strategic issues for the Eletrobrás System.
- Fiscal Committee – the internal operating regimen was changed in 2006 to respond to the requirements of the Sarbanes-Oxley Law (SOX). A permanent committee composed of five members elected by the General Shareholders Meeting: three nominated by the majority shareholder (one indicated by the Ministry of finance, which represents the National Treasury); one by the minority shareholders; and the other by the preferred shareholders. These meetings are held monthly and, when necessary, held jointly with the Board Of Directors.
- Board of Executive Officers - made up of the Presidency and five other Boards: Administration, Distribution, Engineering, Technology and Finance and Investor Relations. Weekly meetings are dedicated to the conduct of business of Eletrobrás and the System, based on the strategic guidelines provided by the Board Of Directors.

Since 2006, in order to increase the transparency of information provided to stakeholders, Eletrobrás has adhered to the Level 1 of the Corporate Governance of Bovespa. In 2008, the Ministry of Mines and Energy prepared new guidelines for the management of the company. Among these are the improvement and expansion of best practices in corporate governance. To meet this requirement, the company management faces new challenges:

- Greater effectiveness in the actions of the members of the Fiscal and Director Boards, in representing Eletrobrás in the companies in which they have a shareholder position.
- An increase in the ranking of the Eletrobrás System in the Bovespa Index of Sustainability (ISE Bovespa).
- Listing on the Dow Jones Sustainability Index (DJ SI) By 2012.
- An Increase to Level 2 of the Corporate Governance of Bovespa By 2012.

Finally, it is important to point out that for the second consecutive year, Eletrobrás was listed on the Bovespa Index of Corporate Sustainability (ISE/Bovespa). Listing on this index signifies a commitment to corporate sustainability, which represents a differential for investors. It means, also, that the company has investments that are compatible with the requirements for sustainable development.



Pacto Global  
Rede Brasileira

**PROJETO SOX**  
A TRANSPARÊNCIA ESTÁ EM ALTA  
Isto faz a diferença



*Eletróbrás – Sox Project  
- Discussion of the  
methodology of  
documentation  
(Photo: Jorge Coelho)*



## V – The Energy Market



*Eletronuclear – Maintenance Activities during the planned shutdown of Angra 2  
(Photo: Marco Antônio Alves)*



In 2008, the consumption of electric power in Brazil grew by 3.8%, reaching 392.8 TWh, according to the Energy Research Company (EPE). All regions registered growth in consumption, and only the Southeast remained below the average (3.3%), which shows the gradual loss of its share in total consumption. The center-West region, in turn, was where the greatest growth in consumption was seen (7.0%). The sale of energy by region, although it continues to be highest in the Northeast (40.9%), is almost identical to that of the Southeast (38.2%), while 12.2% (South); 5.3% in the Center West; and 3.4% for the North, represent the consumption of other regions.

The companies in the Eletrobrás System behave in a regional manner, with coverage provided to areas that do not correspond exactly to Brazil's geographic regions. In the south of Brazil, Eletrosul covers not only the states of the South region but also Mato Grosso do Sul which lies in the Center-West Region, with a population of approximately 30,000,000 inhabitants (approximately 60% of Brazil's population) and the GDP for the region accounts for approximately 60% of Brazil's GDP. More than 40% of all the energy consumed in Brazil passes through the Furnas System. The share of the company and the supply of energy is 97% in the Federal District; 92% in Rio de Janeiro; 91% in Mato Grosso; 81% in Espírito Santo; 61% in Goiás; 58% in São Paulo; 45% in Minas Gerais; and 16% in Tocantins.

In the Northeast Region, the coverage by Chesf extends to an area of more than 1 million km<sup>2</sup>, inhabited by more than 50 million people. Eletronorte covers an area that includes the states of the North Region in addition to the state of Maranhão. The principal feature of the regional market serviced by this company is the fact that - although the population and regional GDP are the lowest in the country - there are large industrial complexes that are electro-intensive, as well as projects for the implantation of new power plants and/or the expansion of the existing power plants, which represents an increase of power for the future.

Regional developments are assaulted with projects implemented already or that will be implemented in each region. Examples can be found, in the case of the Northeast Region, the consolidation of the Suape industrial complex, and the pharmaceutical/chemical and blood products complexes in Pernambuco; in Ceará the establishment of the Pecém complex and the implementation of a steel manufacturing facility; and in Bahia the consolidation of the automobile complex. For its part, in the North Region, the growth of the consumption of electric energy will occur in a more intensive manner than the others because of the installation of new electro-intensive industrial plants. In the Center-West Region the expansion of agribusiness, accompanied by an increase in extractive activities, will tend to raise the consumption as it requires installation of industrial transformation plants (as in the steel and home furnishings industries). In the Southeast and South Regions, because they are more industrialized and developed, they will tend to lose share in the national market for electric power because of the more accelerated growth of the other regions and by the natural tendency for migration of industries located in this region to other regions.

With regard to the share of potential installed domestic capacity, which in 2008 reached 102,609 MW, the Eletrobrás System reached a total of 39,402 MW installed, representing 38% of the market in Brazil.

## 1 – Expansion of Generation

The Ten Year Plan for the Expansion of the Energy prepared by EPE/MME for the period 2008-2017 forecasts a contribution by the Eletrobrás System of 35,676 MW in projects of generation directly or by stockholders' participation. It is important to highlight that from this total, 10,573 MW will come from projects that already have a concession, being 2,212 MW from direct participation and 8362 MW from stockholders' participation. We pointed out that 99% of the participation of the Eletrobrás System is related to projects in clean energy – 33,976 MW in hydro projects (including large projects such as the Belo Monte hydroelectric plant and the Santo Antônio and Jirau projects on the Tapajós River) and 1350 MW in nuclear energy (Angra 3).

With the intention of participating in the coming auctions for new energy (A-5), the Eletrobrás System is developing feasibility studies and hydroelectric project, both directly and in partnership with private sector companies, in the amount of 32,300 MW.

PLANTS EXPECTED TO ENTER AN OPERATION				
COMPANY	UHE	(MW)	Operation Commercial	Classification
Eletrosul	Passo São João	77	Nov/09	Auction 2005
	Barra do Chapéu	15	Nov/10	Authorization
Furnas	Simplício	334	Jul/10	Auction 2005
	Batalha	53	Feb/11	Auction 2005
<b>UTE</b>				
CGTEE	Presidente Médici (Candiota III)	350	Jan/10	Concession
<b>UTN</b>				
Eletronuclear	Angra 3	1,350	Nov/14	Concession

PRINCIPAL PARTICIPATION IS SPEs					
COMPANY	UHE	Share (%)	MW	Op. Commercial	Classification
Chesf/Eletronorte	Dardanelos	24.5/24.5	261	Jan/10	Auction 2006
Chesf/Eletrosul	Jirau	20/20	3,300	Jan/13	Auction 2008
Eletrosul	Mauá	49	362	Apr/11	Auction 2006
	Peixe Angical	40	452	---	---
Furnas	Baguari	15	140	Sep/09	Leilão 2005
	Retiro Baixo	49	82	Jan/10	Leilão 2005
	Foz do Chapecó	40	855	Aug/10	Concessão
	Serra do Facão	49	210	Oct/10	Concessão
	Santo Antônio	39	3,150	May/12	Leilão 2007

## 2 – Expansion of Transmission

The PDE 2008/2017 calls for the active participation of the Eletrobrás System in activities related to the expansion of transmission. The companies are already participating in Study Groups for Regional Transmission (GET) that provide support for EPE in the planning of regional transmission, and the realization of studies of regional interconnection and the integration of among power plants.

A selection of the most important projects would include the transmission system for the hydro electric power complex on the Madeira River, in which the studies prepared by companies of the Eletrobrás System played an outstanding role, contributing to the success obtained in the auction for transmission. An additional highlight was the work on the Tucuruí-Macapá-Manaus interconnection that will make it possible for the systems in the Amazon region, currently isolated, to be connected with the National Interconnected System (SIN).

In 2008, the companies of the Eletrobrás System added 504 km of transmission lines to the SIN and 3077 MVA in capacity of transformation at the substations. In partnership with companies from the private sector, the so-called Specific Purpose Corporations (SPE), an additional 695 km of transmission lines and 672 MBA in capacity of transformation in substations were added to the system.

TRANSMISSION LINES			
Project	Tension (kV)	Company/Partner	Length (KM)
Gravataí 3/ Atlântida 2	230	Eletrosul	102
Pimenta Bueno/ Vilhena	230	Eletronorte	160
Miracema/ Gurupi	500	INTESA*	255
Peixe 2/ Serra da Mesa 2	500	INTESA	195

\*Eletronorte 37%; Chesf 12%

SUBESTAÇÕES			
Project	Tension (kV)	Company/Partner	Length (KM)
Vilhena	230	Eletronorte	120
Nova Santa Rita	525	Eletrosul	672
Barreiras	230	CHESF	200
Biguaçu	500	Eletrosul/SC Energia	672

### 3 – Auction for Transmission Lines

The success obtained by the Eletrobrás System in the four auctions for transmission lines sponsored by Aneel in 2008 demonstrates the strength of the companies, which acquired 13 of the 29 lots auctioned, a total of 6415 km of transmission lines (229.3% of the total offered). The annual income that will be earned from the operation of these projects will be around R\$ 868.8 million. The highlights of the acquisitions include:

- **Auction 004-2008** – Eletronorte and Chesf, in partnership with private sector companies, are part of the Amazônia Consortium that purchased lot C (the Tucuruí-Macapá-Manaus connection).
- **Auction 007-2008** – Eletronorte and Eletrosul, in partnership with private sector companies, are part of the Integração Norte Brasil Consortium, that purchased lots A, C and G of the transmission system for the Madeira River hydroelectric power plants, where the investments are expected to exceed R\$ 6 billion. Lots D and F were purchased by the Madeira Transmission Consortium, in which Chesf and Furnas are partners.
- **Auction 008-2008** – Furnas is part of the Renewable Transenergy Consortium, winner of lot C, that has an Allowable Annual Income (RAP) of R\$ 34.5 million and includes: LT 230 kV Chapadão-Jataí (CD of 128 km); LT 230 kV Barra dos Coqueiros-Quirinópolis (CS of 50 km); LT 230 kV Palmeiras-Edéia (CS of 60 km); SE Jataí 230 kV; SE Quirinópolis 230 kV; and SE Edéia 230 kV.





## 4 – Frontier Interconnections

**Interconnection with Uruguay, using the Rivera frequency converter station** – Through an agreement with the Uruguayan state company Administración Nacional de Usinas y Transmisiones Eléctricas (UTE), Eletrobrás granted, with indemnification, the right to use the conversion facilities. The results from the sale through CCEE through November were positive by R\$ 12,600.

**Interconnection with Argentina using the Uruguiana frequency converter station** – In order to facilitate the return of exchange operations using the Uruguiana conversion station, Eletrobrás, Eletrosul and Emprendimientos Energéticos Binacionales Sociedad Anônima (Ebisa) are negotiating a solution for the debt between the Argentinean company and Eletrosul.

*Furnas - Transmission towers  
From the Foz do Iguaçu substation  
(Photo: Bruno Ribeiro)*



## 5 – International Market

Based on the activities of the Superintendence for International Operations, the following business opportunities in the international market were identified and are currently under study by the Eletrobrás System and its partners:





- **Argentina:** UHE Garabi (1800 MW) – Preparation of Inventory and Feasibility Studies.
- **Angola/Namíbia:** Aproveitamento Hidrelétrico Binacional de Baynes (360 MW) - Preparation of Feasibility Studies.
- **Nicarágua:** UHE Tumarín (180 MW) – Preparation of Feasibility Studies.
- **Peru:** Preparation of Pre-Feasibility Studies for the following hydroelectric projects: Paquitzapango (1,380 MW), Sumabeni (1.080 MW), Urubamba (950 MW), Cuquipampa (800 MW) and Vizcatan (750 MW). Start of Feasibility Studies for the Inambari hydroelectric plant (2,000 MW).
- **Venezuela:** Study of the Interconnection of electric power, with a view to an exchange of electric power between the two countries.
- **South and Central America and Africa:** New projects are in the initial stages.



## VI – Investment



*Furnas – Project under the Accelerated Growth Program (PAC) AHE BAGUARI*

*(Photo: José Lins)*



In 2008, the Eletrobrás System invested R\$ 3.8 billion in the generation, transmission and distribution of electric power. The most important projects are shown below:

- Irrigation of the lots in the resettlement areas of the Itaparica Plant;
- Implantation of the UHE Simplício;
- Implementation of the UHE Passo São João;
- Implementation of the Candiota III – Phase C;
- Expansion of the transmission system of the South Region;
- Repairs and improvements of the transmission system in the areas of São Paulo and Minas Gerais;
- Transmission system in Pará, associated with the UHE Tucuruí;
- Light for Everyone Program.

Nature of the Investments (R\$ Millions)	2008	2007	%
Generation	2,019	1,284	57.2
Transmission	1,190	1,288	-7.6
Distribution	384	332	15.7
Environmental Quality	30	20	49.0
Research	28	18	55.6
Infrastructure	227	162	40.3
<b>Total</b>	<b>3,878</b>	<b>3,104</b>	<b>24.9</b>

## 1 – Accelerated Growth Program (PAC)

Em 2008, o Sistema Eletrobrás investiu, em empreendimentos incluídos no PAC, R\$ 2,5 bilhões. O montante equivale a 69,8% dos R\$ 3,5 bilhões aprovados para o ano e representa um crescimento de 22,2% em relação a 2007. Do total, 39% foram destinados à região Sudeste; 29%, à região Sul; 21%, à região Norte; e 11%, à região Nordeste.

Quanto ao tipo de segmento, 78,3% foram investidos em projetos de geração; 14,3%, em transmissão; e 7,4%, em distribuição. A média de realização orçamentária foi de 69,8%, destacando-se, acima da média, Eletronorte (99,1%), Furnas (88%), Eletrosul (70,7%) e Ceal (99%).

Investment in PAC - R\$ Million				
	2008		2007	
	Forecast	Realized	Forecast	Realized
<b>TOTAL</b>	<b>3,534,407</b>	<b>2,469,334</b>	<b>2,660,107</b>	<b>2,020,032</b>

Generation - In Implantation					
Operator	UHE	UF	MW	Operation	Expected
Consórcio Madeira Energia	Santo Antônio	RO	3,150		april/12
Consórcio Energia Sustentável do Brasil	Jirau	RO	3,300		jan/13
Furnas. CPFL and CEEE	Foz do Chapecó	SC/RS	855		ago/10
Eletrosul and Copel	Mauá	PR	362		sept/11
Eletrosul	Passo São João	RS	77		dec/09
Furnas. Cemig. Baguari	Baguari	MG	140		sept/09
Furnas. Orteng. Logos e Alen	Retiro Baixo	MG	82		jan/10
Furnas	Simplício	MG	334		jul/10
Eletronorte. Chesf. CNO. Neoenergia	Dardanelos	MT	261		feb/10
Furnas	Batalha	MG	52		mar/11
Eletrosul	São Domingos	MS	48		dec/11
Furnas. Alcoa. DME and CCCC	Serra do Facão	GO	210		oct/10
Operator	UTN	UF	MW	Operation	Expected
Eletronuclear	Angra 3	RJ	1,350		out/14
Operator	UTE	UF	MW	Operation	Expected
CGTEE	Candiota III	RS	350		jan/10

**Generation – Inventory Studies**

Operator	UHE	UF	MW
Eletronorte. CCC	Bacia do Rio Tapajós	PA/AM	10,682
Eletronorte. Engevix. Themag. OAS	Bacia do Rio Itacaiunas	PA	200

**Generation – Feasibility Studies**

Operator	UHE	UF	MW	Operation Expected
Eletronorte. EDP	Novo Acordo	TO	160	03/04/2015
Chesf. Queiroz Galvão and Cnec	Castelhano	PI/MA	94	19/12/2013
Chesf. Queiroz Galvão and Cnec	Estreito Parnaíba	PI/MA	56	19/12/2013
Chesf. Queiroz Galvão and Cnec	Cachoeira	PI/MA	63	01/06/2013
Chesf. Queiroz Galvão and Cnec	Uruçui	PI/MA	134	14/12/2014
Chesf. Queiroz Galvão and Cnec	Ribeiro Gonçalves	PI/MA	113	14/12/2014
Chesf. Desenvix and Odebrecht	Pedra Branca	PE/BA	320	04/09/2015
Chesf. Desenvix and Odebrecht	Riacho Seco	PE/BA	276	14/12/2014
Eletronorte. Maggi. Linear. MCA	Juruena	MT	46	30/07/2013
Furnas. PCE. Ener-Tech. Rialma. Schahin	Mirador	GO	80	09/07/2014
Furnas. PCE. Ener-Tech. Rialma. Q, Galvão	Maranhão Baixo	GO	125	03/09/2015
Furnas. Rialma. PCE e Queiroz Galvão	Buriti Queimado	GO	142	03/09/2015
Furnas. ELN. Enercamp. PCE. Ener-Tech. Alston. A, Gutierrez	Água Limpa	MT	380	14/12/2014

<b>Transmission Lines Concluded</b>					
<b>Operator</b>	<b>AHE</b>	<b>UF</b>	<b>MW</b>	<b>Op.</b>	<b>Forecast</b>
Eletronorte	Belo Monte	PA	11,181	30/04/2014	
Eletronorte. CCCC	Marabá	PA	2,160		---
Eletronorte. Queiroz Galvão	Tabajara	RO	350		---
Eletronorte. CCCC. Alcoa and BHP	Serra Quebrada	MA/TO	1,328	30/09/2016	
Eletronorte. Maggi. Linear. MCA	Cachoeirão	MT	64	19/12/2013	
Eletronorte. Furnas. Alusa. Q, Galvão	Toricoejo	MT	76	19/12/2013	
Eletronorte. Desenvix	Torixoreu	PA/TO	408	28/02/2017	

<b>Intesa Consortium: Eletronorte 37% and Chesf 12%</b>					
<b>Project</b>	<b>Voltage (Kv)</b>	<b>Operator</b>	<b>Length (Km)</b>	<b>Operation Expected</b>	
Colinas-Miracema	500	INTESA	173	23/05/2008	
Miracema-Gurupi	500	INTESA	255	23/05/2008	
Gurupi-Peixe Nova	500	INTESA	72	23/05/2008	
Peixe Nova-Serra da Mesa 2	500	INTESA	195	23/05/2008	
Desterro-Palhoça	230	Eletrosul	40	29/12/2008	
Ji-Paraná - P,Bueno- Vilhema C1	230	Eletronorte	278	31/10/2008	

<b>Transmission Lines under Construction</b>					
<b>Project</b>	<b>Voltage (Kv)</b>	<b>Operator</b>	<b>Length (Km)</b>	<b>Operation Expected</b>	
Milagres - Coremas	230	CHESF	120	31/05/2009	
Pres, Médice - Santa Cruz I	230	Eletrosul	235	30/09/2009	
Campos Novos - Nova Santa Rita	500	RS Energia	273	01/04/2009	
Juba - Jauru	230	Brasnorte S,A	121	10/09/2010	
Brasnorte - Nova Mutum	230	Brasnorte S,A	264	17/09/2009	



## 2 – Subsidiary Company Funding

The subsidiary companies and distribution companies received, in 2008, funds in the amount of R\$ 1.3 billion in loans and financing as detailed below:

Investment	Economic	Authorized	Total
Loans/Financing	R\$ '000	Financial	R\$ '000
Distribution Companies :		R\$ '000	R\$ '000
Ceal	---	30,800	30,800
Cepisa	---	31,584	31,584
Ceron	8,251	13,559	21,810
Manaus Energia	---	457,488	457,488
<b>Subsidiaries:</b>			
CGTEE	---	93,927	93,927
Chesf	---	17,135	17,135
Eletronuclear	106,434	88,501	194,935
Eletrosul	52,381	292,552	344,933
Furnas	---	113,000	113,000
Itaipu	8,326	4,933	13,259
<b>TOTAL</b>	<b>175,392</b>	<b>1,143,479</b>	<b>1,318,871</b>

### 3 – Stockholders' Participation

The market value of Eletrobrás' participation in the companies whose shares are traded on the Stock Exchange was more than R\$ 6.1 billion in 2008. The changes in the market value followed very closely the Electric Power Index (IEE). Eletrobrás portfolio is less volatile than the market and is characterized, therefore, as a conservative portfolio, with stocks concentrated in companies with fixed or regulated income. Even with the unfavorable economic scenario during the last quarter of 2008, the devaluation of the Eletrobrás portfolio was only 8%, while the Ibovespa index, during the same period, declined by almost 40%. In addition, the securities that Eletrobrás holds have an excellent chance for appreciation when analyzed from a long-term perspective.

In 2008 the remuneration from these participations as dividends reached more than R\$ 1 billion, one of the largest sources of ordinary funds of the company. The largest part of the contribution came from the subsidiary companies.

Dividends / Interest Received in R\$ Million					
Companies	2004	2005	2006	2007	2008
Subsidiaries	449	463	686	378	484
<b>Associate*</b>	53	95	189	464	418
Associate	25	0.1	45	46	57
Partnerships	1	31	38	169	128

\*Associated companies with shares traded on Bovespa



## VII – Funding



*Eletrobrás - Signing a loan from the Corporación Andina de Fomento*

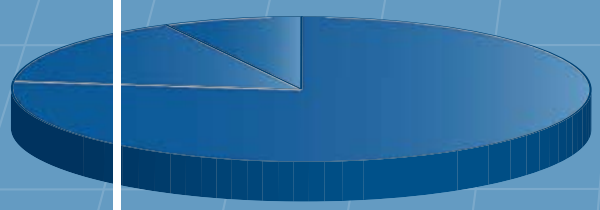
*(Photo: Jorge Coelho)*



The Eletrobrás Global Spending Program (PDG) forecast funding needs in the amount of US\$ 1 billion for 2008. Throughout the year, the following operations were realized:

- Contracting of a syndicated A/B loan from the Corporación Andina de Fomento (CAF). The loan of US\$ 601 million was structured as follows: part A, of US\$ 150 million from CAF, for a period of 12 years; and part B, in the amount of US\$ 450 million, from a syndicate of banks led by Citibank, BNP Paribas and Societé Generale, for a period of seven years. The average rate of interest for the operation was 1.64% over six-month period LIBOR
- Obtain authorization from the Secretary of the National Treasury, valid through the end of 2009, for an operation in the amount of US\$ 400 million as bonds in the international market.
- Contracting a loan from Kreditanstalt für Wiederaufbau (KfW), in the amount of €37.2 million with the support of the federal government. The funds will be used for the construction of the São Bernardo complex composed of four Small Hydroelectric Power Plants: Barra do Rio Chapéu (15 MW), João Borges (19 MW), Itararé (9 MW) and Pinheiro (10 MW), under the responsibility of Eletrosul.
- Negotiations with the Inter-American Development Bank and other international financial institutions for a loan in the amount of US\$ 500 million, to be used for the Transformation Plan of the Eletrobrás System and the Investment Program for Distribution Companies of Eletrobrás.

# VIII – Corporate Performance



In 2008, Eletrobrás reported net profit of R\$ 6136.5 million, 296% above the results obtained in 2007, when the company registered net profits of R\$ 1547.9 million. During the fourth quarter, the net profit was R\$ 3038.4 million, 85.35% higher than the positive result during the same period in the previous year, which reached the amount of R\$ 1639.2 million.

The sum of the EBITDAs of the companies controlled by Eletrobrás totaled R\$ 6233 million, 79% higher than the value obtained during the same period the previous year, which was R\$ 3483 million. Furnas reported a growth of 212%, from R\$ 496 million to R\$ 1,546 million; Chesf increased from R\$ 2071 million to R\$ 2762 million, an increase of 33%; Eletrosul (which is still operating only as a transmission company) reported an EBITDA of R\$ 413 million, 31% higher than the R\$ 317 million reported in 2007; and Eletronuclear reported an increase of 77%, from R\$ 322 million in 2007 to R\$ 572 million. The distribution companies had an increase of 308% in the total value of the combined EBITDA from a negative result of R\$ 341 million in 2007 to a positive amount of R\$ 711 million in 2008.

Part of the impressive results of Eletrobrás in 2008 is due to the performance of the distribution companies of the North and Northeast. In 2007, these companies reported a loss of R\$ 1,172 million, which was transformed into a profit of R\$ 53 million in 2008, 104.52% higher than the previous year.

In terms of financial results, the devaluation of the real against the US dollar, and the fact that Eletrobrás holds receivables in the amount of R\$ 16,893 million (US\$ 7299 million), indexed principally against the North American currency, had a positive impact on the results of the Company, generating a net income of R\$ 4,297.1 million as a result of currency rate variation, against a loss of R\$ 3000.5 million in 2007. With regard to monetary variation as a result of internal changes in prices, the company registered a gain of R\$ 997.8 million, against a positive result of R\$ 528 million in the previous year.

# 1. Generation and Transmission

## A. SALE OF ELECTRIC POWER

Companies	2007		2008	
	MWh	R\$ - million	MWh	R\$ - million
CGTEE	1,670,547.17	142	2,127,335.29	195
Eletronorte	37,023,340.90	3,595	53,130,566.96	4,623
Chesf	49,596,126.15	3,573	50,692,554.83	4,423
Furnas	36,388,690.00	2,599	42,212,472.00	2,645
*Eletronuclear	11,334,548.00	1,356	12,851,578.00	1,570
<b>Total</b>	<b>136,013,252.22</b>	<b>11,265</b>	<b>161,014,507.08</b>	<b>13,456</b>

### ITAIPU HYDROELECTRIC POWER FACILITY

As the Energy Trading Agent of Itaipu (in accordance with Law 10.438, as of 26/04/02), Eletrobrás transferred to the concessionaires in the South, Southeast, and Center-West Regions a total of 67,902,120 MWh electric power from the power contracted, corresponding to earnings of approximately US\$ 3.2 billion.

The energy supplied above the power contracted and acquired by Eletrobrás was 14,891,612 MWh, corresponding to an income from the Electric Power Sales Committee of R\$ 360 million.

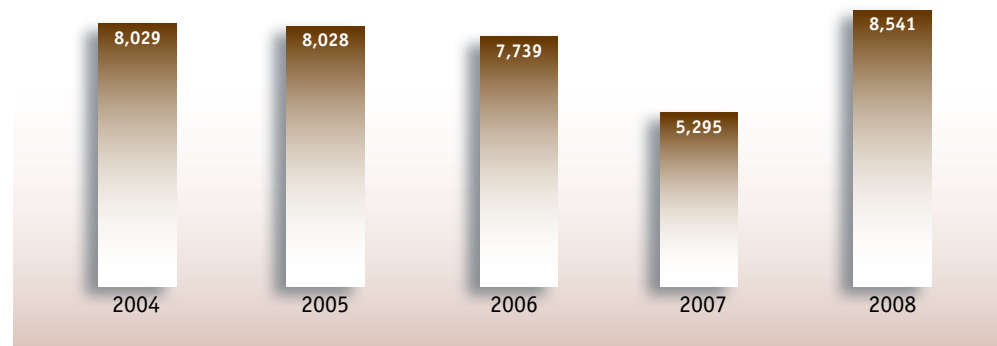
## B. NET PROFITS OF SUBSIDIARIES

Companies	2008	2007
CGTEE	-292,202	-69,149
Chesf	1,437,291	652,630
Eletronorte	-2,424,558	-542,315
Eletronuclear	-282,070	117,668
Eletrosul	268,250	196,940
Furnas	454,518	800,222
Itaipu	835,885	1,321,590
Eletropar	10,664	16,097
<b>Distributors</b>		
Ceal	32,487	-22,704
Cepisa	-98,736	-81,197
Ceron	-50,158	-54,362
Eletroacre	152	4,093
Manaus Energia	198,845	-601,706



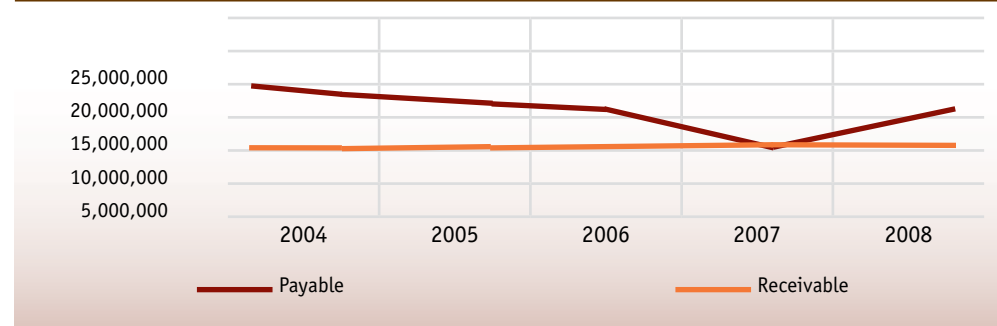
**C. EBITDA**

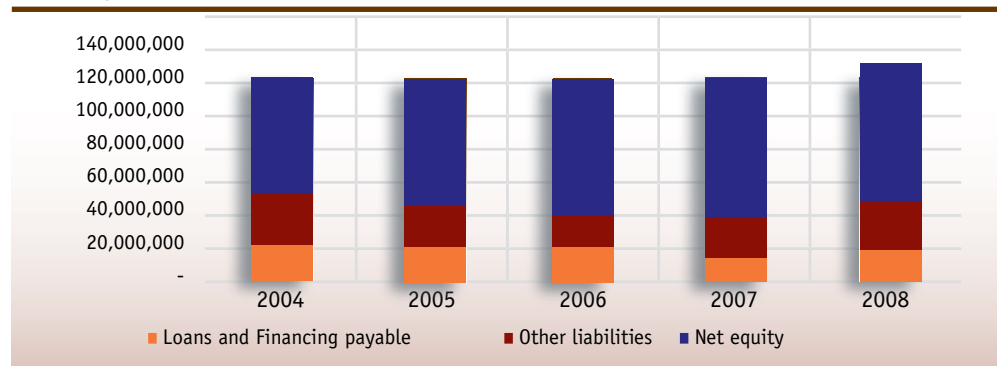
R\$ EBITDA



**D. CAPITAL STRUCTURE AND DEBT**

LOANS AND FINANCING - R\$ MILLION



**DEBT – R\$ MILLION****Loans and Refinancing Granted**

Flow of Financing – R\$ '000							
	2009	2010	2011	2012	2013	2014	After 2014
Debt	1,714,611	1,537,342	1,203,083	1,514,850	1,511,167	1,445,406	11,085,716

Subsidiaries and Itaipu:	Balance on 31.12.2008	Balance on 31.12.2007
CGTEE	574,974	---
Chesf	3,460,807	4,211,228
Eletronorte	7,589,415	6,014,378
Eletronuclear	2,902,701	2,448,667
Eletrosul	592,161	186,566
Furnas	1,178,001	996,262
Itaipu	18,416,525	14,671,171

**E. PRIMARY RESULTS**

The subsidiary companies of the Eletrobrás System reported outstanding results for their Primary Results, where the goal, according to Decree nº 6.646, of 18/11/08, was R\$ 1,441 million.

Year	Result	R\$ million
2008	Surplus	2,585
2007	Surplus	2,783
2006	Surplus	2,137
2005	Surplus	2,865
2004	Surplus	1,650

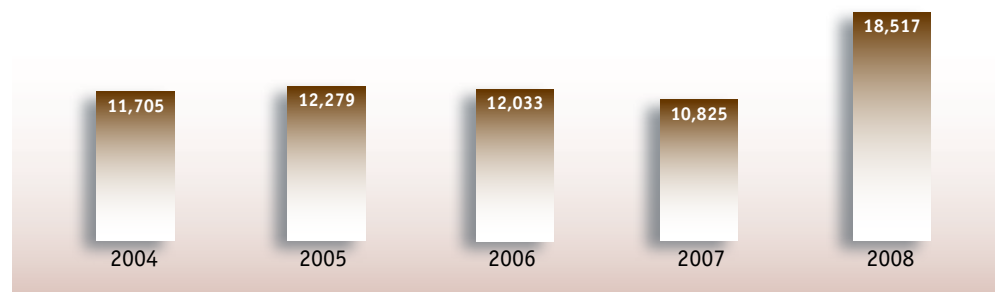
The independent auditors for each of the companies, were as follows:

- CGTEE – Deloitte Touche Tohmatsu
- Chesf – Boucinhas & Campos e Soteconti
- Eletronorte – BDO Trevisan
- Eletronuclear – HLB Audilink e CIA
- Eletrosul – Horwath Tufani e Reis & Soares
- Furnas – HLB Audilink e CIA
- Itaipu – BDO Trevisan
- Lightpar – Russell Bedford Brasil

#### F – VALUE ADDED

Distribution of Value Added %		
	2007	2008
Third Parties	26.72	15.43
Shareholders	15.05	33.14
Personnel	32.99	20.78
Government	25.23	30.65

#### VALUE ADDED – R\$ BILLION



## 2. Distribution

### A. TARIFF ADJUSTMENT

A contract for concession with the distribution companies calls for an annual tariff adjustment to protect the concessionaires from the corrosion of the inflationary process. There is, still, a review of the tariffs every four years, in order to maintain the financial and economic equilibrium of the session.

The table below shows the tariff rate adjustments for the energy distribution companies in 2008:

EDE	Index of Readjustment (%)	Period	
	Ceal	15.05	28/8/08
	Cepisa	10.39	28/8/08
Manaus Energia	Capital	12.66	1/11/08
	Interior	12.19	1/11/08
	Boa Vista Energia	13.76	1/11/08
	Ceron	12.73	30/11/08
	Eletroacre	11.19	30/11/08

### B. SALE OF ELECTRIC POWER

In comparison with 2007, there was an increase of 15.7% in the amount of electric energy supplied in 2008. The largest increase took place in the rural areas (93.5%). The main classes which received the electric energy were residential, industrial and commercial, which together, represent 76% of the total electric power distributed in 2008.

Amongst the companies with high participation in the trading of electric energy we highlight: Manaus Energia, with 37.6% , and Ceal, with 19.8%.

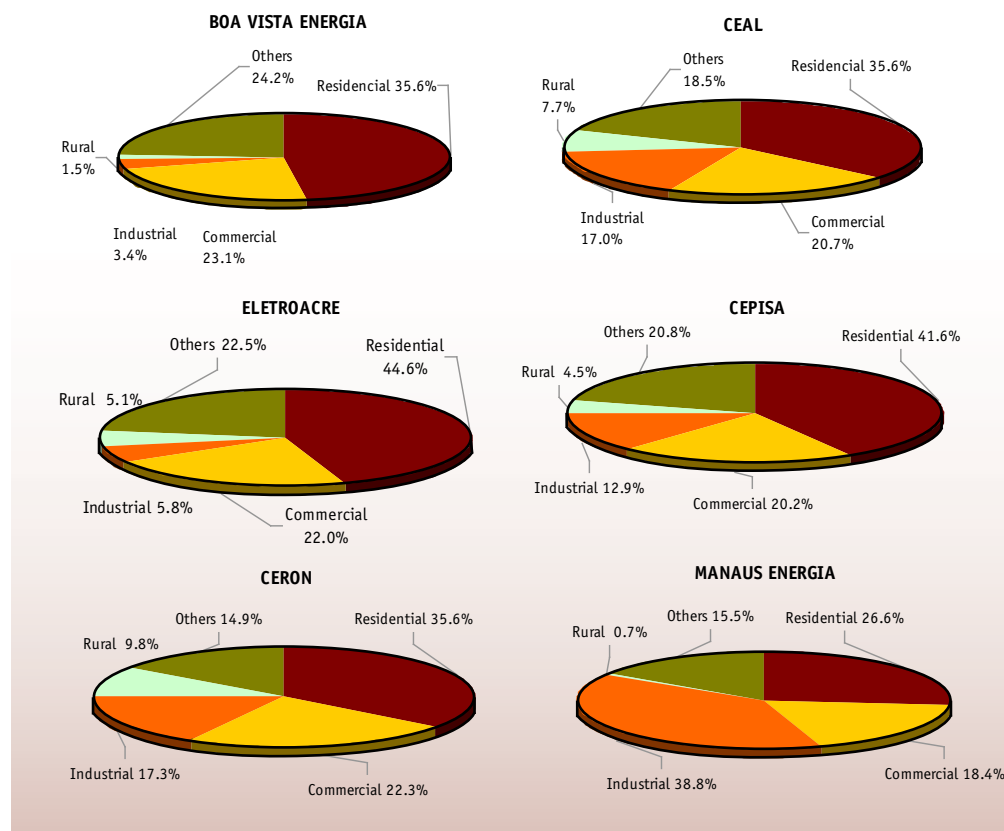
Industrial class is was the most important in Manaus Energia, with 38.8% of the total electric power traded. For Ceal the most important class was residential, with 36% of the total supplied.

The large increase in the quantity of electric power supplied in 2008 is due mainly to the increase in income of the population, the increase in programs for the expansion of the distribution network, such as Light for Everyone, and a decrease of energy losses.

Consolidated Supply of Electric Power - (GWh)						
Class	2004	2005	2006	2007	2008	
Residential	2,931	3,069	3,146	3,331	3,760	
Commercial	1,676	1,847	1,895	2,009	2,218	
Industrial	2,214	2,358	2,384	2,465	2,612	
Rural	330	380	414	400	774	
Other Classes	1,405	1,561	1,718	1,561	1,938	
<b>Total</b>	<b>8,556</b>	<b>9,215</b>	<b>9,557</b>	<b>9,766</b>	<b>11,302</b>	



## BY DISTRIBUTOR



## C. CONTROL OF COMMERCIAL LOSSES

In general, the indices of losses declined in 2008, as a result of the efforts realized. Manaus Energia, whose market size and index of losses are the largest among the distribution companies, was responsible for 45% of the losses.

Among the companies of the greatest reduction in losses, the highlight went to Cepisa, as it normalized 92,000 unregistered consumer units during the period 2007-2008, and Boa Vista Energia, whose process of selection of consumer units for inspection took into account a careful study of statistical analyses of the segment of losses.

Even with declining indices, however, the reduction in losses are still modest, due to limiting factors, such as: precarious knowledge of losses in a segmented and systematic process,

precarious knowledge of how to combat losses in the concessionaires combined with a limited workforce, little integration with other areas involved in a support structure that is insufficient; and a history of limited investment and technology.

	Technical Losses (%)		Commercial Losses (%)		Total Losses (%)	
	2007	2008	2007	2008	2007	2008
Boa Vista	8.97	9.31	9.31	7.21	18.28	16.52
Ceal	12.50	8.73	18.26	21.27	30.76	30.00
Cepisa	14.00	14.17	24.46	21.97	38.46	36.14
Ceron	10.00	10.00	24.68	33.54	34.68	43.54
Eletroacre	8.80	8.80	17.62	17.39	26.42	26.19
Manaus Energia	10.90	2.90	26.30	35.80	37.20	38.70

#### D. DEC/FEC

There were, in general, significant reductions in the indices showing Interrupted Service to the Consumer (DEC) and the Frequency of Interruptions to the Consumer (FEC). The reductions reached 11% in the DEC in the case of Eletroacre, and 16% in the FEC recorded by Manaus Energia (interior).

Nevertheless, only Boa Vista Energia did not manage to achieve the goals for DEC established by Aneel for a set of consumers. With regard to the FEC, all of the companies failed to meet monthly, quarterly or annual targets.

Only Cepisa and Manaus Energia (capital) exceeded the overall targets for DEC. With regard to FEC, three companies reported amounts higher than the target and only Cepisa reported results very different from those established by the regulatory agency.

In order to reduce the indices, several actions were taken:

- Maintenance of the distribution networks with regular tree trimming, network management and procedures for the maintenance of the system;
- an increase in the number of teams in the operation and maintenance areas;
- scheduling of preventive maintenance operations, to minimize the problems in the distribution lines specifically in areas where the indices continue to be precarious;
- replacing the conductors in circuits;
- construction of new servers;

It is important to point out that significant reductions in these indices will require large investments such as the continuous improvement in the process of preventive maintenance, expansion of the system and acquisition of systems and network management.

Interruptions and Supplied by Consumer (DEC) – Hour/Year							
	Boa Vista Energia	Ceal	Cepisa	Ceron	Eletroacre	Manaus Capital	Manaus Interior
2007	14	21	45	38	17	54	94
2008	15	20	52	37	15	54	87

Interruptions and Supplied by Consumer (DEC) – Hour/Year							
	Boa Vista Energia	Ceal	Cepisa	Ceron	Eletroacre	Manaus Capital	Manaus Interior
2007	39	17	37	52	22	32	110
2008	39	15	36	46	20	29	93

#### E. IN DEFAULT ACCOUNTS

Default is a more serious problem for the energy distribution companies of the Eletrobrás System for specific classes of consumers government, public, industrial and residential service.

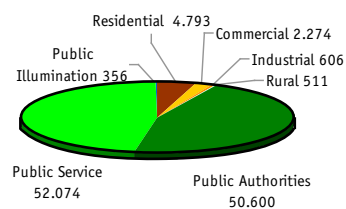
In 2008, a decline of 6.7% was recorded in the nominal inventory of payments in arrears – R\$ 1,040 billion, against R\$ 1,115 billion in 2007. The companies that made the largest contribution to this reduction were Cepisa, Manaus Energia and Ceal which were responsible for the decline of 12.5% in payments in arrears. Cepisa was the company that was able to achieve the largest reduction in its inventory of in default accounts by using a reversal (Provision for Credits of Doubtful Liquidation), in the amount of R\$ 154.2 million, representing a reduction of 20.8% of the total of payments in arrears. In Manaus Energia the reduction of 2.9% in total default was due primarily to the reduction of 65.9% of payments in arrears from public service companies. Ceal reported a reduction of 10.1% in past-due debt, due to negotiations with Casal in an amount of R\$ 66.7 million.

Eletrobrás has made an extra effort to bring the principal structural problems of the distribution concessionaires under control. In this context, corrective measures were taken with the objective of recuperation of past-due debt. These actions are concentrated, mainly, in cutoffs of electricity and administrative and judicial collections.

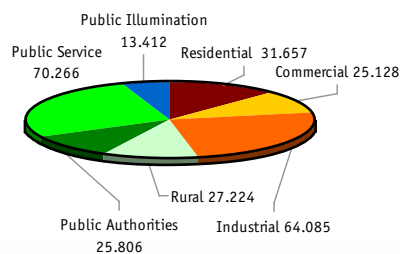
Consolidated Delinquencies For the Distributors – R\$ '000					
Class	2004	2005	2006	2007	2008
Residential	191,550	196,969	213,461	264,616	245,998
Commercial	82,783	100,064	101,092	117,130	125,467
Industrial	82,247	93,100	112,288	150,014	173,203
Rural	31,571	33,757	34,107	40,824	46,462
Public Authorities	119,590	112,707	123,822	135,479	143,700
Public Service	157,679	215,355	291,974	372,062	254,116
Public Illumination	22,586	28,682	30,074	35,269	51,312
<b>Total</b>	<b>688,005</b>	<b>780,634</b>	<b>906,820</b>	<b>1,115,394</b>	<b>1,040,257</b>

#### BY DISTRIBUTING COMPANY

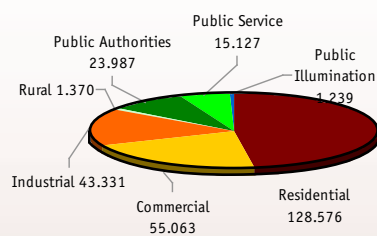
**Boa Vista Energia - R\$ mil**



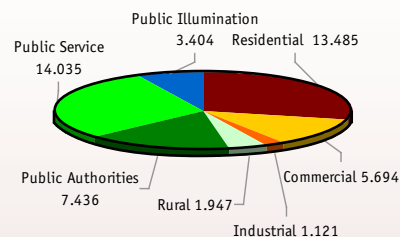
**CEAL - R\$ mil**



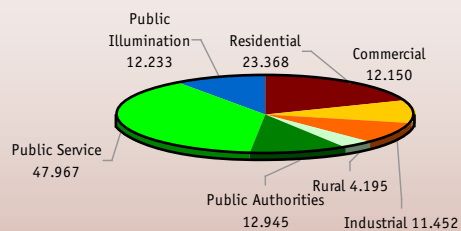
**Manaus Energia - R\$ mil**



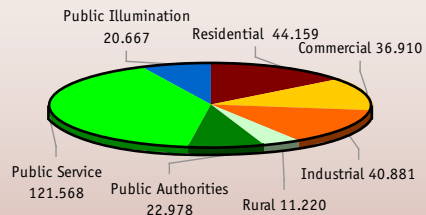
**Eletoacre - R\$ mil**



**CERON - R\$ mil**



**CEPISA - R\$ mil**





## F. CUSTOMER SERVICE

In 2008, the six energy distribution companies adopted a series of measures taken to facilitate the contact with their more than 3 million customers in Brazil's North and Northeast regions, based on new rules that govern the telephone service centers all over the country.

These new measures included:

- Increased number of attendants at all call centers;
- Installation of new equipment at the call centers;
- Special assistance for the hearing and speech impaired (currently being implemented);
- New bill issuing system, with portable equipment that allows the professional to print the bill when reading the consumption meter in the presence of the consumer;
- Periodic visits to areas in which there are in default consumers to learn more about the reality of these customers and create alternatives for regularization;
- Registration of consumer units to regularize the situation of energy deviation;
- Distribution of brochures on saving electric power;
- Development of a virtual handbook that facilitates searches and consultations on the companies' websites, eliminating the need for phone assistance in many cases;
- Creation of an exclusive relationship channel via a toll-free number for medium to high voltage energy consumers, with information on supply suspensions and programmed or emergency interruptions, among others.

## G – EBITDA

R\$ - '000						
	Boa Vista Energia	Ceal	Cepisa	Ceron	Eletroacre	Manaus Energy
2008	-38,160	133,369	67,114	27,774	22,911	505,909

## H – NET OPERATIONAL INCOME

R\$ - '000						
	Boa Vista Energia	Ceal	Cepisa	Ceron	Eletroacre	Manaus Energy
2007	108,652	536,704	472,245	444,388	152,546	810,290
2008	113,244	637,315	548,813	494,802	154,402	991,488

## I – CHANGES IN NET INCOME/LOSS

R\$ - '000						
	Boa Vista Energia	Ceal	Cepisa	Ceron	Eletroacre	Manaus Energy
2007	-8,892	-22,704	-81,197	-54,362	4,093	-601,706
2008	-36,637	39,487	-98,736	-50,158	152	198,845

## IX – Capital Market

# Eletrobrás

*Eletrobrás – Kick-off of  
ADR 2 Trading on the New  
York Stock Exchange*

## Brazilian Energy now in NY



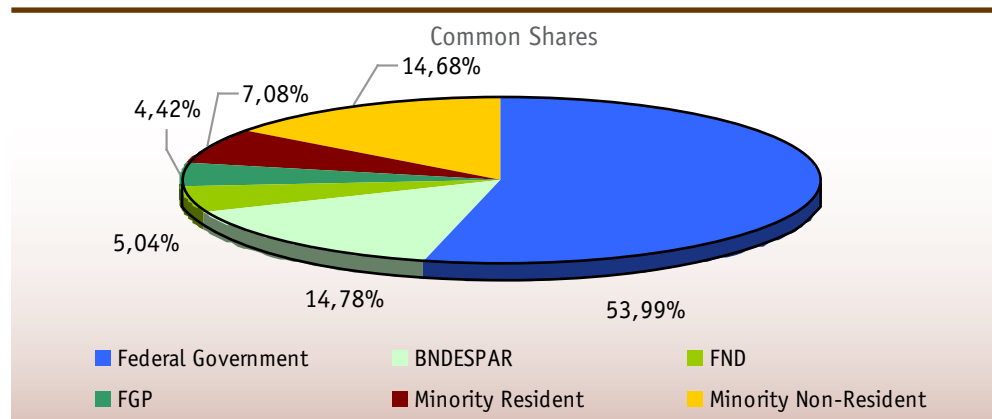
**EBR  
LISTED  
NYSE**

## 1. Shareholder Base

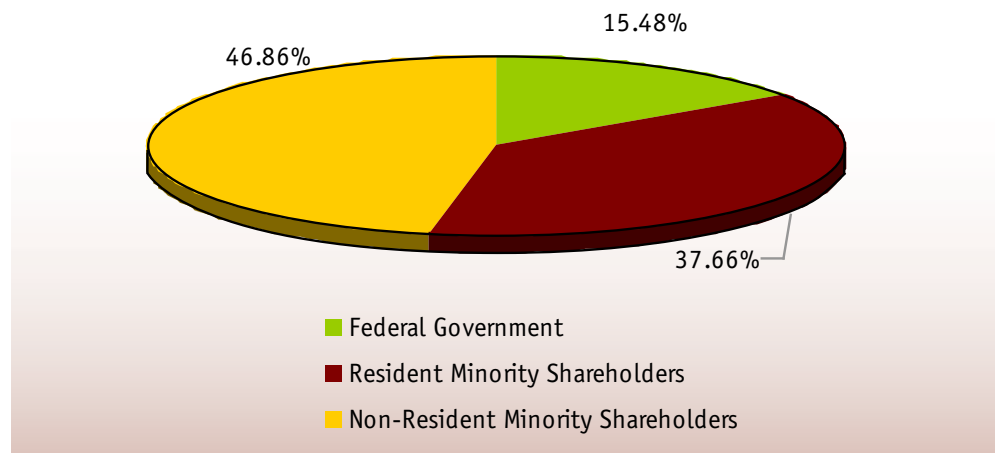
On September 25, the 153rd General Shareholders' Meeting decided on an increase of capital based on the fourth conversion of compulsory loan in the amount of R\$ 202,374,761.75 (two hundred and two million, three hundred and seventy-four thousand, seven hundred and sixty-one reais and five cents) via the issue of 2,858,588 (two million, eight hundred and fifty-eight thousand, five hundred and eighty-eight) shares.

Another relevant fact associated with the capital increase was the capitalization of excess income reserves in the amount of R\$ 1,859,401,181.87 (one billion, eight hundred and fifty-nine million, four hundred and one thousand, one hundred and eighty-one reais and eighty-seven cents), increasing the Eletrobrás capital from R\$ 24,235,828,852.78 (twenty-four billion, two hundred and thirty-five million, eight hundred and twenty-eight thousand, eight hundred and fifty-two reais and seventy-eight cents) to R\$ 26,156,567,211.64 (twenty-six billion, one hundred and fifty six million, five hundred and sixty seven thousand, two hundred and eleven reais and sixty four cents), corresponding to 905,023,527 (nine hundred and five million, twenty-three thousand, five hundred and twenty-seven) common shares, 146,920 (one hundred and forty-six thousand, nine hundred and twenty) class "A" preferred shares and 227,186,643 (two hundred and twenty-seven million, one hundred and eighty-six thousand, six hundred and forty-three) class "B" preferred shares, for a total of 1,132,357,090 (one billion, one hundred and thirty-two million, three hundred and fifty-seven thousand and ninety) shares.

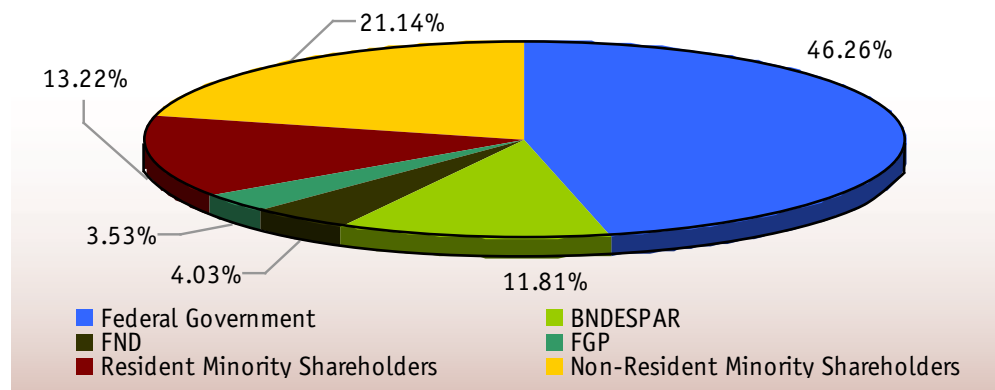
*ELETROBRÁS CAPITAL STRUCTURE ON DECEMBER 2008*



**PREFERRED SHARES**



**PERCENT INTEREST IN CAPITAL**

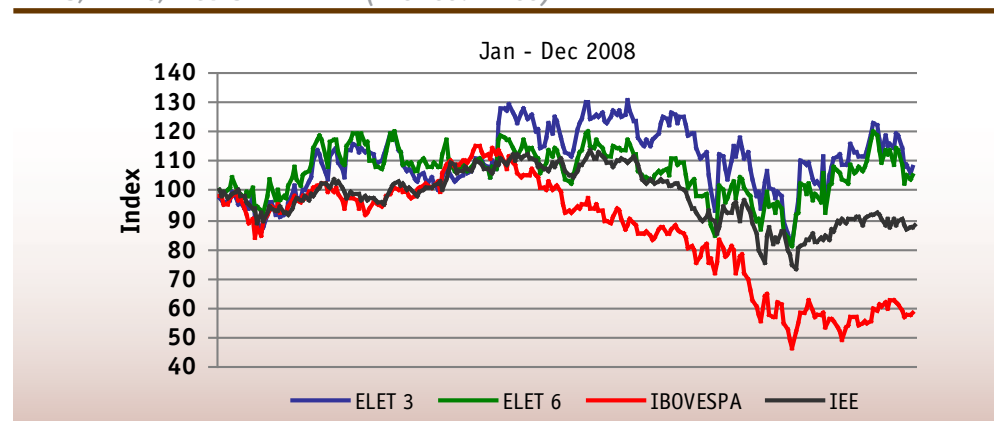




## 2. Eletrobrás Share Analysis

The figure below shows in index figures the behavior of Eletrobrás shares and the São Paulo Stock Exchange (Ibovespa). During a period in which the Ibovespa suffered a devaluation of 41.22%, Eletrobrás common shares (ELET3) increased in value by 8.19% and the preferred shares (ELET6), by 5.36%.

*ELET 3, ELET 6, IBOVESPA AND IEE (DEC 2007 = 100)*

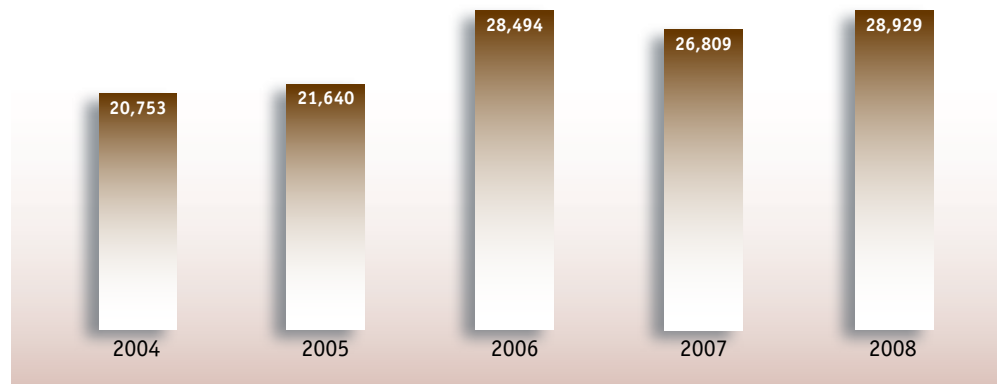


ELET-3: Eletrobrás common shares closed 2008 quoted at R\$ 25.89 on the São Paulo Stock Exchange – representing an increase in value of 9.9% compared to the end of 2007, when they were quoted at R\$ 23.55.

ELET-6: Eletrobrás preferred shares closed 2008 quoted at R\$ 24.18 on the São Paulo Stock Exchange – representing an increase in value of 11.9% compared to the end of 2007, when they were quoted at R\$ 21.62.

## 3 – Market Value (R\$ Millions)

MARKET VALUE - R\$ MILLION



With the Brazilian Federal Government as its majority shareholder, the Eletrobrás risk rating is directly related to the country risk rating. On April 30, 2008, the Standard & Poor's rating agency classified Brazil as investment grade. The global sovereign rating closed 2008 at BBB+ for national currency transactions and BBB for foreign currency.

The Eletrobrás bonds maturing in 2015 closed the year with a BBB rating for foreign currency transactions. The highest recorded value occurred on October 27 and 28 at 11.29%, while the lowest, 6.02%, was recorded on June 9.

## 5 – Shareholder and Investor Relations

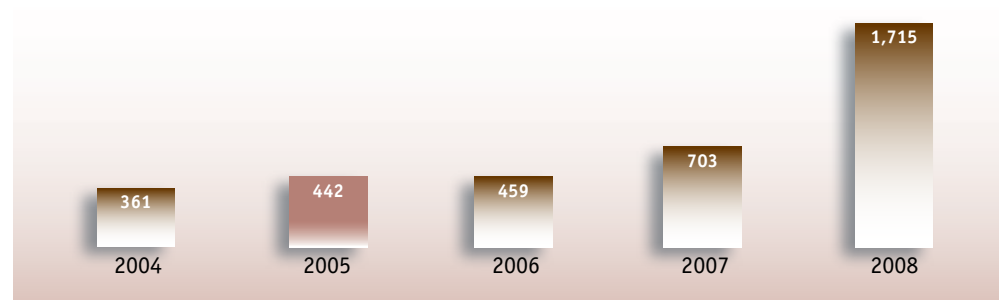
In compliance with its policy of disclosing information to the market and the rules of Bovespa Corporate Governance Level 1, Eletrobrás holds semi-annual meetings at the country's regional Associations of Capital Market Analysts and Investment Professionals (APIMECs): São Paulo, Minas Gerais, Federal District, Rio de Janeiro and the South and Northeast.

Furthermore, with the objective of introducing the company to foreign investors, the Investor Relations area holds annual meetings (road shows) in Europe and the United States.



## 6 – Shareholder Remuneration

R\$ MILLION

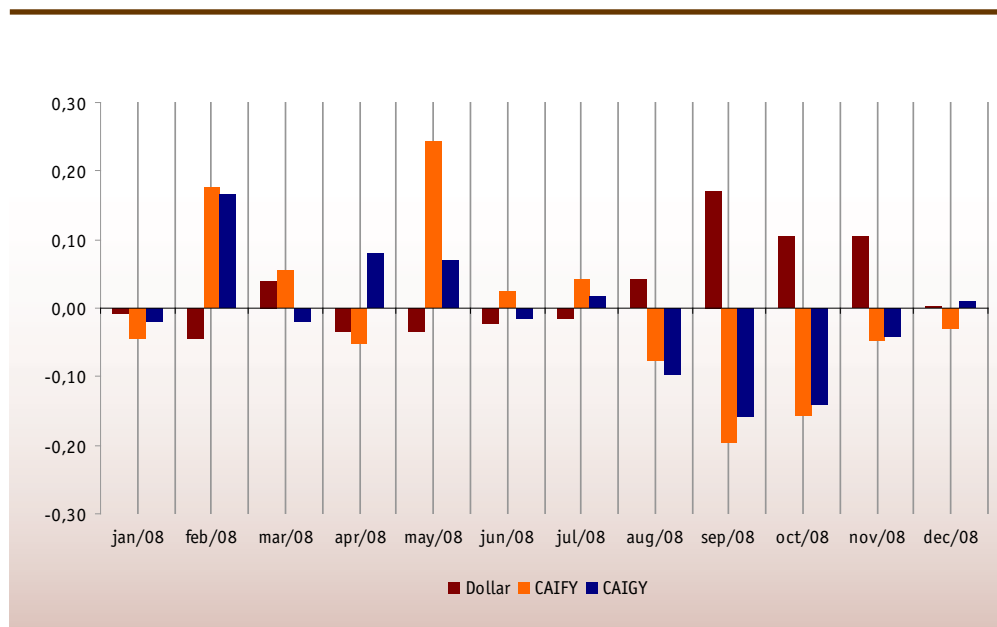


## 7 – ADR Program – New York Stock Exchange (NYSE)

Eletróbrás shares were traded on the U.S. over-the-counter market until October 30, 2008 through ADR Level I programs. After this period, both the common shares (CAIFy) and preferred shares (CAIGy) began being traded on the NYSE under the symbols EBR and EBRB, respectively.

In 2008, the company's common shares decreased in value 13.59% (quoted at S\$ 11.19) and the preferred shares, 17.91% (quoted at US\$ 10.59), while the Real was depreciated in relation to the dollar 31.94%.

The graphic below presents the variations of the dollar and ADRs during 2008:

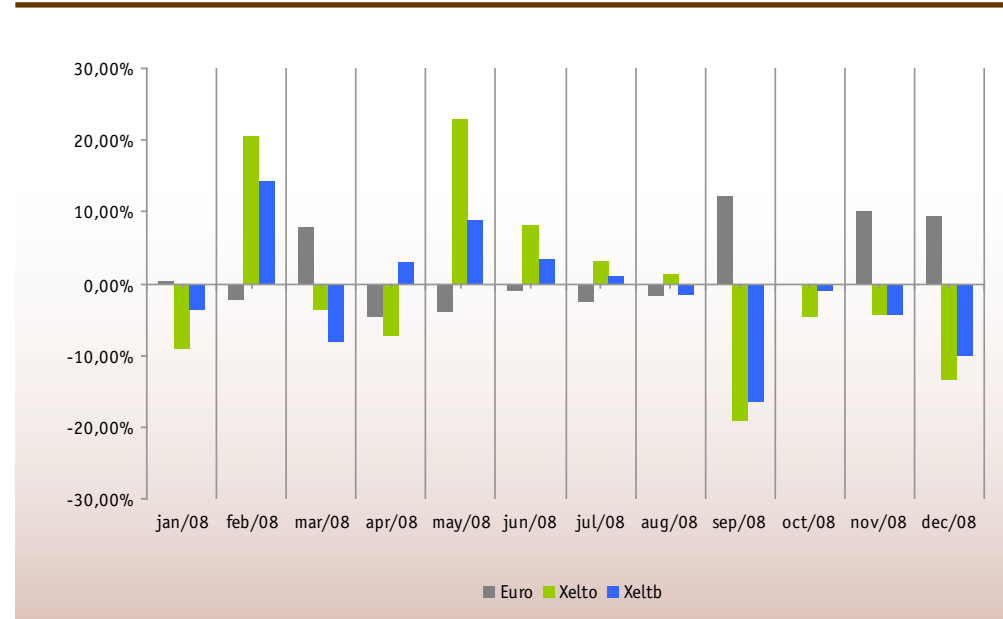


## 8 – Latibex – Madrid Stock Exchange

On the Madrid Stock Exchange, the common shares (XELT0) and preferred shares (XELTB) traded under the Latibex program closed 2008 quoted at € 7.99 and € 7.49, respectively. Due to the devaluation of the Real, there was a negative variation of 13.3% for the common shares and of 17.2% for the preferred shares.

The figure below presents the variations of the Euro and shares on the Madrid Stock Exchange in 2008:

*MONTHLY PERCENTAGE VARIATION*



# X – Compulsory Loan

Annual Report 2008

*Chesf - Santo Antônio de  
Jesus Transmission Line  
- BA*

*(Photo: Arquivo Chesf)*

Instituted to expand and improve the Brazilian electric power sector, compulsory loan was provided for those industrial consumers with monthly use equal to or higher than 2,000 kWh starting in 1977. The annual sum of these contributions came to constitute book-entry, nominal and non-transferable credit, always on January 1 of the following year, identified by the Required Borrowing Taxpayer Identification Code (CICE).

In 2008, continuing its policy of assisting shareholders whose earnings originated from the capitalization of credits from the compulsory loan, Eletrobrás transferred to the Banco Bradesco S.A. book-entry system the amount of 5,465,096 (five million, four hundred and sixty-five thousand and ninety six) class "B" preferred shares. The amount of R\$ 10,560,685.06 (ten million, five hundred and sixty thousand, six hundred and eighty-five reais and six cents) was sent to the distribution companies to be relent to industrial consumers, referring to interests of credits from the compulsory loan.



# XI –Sector Funds

*Wind Energy Generation*

*(Photo: José Roberto Almeida)*



## 1. Global Reversal Reserves (RGRs)

As manager of the funds originating from the RGRs, Eletrobrás invested a total of R\$ 914 million in 2008. The following table shows the transactions associated with the inflows and investments of these funds.

### Inflows and Investments in 2008

Transactions	in R\$ million
<b>Inflows:</b>	<b>2,816</b>
Quota Collection	1,436
Others	1,380
<b>Investments:</b>	<b>1,719</b>
Financing	915
Others	804

Region	Financing Granted - R\$ million	%
North	92	10.1
Northeast	212	23.1
Central-West	119	13.0
South	224	24.5
Southeast	268	29.3
<b>TOTAL</b>	<b>915</b>	<b>100.0</b>

### Credit Lines

Program	Granted - R\$ million	%
"Light for Everyone"	514	56.2
Reluz/Conservation	27	2.9
Generation	91	9.9
Transmission	167	18.3
Distribution	79	8.6
Revitalization of Thermal Parks	2	0.3
Others	35	3.8
<b>TOTAL</b>	<b>915</b>	<b>100.0</b>

## 2 – Energy Development Account (CDE)

The Energy Development Account (CDE) was created to compensate the electric power companies due to the reduction of revenues associated with services provided to the Low Income Residential Subclass consumers. In 2008, a total of R\$ 2,866 million was granted, with R\$ 1,661 million for Low Income, assisting several different electric power companies, and R\$ 1.206 million for the “Light for All” Program, as shown in the table below.

### Inflows and Investments in 2008

Transactions	in R\$ million
<b>Inflows: CDE+UBP+Aneel Fines:</b>	<b>3,532</b>
Quota Collection	2,583
Others	949
<b>Investments:</b>	<b>3,546</b>
“Light for Everyone” Grant-in-Aid	1,205
Low Income Grant-in-Aid	1,661
Others	680

### 3 – Fuel Consumption Account (CCC)

The Isolated System Fuel Consumption Account (CCC-Isol) is a sectorial fund managed by Eletrobrás designed to cover part of the expenses incurred from the acquisition of fossil fuels used to generate electric power at thermoelectric power plants that are not integrated with Brazil's National Interconnected System (SIN), located primarily in country's Northern region.

In 2008, Eletrobrás implemented a series of measures to improve CCC management, including the following.

Em 2008, a Eletrobrás implementou uma série de medidas visando à melhoria da gestão da CCC, dentre as quais se destacam:

- Improvement of Fuel Stock Monitoring (AEC) in order to optimize controls over the physical transport of fuels at the Isolated System thermal plants;
- Improvement of the Isolated System Monthly Operation Program (PMO), with the inclusion of controls that help preserve the integrity of planning processes and improve operation monitoring in Isolated Systems;
- Development of an information system, with the participation of the Eletrobrás IT area, to create the two procedures cited above within the institutional sphere which aims at boosting reliability and integrating procedural routines.

Also included in the fund coverage scope are the payments for ventures that obtained the subrogation of the CCC-Isol benefits. The payments cover part of the costs with actions designed to achieve current or future cost effectiveness of the bill, as well as replace oil derivatives with other sources of electric power generation.

In 2008, the Annual Fuel Plan established an annual quota of R\$ 3.531 billion for such payments associated with fuel oil costs, plus R\$ 145 million associated with State Value-Added Tax (ICMS). The estimated cost of the ventures subrogated to CCC was added to this total, in the amount of R\$ 155 million. This produced a total of R\$ 3.831 billion, which based on the positive balance in the account associated with the previous year (approximately R\$ 35 million), totaled an estimated amount of R\$ 3.796 billion for 2008.

The generation indicated by the North Region Technical Operational Group (GTON) to be produced in 2008 was 9,723,764 MWh, with the consumption of 730,000 tons of fuel oil, 225,000 tons of PGE oil, 826 million liters of diesel oil and 854 million liters of PTE lightweight oil.



## XII – Government Sector Programs

Annual Report 2008

*Eletróbrás - RELUZ -  
Physical Supervision of  
Procel Reluz*

*(Eletróbrás Archive)*



## 1 – National Program for Efficient Public Illumination (Reluz)

Responsible for 3.2% of the national electric power consumption, public illumination is the focus of Procel Reluz, whose goal until 2010 is to invest R\$ 2 billion to ensure the efficiency of five million public illumination points and install one million new points in the country.

In 2008, Reluz undertook 15 municipality projects, restoring efficiency to more than 112,000 points.

The result was energy savings of 20.1 MWh/year and a 4,600 kW reduction in demand. The program also installed 218 new efficient points. The investments totaled R\$ 34.4 million, with Eletrobrás financing R\$ 25.8 million of this amount.

Reluz assisted 15 municipalities in 2008, making 112,000 points more efficient, resulting in energy savings of 20,100 MWh/year and a 4,600 kW reduction in demand. The program also installed 218 new efficient points. The investments totaled R\$ 34.4 million in 2008, with Eletrobrás financing R\$ 25.8 million of this amount.

### Resource Use per Region

Region	C. West	North	North-east	South	South-east	TOTAL
Resources/R\$ millions	10.199	0.527	---	0.393	23.282	34.401

### Resultados efetivos por região – número de pontos

Region	C. West	North	North-east	South	South-east	TOTAL
*Number of Points	33,087	218	---	479	78,874	112,658

\*Number of points associated with the implementation of the efficient public lighting expansion project

### Resultados efetivos por região – redução na demanda

Region	C. West	North	North-east	South	South-east	TOTAL
Reduction/demand	1,047.80	---	---	46.5	3,485.40	4,579.70

## 2 – National Program for Electric Energy Conservation (Procel)

Designed to promote the efficient use of electric power and combat its waste, Procel invested approximately R\$ 40 million in 2008, including funds from the Global Reversal Reserves (RGRs). The program developed projects that helped save an estimated 4,100 GWh – equivalent to the annual electric power consumption of approximately 2.4 million homes. Such savings represent a postponement of investments totaling R\$ 2.71 billion.

### Estimated Energy Savings (2001-2008)

*PROCEL – ENERGY SAVED - GWH/YEAR*



Instituted in 1993, the Procel Energy Saving Seal is designed to indicate to the consumer the most efficient household appliances and equipment in their categories each year. The seal is granted as part of a joint effort between Eletrobrás/Procel and the National Institute of Metrology, Standardization and Industrial Quality (INMETRO) Brazilian Labeling Program (PBE).

In 2008, the Procel Seal was granted to 2,402 different models and 137 different companies distributed into 23 equipment and household appliance categories. The categories of ceiling fans and sodium vapor lights were included.



*Eletrobrás – Inauguration of the “Casa Genial Porto Alegre”  
(Photo: Jorge Coelho)*



*Eletrobrás – 2008 Procel Seal  
(Photo: Jorge Coelho)*

### 3 – Incentive Program for Alternative Sources of Electric Energy (Proinfa)

Proinfa advocates the diversification of the Brazilian energy matrix, supporting ventures based on wind energy, small hydroelectric power plants (SHPs) and biomass. Besides promoting the use of local energy sources, Proinfa helps generate 150,000 direct and indirect jobs, provides large industrial demands and promotes the internalization of cutting-edge technology.

With the conclusion of all ventures, the program will help reduce greenhouse gas emissions by approximately 2.8 million tons of CO2 equivalent/year.

In 2008, 31 projects started commercial operation as part of Proinfa, five of which were wind-based (90.90 MW), 25 SHPs (498.60 MW) and one biomass thermal-based (5.00 MW), increasing the national electric system's power by 594.50 MW.

In all, Proinfa has already installed 69 plants, increasing the country's installed capacity by 1,580.68 MW.

Sources	Ventures that Began Operating in 2008	Operating Power (MW)
PCH	25	498.60
Eólica	5	90.90
Biomassa	1	5.00
<b>TOTAL</b>	<b>31</b>	<b>594.50</b>

Sources	Ventures Operating up to 12/31/08	Operating Power (MW)
PCH	39	766.94
Eólica	11	309.40
Biomassa	19	504.34
<b>TOTAL</b>	<b>69</b>	<b>1,580.68</b>

## 4 – National Program for Universal Access to Electric Power (“Light for Everyone”)

The goal of the “Light for Everyone” Program is to bring electric power to 10 million people residing in Brazil’s rural regions. In 2008, the program built 441,427 new connections, accumulating a total of 1,877,362 connections – corresponding to more than 9.3 million people assisted.

A total of 55,987 projects were registered for a total of 248,808 projects since 2004, including the following: connections to rural homes in 5,174 Brazilian municipalities:

- the construction of 330,779 kilometers (205,536 miles) of high and low voltage electrical networks;
- the installation of 3.4 million poles;
- the installation of 509,503 transformers;
- the installation of 2,046

### Funds Contracted and Granted up to 12/31/08 – Per Region

Region	Accumulated Sums up to 12/31/08 (R\$ million)					
	Funds Contracted			Funds Granted		
	CDE	RGR	CDE+RGR	CDE	RGR	CDE+RGR
North	1,812	207	2,019	1,178	147	1,325
Northeast	3,810	681	4,491	2,569	485	3,054
Central-West	498	414	912	355	301	656
Southeast	671	916	1,587	468	610	1,078
Southeast	315	391	706	200	203	403
<b>Brazil</b>	<b>7,106</b>	<b>2,609</b>	<b>9,715</b>	<b>4,770</b>	<b>1,746</b>	<b>6,516</b>

Region	Connections Contracted up to 12/31/08 between Operators and Eletrobrás
North	338,691
Northeast	1,017,438
Central-West	140,538
Southeast	348,458
South	151,836
<b>Total</b>	<b>1,996,961</b>

It is also important to point out that in 2008, the program also began to step up its efforts to develop rural electrification projects prioritizing the use of renewable energy sources.

In this sense, of particular importance was the pilot project installed by Eletroacre, which involved the participation of Eletrobrás, in the municipality of Xapuri in Acre, where 103 individual photovoltaic systems were installed at the Iracema, Dois Irmãos and Albrácea rubber plantings.



## XIII – Program for Technological and Industrial Development (PDTI)



*Cepel – Advanced Supervision and Control Laboratory*

*(Photo: Sebastião Pinheiro)*

## 1 – Research &amp; Development (R&amp;D)



*Itaipu – Electric Vehicle  
Research, Development and  
Assembly Center*

- Photo: Alexandre Marchetti

In compliance with Brazil's National Electric Energy Agency (Aneel) regulations, the generation and transmission companies must invest 0.4% of their net operational revenues in R&D, and collect another 0.4% for the Ministry of Science and Technology as a contribution to the National Scientific-Technological and Industrial Development Fund, and an additional 0.2% for the Ministry of Mines and Energy to support the Brazilian energy system expansion planning studies undertaken by the Energy Research Company (EPE).

Distribution companies must direct 0.2% of their net operational revenues at R&D, 0.2% to the National Scientific-Technological and Industrial Fund, 0.10% to the Ministry of Mines and Energy and 0.5% for energy efficiency.

The holding company directs 0.5% of its capital toward the Technological Development Fund (FDT) each year. Of this sum, the most significant portion (from 60 to 70%) assists the Electric Energy Research Center (Cepel).

In 2008, the Eletrobrás System invested R\$ 124.7 million via Aneel R&D and R\$ 139.6 million in Cepel projects, for a total of R\$ 264.3 million. The company also collected R\$ 44.9 million for the Ministry of Science and Technology and R\$ 26.2 for the Ministry of Mines and Energy / Energy Research Company.

At Cepel, 105 corporate projects were development in the area of Research, Development and Innovation for Eletrobrás System companies focused on the following topics:

- Generation Expansion Planning (4);
- Environment (4);
- Stochastic Hydrology and Water Resources (3);
- Operation Planning (5);
- Transmission Expansion Planning (2);
- Network Planning, Operation and Analysis (9);
- Scada/EMS Technologies(8);
- Local Automation and Disturbance Analysis (2);
- Transmission Technology (11);
- Metallurgy and Materials (7);
- Equipment and Installation Monitoring and Diagnosis (17);
- Energy Conservation and Efficient Use (14);
- Distributed Generation (6);
- Electric Measures and Loss Prevention (4);
- Renewable Energies (3);
- Computational Techniques and Methodologies (3);
- Financial Analysis of Projects and Rates (1);
- Reliability (1);
- Energy Quality (1).

In terms of the actions undertaken directly by Eletrobrás, the Corporate Project Department continued to develop the agreement portfolio associated with R&D, including a partner-

ship with the Study and Project Financing Company (Finep) and others fully supported by the Technology Board.

Among the projects concluded in 2008, one of special note was the “Alagoas State Wind Atlas,” developed by the Technology Institute for Development (Lactec) and the Federal University of Alagoas (Ufal), whose results will serve as the basis for determining future investments in

wind energy projects for that state.

Also of special importance was the restructuring of the Technology Board in 2008, including a Technological Management area that will plan and prioritize the company’s Research,

Development and Innovation (P&D+I) actions and energy efficiency initiatives for the system companies.

## 2 – Standards and Quality

- As part of the NBR 19000 Project, the company performed six quality audits within the sphere of the “Audit Program for Breakers” and two within the sphere of the “Metal Structure Audit Program.” It also held a presentation in order to publicize the NBR 19000 Project to the electro-electronic industry, as well as an in-company Leading Quality Auditor course with aims at training leading auditors for the project.
- The Standard and Quality Department coordinates the task force that is currently elaborating the Eletrobrás System Quality Policy for Suppliers. This policy is one of the Eletrobrás System Transformation Plan projects within the sphere of the Corporate Management Model Reorganization initiative.
- As far as the ISO 9001 certification, the Standard and Quality Department maintained the certification of its processes after the audit performed by BRTÜV.
- A group coordinated by Eletrobrás elaborated the Brazilian Standards for Aerogenerators at the Brazilian Association of Technical Norms(ABNT), a process that was based on the International Electrotechnical Commission (IEC) international standards.
- Activities were developed through the coordination by Eletrobrás on Sub-Committee 1 of the TC 176 Technical Committee – ISO Quality and in groups at ABNT/CB-25- Quality and CB-38-Environmental Management.



# XIV – Social Dimension



*Eletróbrás - Celebration Of  
46 Years of Eletróbrás – Rio  
de Janeiro Municipal Theater  
Symphony Orchestra*

*(Photo: Jorge Coelho)*



## 1 – Personnel Management

Starting in March 2008, when the Brazilian federal government oriented the company to transform and strengthen its operations, the unification of the Personnel Management policies became one of the key tools of the Eletrobrás System Transformation Plan.

In order to meet the existing demands and achieve a modern, competitive and profitable positioning for the holding company and its subsidiaries, task forces were created for the discussion, unification and implementation of best practices and policies.

As part of the policy unification, the company constituted the Task Force for Personnel Management, consisting of managers from the Personnel Management areas of each company under the coordination of Eletrobrás. Aiming at elaborating an Eletrobrás System Integrated Personnel Management Plan, the Task Force was divided into three sub-groups dedicated to the following topics: Career and Remuneration; Evaluation and Performance; Personnel Administration; and Benefits, Employment Health and Safety.

The work in process is designed for the implementation of the Eletrobrás System Career and Remuneration Plan, with the following definitions:

- Career Structure – Standardization of the career advancement figures (horizontal and vertical) and criteria for evolution.
- Position Structure – Levels of complexity, management and advisory positions and non-management positions.
- Salary Structure – Standardization of salary tables, ranges of complexity levels and position remuneration.

With this initiative, Eletrobrás hopes to reduce the existing distortions between companies, eliminate gaps between the competencies required by the work processes and the competencies of employees, allowing for the most efficient possible allocation of professionals to thereby facilitate interaction between the Personnel Management areas at all Eletrobrás System companies.

The Eletrobrás Communication area – in partnership with the Personnel Management, Social Responsibility and Health areas, among others – also undertook a series of actions directed at its internal public. Such actions were planned to inform and motivate employees about company affairs, their own accomplishments, their current and future challenges and the importance of the entire Eletrobrás team's participation in the transformations underway.

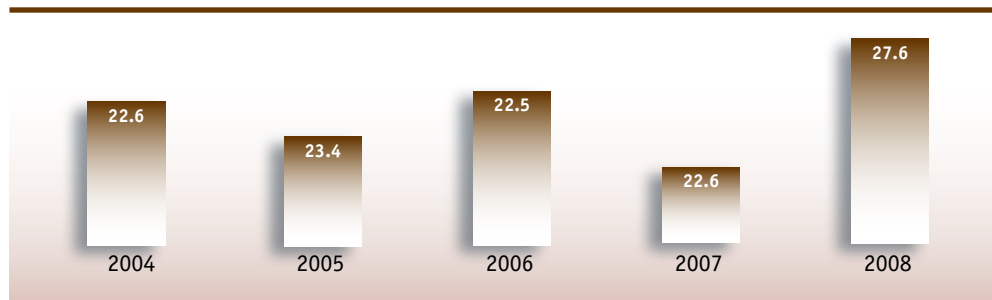
Five Eletrobrás System Transformation Plan (PTSE) presentation events were organized for all system employees, gathering more than 26,000 people. During these meetings, the president of the holding and the general coordinator of the presidency presented the actions, projects and first results of the plan.

The company also launched the Transformation Portal, where the internal public can find information on this plan, monitor the performance of the 41 projects underway and send questions via a channel created to answer questions.

Another Communication action focused on the internal public was the SOX Project Support Integrated Communication Plan, replicated for the entire Eletrobrás System and divided into

three stages. In the first of these, the Communication area developed the understanding and importance of implementing the SOX Project, guaranteeing the necessary information with the scope to reach all internal relationship stakeholders. During a later phase, the goal was to seek the engagement and commitment of all those involved, monitoring their performance, and during a third phase, the plan will work to promote the continuity and consistency of the SOX process in the Eletrobrás System.

Eletrobrás (the holding company) currently has 1,002 employees. In 2008, 160 job positions were filled through the public sector recruitment examination associated with the selection processes completed in 2005 and 2007. The company also signed an apprenticeship agreement with the 36 youth approved by the Youth Apprentice Program selection process, which involves all companies of the Eletrobrás System in a single technical cooperation agreement with the approval of the Ministry of Mines and Energy and Ministry of Labor and Employment.



#### A – HEALTH, WELL BEING AND JOB SAFETY

In order to consolidate and expand the initiatives designed to protect its employees, Eletrobrás has maintained an Ergonomics Committee since 2007 and also uses an Eletrobrás Installation Emergency Plan to guarantee safety in the case of risks. In 2008, the committee implemented workplace exercises, encouraging employees to add to their daily routine practices beneficial to their physical and mental health.

Other important actions developed during the year also included:

- Acquisition and distribution of Personal Protection Equipment (PPE) kits to all company employees;
- A total of 145 classifications in hazardous work conditions/electrical risk reports for 100 professionals involved in risky activities;
- Elaboration of fire protection reports and electrical installation conformity reports for all Eletrobrás facilities;





*Eletrobrás - Cúpula do Teatro  
Municipal do Rio de Janeiro*

- Completion of 1,389 occupational medical exams; 5,419 medical and occupational nursing appointments and 3,539 social service appointments;
- Application of 828 flu vaccine doses and 331 doses of other vaccines;
- The Healthy Eletrobrás Program, with actions designed to promote employee health and prevent diseases, divided into the sub-programs of Heart Health, Eating Habit Re-education, Attention to Tobacco Addiction, Energy and Movement, Travel Medicine and Women's Health;
- Commemorative dates in the health area, such as "Eye on Health," with health tips and precautions for a healthy Carnival celebration; Combating Dengue Fever; Health and Nutrition Day; World Tobacco-Free Day; Eye Health Day; Cholesterol Reduction Day; World Alzheimer's Day; World Heart Day; World Dental Hygiene Day; World Diabetes Day; and World AIDS Day.

## **B – TRAINING AND DEVELOPMENT**

Eletrobrás has continuously developed means and resources that guarantee improvements in its employees' skills. More than merely fulfilling the applicable requirements and legislation, the company mobilizes efforts to invest in the individual and collective growth of its work force. Proof of this can be found in the Corporate University of the Eletrobrás System (UNISE), the greatest symbol of our quest for excellence.

UNISE is part of a corporate education project designed to transform the employee's professional growth into a competitive advantage for the sector. The courses are offered to all System employees based on distance learning techniques – with online resources and video-conferences – as well as on-site courses.

In 2008, UNISE trained a total of 599 employees, including:

- three new employee orientation groups, involving the participation of 359 employees;
- a short duration distance course for five employees;
- on-site training sessions, with courses on "Agreement Management," "Joint Selective Collection," "Press Relations (DE)" and "Administrative Disciplinary Process."

The company also launched the Distance Training System (LMS) and the Basic Course in Energy Efficiency for Procel. As part of the Eletrobrás System Transformation Plan, the company began a joint project to elaborate an Integrated Personnel Training Plan that gives companies the qualifications they need to meet for the new strategic orientations produced by Eletrobrás' growth. UNISE is currently being remodeled to serve as the main instrument in the implementation of this plan.

In all, the company invested R\$ 2,928,478.63 in Training and Development in 2008, generating opportunities for 2,968 employees.

Training and Development - 2008				
	No. of Courses	Employees	H/h	Costs Involved R\$ '000 you
Long Duration	31	82	10,060	332
Short Duration	313	2,461	8,139	1,070
Corporate TV	4,600	1,000	n/a	480
Languages	204	204	19,584	656
Seminars and Conferences	84	221	1,938	390
<b>Totais</b>	<b>5,232</b>	<b>3,968</b>	<b>39,721</b>	<b>2,928</b>

### C – LABOR AND TRADE UNION RELATIONS

The 2008/2009 Collective Work Agreement established the following:

- For the controlled companies – a salary readjustment of 6.61% and a bonus not incorporable to the salary corresponding to 7.5% of a salary, plus a fixed amount of R\$ 2,000.
- For the distribution companies – a salary readjustment of 5.04% and a bonus not incorporable to the salary corresponding to 7.5% of a salary, plus a fixed amount of R\$ 1,000.
- Over the long term, the Eletrobrás System Transformation Plan has been developing a process to unify the advantages and benefits offered to employees, as previously mentioned.



Eletrobrás – “Hands On” Project  
(Photo: Jorge Coelho)

## 2– Community and Society Relations



*Itaipu – Science Station  
– Interactive Scientific  
Education Center*

*(Photo - Alexandre Marchetti)*

### A – SOCIAL RESPONSIBILITY

There are currently no doubts that economic growth goes hand-in-hand with social development. Even due to the very nature of its business, the Eletrobrás System understands social issues to represent an expressive part of its mission. This is reflected in the alignment of its management practices, in its set of organizational values and in the transversality of its electric energy programs.

#### • Corporate Citizenship

The operations of the Eletrobrás System Sustainability Committee, with task forces focused on the three dimensions of Sustainability (triple bottom line: economic-financial, social and environmental), contributed heavily to Eletrobrás' inclusion in the 2008 Bovespa ISE, whose evaluation criteria also include the corporate governance dimension.

#### • Diversity

The search for equal opportunities for all people, regardless of their sex, race, ethnicity, age, sexual orientation, social origin or physical or mental capacity, is a commitment assumed by Eletrobrás aiming at eliminating any type of discrimination.

The company's work promoting diversity and protecting human rights is present in its social responsibility actions, highlighting its receipt of the 2008 Gender Pro-Equity Seal granted by the Special Department of Policies for Women (SPM). Within the Eletrobrás System, Cepel, Ceal, CGTEE, Eletronorte, Eletronuclear, Eletrosul, Furnas and Itaipu Binacional also received the seal.

#### • Joint Selective Collection

In compliance with Federal Decree 5940/2006, Eletrobrás donates the recyclable waste generated at its facilities to cooperatives or recyclable waste collectors' associations. The program is designed to generate income and promote social inclusion for the collectors, as well as strengthen the global debate on sustainable development, the reduction of waste sent to the landfills and garbage dumps and the minimization of environmental impacts.

#### • Social Projects

Eletrobrás maintains permanent channels of communication, dialogue and negotiation with society and with the communities in which it operates, aiming to contribute with solutions for the social problems affecting the population segments considered to be at social risk and directing resources for the support and development of the social projects demanded by society.

#### • Community Production Centers (CCPs)

With aims of promoting the integrated and sustainable development of the rural communities assisted by the "Light for Everyone" Program, the company also helped create the Community Production Centers (CCPs), facilitating the production, processing and sale of local products.

In 2008, two more of these centers were inaugurated: CCP Santana do Taquaral (manioc flour production), located in the Municipality of Santo Antônio do Leverger (MT); CCP Rio



Bonito (bovine milk cooling and processing), located in the Municipality of Nova Uiratã (MT). Professionals from the Engineering Board performed the initial technical-economic feasibility analysis for these centers.

#### 2008 EXTERNAL SOCIAL INDICATORS – R\$ '000

	Education	1,584
	Health and Infrastructure	3,299
	Income and Work Generation	566
	Investments Dedicated to Environmental Education for the Community	200
	<b>TOTAL INVESTED DURING 2008</b>	<b>5,649</b>

#### B - SPONSORSHIP

In 2008, Eletrobrás launched its first call for the public selection of cultural projects.

The Eletrobrás Culture Program focused its sponsorship on theater projects, which will be presented during 2009.

It invested R\$ 26.5 million in 86 projects. The emphasis, following tradition, was on theater, but it also supported other forms of scenic arts, integrated arts, preservation of cultural heritage and regional folklore, in addition to different music events and festivals, art exhibits, films, books and CDs. The company also signed an agreement to revitalize the Rio de Janeiro Municipal Theater, which completes 100 years in 2009.

All categories and age groups of Brazilian basketball continued to receive Eletrobrás' official support in 2008. The company invested R\$ 12.8 million in sports projects and events and also supported the Brazilian Wheelchair Basketball Federation, helping the country send the men's and women's national teams to the Paralympics in Peking.

#### C- COMMUNICATION

The Eletrobrás System Transformation Plan initiated a period of major challenges for the Communication area. The activity adopted a strategic role in terms of achieving the goals established by PTSE.

In order to prepare itself for the new challenges, it elaborated the first System Integrated Communication Policy. The implementation of this policy will consolidate the holding company's permanent commitment to orienting and integrating the actions of the Eletrobrás System companies during the Communication process definition and implementation phases. This document will indicate the guidelines for investments in this area, considering all the orientations of the Eletrobrás System Strategic Planning.

In 2008, Eletrobrás also renewed efforts toward reinforcing its institutional image, promoting three major publicity campaigns – Institutional, Anniversary and PAC –, involving a total investment of R\$ 18.2 million, in addition to one-time campaigns held to take advantage of opportunities in strategic media publications. The company invested R\$ 5.2 million in these campaigns.



Chesf – Swimming Classes for Low-Income Children  
(Photo: Severino Silva)

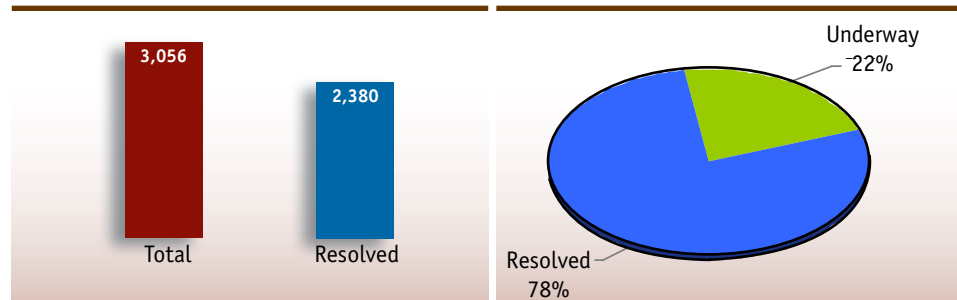


#### D – OMBUDSMAN

Since 2005, the Eletrobrás General Ombudsman has established a permanent communication channel between the top management of the company, its employees and society in order to process complaints, reports of possible illegal activity and information requests, among others.

The people interested can send messages to the Ombudsman via e-mail by using the link on the Eletrobrás homepage, or via fax, letter, phone or in person. In addition to the Ombudsman Channel, individuals can direct their messages at the Gender Channel, which is designed for complaints associated with any type of discrimination, and the Report Channel, designed to receive reports of possible accusation that may interfere with the company's accounting results.

In 2008, the company achieved some important results. Internally, the Ombudsman process was entirely computerized through the implementation of the Ombudsman Management System (SOU). This system began to protocol the receipt of the complaints, allowing the monitoring of the internal formalities and thereby reducing the demand response time.



To permanently consolidate this topic among the Eletrobrás System companies, Eletrobrás held the 2nd Ombudsman Meeting, designed to strengthen the conceptual and operational alignment of the Eletrobrás System (SE) Ombudsmen, as well as plan actions together with the holding company Ombudsman. To ensure integrated actions, the Eletrobrás Ombudsman promoted the installation of Ombudsman management software (SOU) at 11 companies of the Eletrobrás System.

As part of the strategy for installing Ombudsmen at all the Eletrobrás System companies, the companies Furnas, Eletronuclear and Chesf structured their operations and received the SOU system and training for their teams through the Eletrobrás Ombudsman. This development is part of a set of actions designed to improve transparency in company management and fulfill the ISE Bovespa, New York Stock Exchange (NYSE) and SOX sustainability criteria.



# XV – Information Technology



*Eletróbrás – Data Processing  
Center at Eletróbrás*

*(Photo: Jorge Coelho)*

In order to ensure the fulfillment of the new challenges posed for the Eletrobrás System, as well as the guidelines established by the Transformation Plan, the company is currently elaborating an Integrated Information Technology and Communication Policy (TIC).

The main objective of the plan is to increase the System companies' level of TIC governance maturity, helping to improve corporate performance through the sharing of resources and gains of scale, and align the business processes with the strategies established by the System.

The preparation of the TIC Integrated Policy is coordinated by the Information Technology Committee (COTISE), a permanent committee with representatives from all Eletrobrás System companies. The actions that should be guaranteed by the Policy include:

- **the interoperability of the company's information systems;**
- **the exchange of information systems;**
- **the unification of equipment acquisitions,**
- **software, telecommunication circuits, technical training courses and TIC services;**
- **mutual technical support between TIC areas;**
- **the use of standardized systems;**
- **the standardization and integration of: work processes, organizational structures, work methodologies, norms and procedures, professional training plans, telecommunications technologies and hardware and software platforms.**



## XVI – Environment



*Chesf - Sobradinho Reservoir - BA*

*(Photo: Severino Silva)*



Respect for the environment is one of Eletrobrás main trademarks. A significant part of the nature of the company's business - socio-environmental issues - is reflected in the alignment between its management practices and support for external projects. Aiming to ensure action that is unified, continuously improved and adjusted to comply with applicable law, Eletrobrás develops activities in the environmental area together with the companies of the Eletrobrás System, implementing a work agenda that involves issues of common interest.

To ensure interaction between the companies and the definition of common guidelines, Eletrobrás coordinates a specific forum for the environmental areas of the System companies - the Environment Subcommittee (SCMA). In 2008, this forum and its nine task forces held 29 meetings, addressing topics such as: use of the edges of hydroelectric power plan reservoirs, environmental legislation and costs, environmental communication management, greenhouse gas emissions and aquatic resources.

During the year, the company implemented the following projects and respective activities, among others:

Destacaram-se, ao longo do ano, os seguintes projetos e respectivas atividades:

- AHE Belo Monte: revision and complementation of the Environmental Impact Studies; on-site inspections; presentation of the project at local and regional courts; interaction with the affected populations in order to better understand their needs; presentation of partial results to the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA); development of anthropological studies; meetings with FUNAI; and the complementation of the Integrated Environmental Assessment for the Xingu River Basin.
- AHE Garabi (Brazil/Argentina): Elaboration together with Argentina's Bi-national Power Undertakings Inc. (EBISA) of the Terms of Reference and call for tender for contracting the Uruguay River Hydroelectric Inventory Studies along the stretch of border between Brazil and Argentina; holding of the bidding process.
- AHEs Paquizapango, Sumabeni, Urubamba, Cuquipampa and Vizcatan (Peru): elaboration of the Terms of Reference for pre-feasibility studies.
- AHE Baynes (Angola/Namibia): monitoring of the elaboration of the Term of Reference for the pre-feasibility studies.

Como gestora dos contratos de compra e venda de energia firmados no âmbito do Proinfa, a EAs the manager of the agreements related to energy sale and purchase signed within the sphere of PROINFA, Eletrobrás is also permanently responsible for the environmental monitoring of the 144 ventures included in the program. In 2008, it issued 82 conformity reports. As part of the Isolated System Operation Program management, the company identifies and evaluates the main environmental issues associated with the thermal parks and their surrounding areas.

During financing decisions, the environmental dimension is always considered, with previous environmental assessments of the projects and the monitoring of their progress. Environmental topics are also inserted into the R&D projects in partnership with universities and research centers.

All of these activities, which are completed routinely, will be continued over the upcoming years.

The company also plans to implement the following additional actions:

- elaboration and issue of the greenhouse gas inventory for the Eletrobrás System thermoelectric power plants for the period from 2006 to 2008;
- structuring of a virtual library with technical-scientific production from the Eletrobrás System companies in the environmental area;
- establishment of a set of socio-environmental performance indicators and the implementation of a database containing information related to the indicators to subsidize the evaluation and communication of socio-environmental performance improvements among the Eletrobrás System companies.

## XVII – Awards and Recognition





*Alexandre Theme, from the Eletrobrás Social Responsibility area (to the left) receives the SustentaX Seal, Gold Category, at the 2nd FIESP Socio-Environmental Responsibility Exhibit, held in August*

*(Photo: Jorge Coelho)*

From social and environmental projects for business transparency, the Eletrobrás System companies were recognized in 2008 for their initiatives in the electric power market.

For the second consecutive year, the Eletrobrás System was listed on the Bovespa Corporate Sustainability Index (ISE) as recognition of its commitment to the three dimensions of Sustainability: economic-financial, social and environmental.

The holding company received yet another “Assiduity Seal,” granted by the São Paulo Association of Capital Market Analysts and Investment Professionals (APIMEC), and its booth at the 2nd Federation of Industries of the State of São Paulo (FIESP) Socio-Environmental Responsibility Exhibit was certified with the SustentaX Seal. Within the sphere of Institutional Image, the company earned gold in the “12th O Globo Advertising Award,” in the Online Media category, and silver at the 16th Gramado International Advertising Festival.

Also awarded for disclosing business-related information, Eletronorte won the Transparency Trophy for the second consecutive year. For the fourth consecutive year, the magazine Isto É Dinheiro elected Eletrosul the country’s top electric power company.

The quality of the company’s customer assistance was highlighted at Boa Vista Energia – the company received the ANEEL Consumer Satisfaction Rate Award. In Itaipu, it was awarded in the area of tourism: the

Tourism Complex was elected a “2007 National Tourism Attraction” by the magazine Brasil Travel News and received the Abav-Paraná Distinction Award for developing tourism attractions with social responsibility. The company was also one of the distinguished companies in the Tourism Social Responsibility award promoted by the Brazilian Ministry of Tourism.

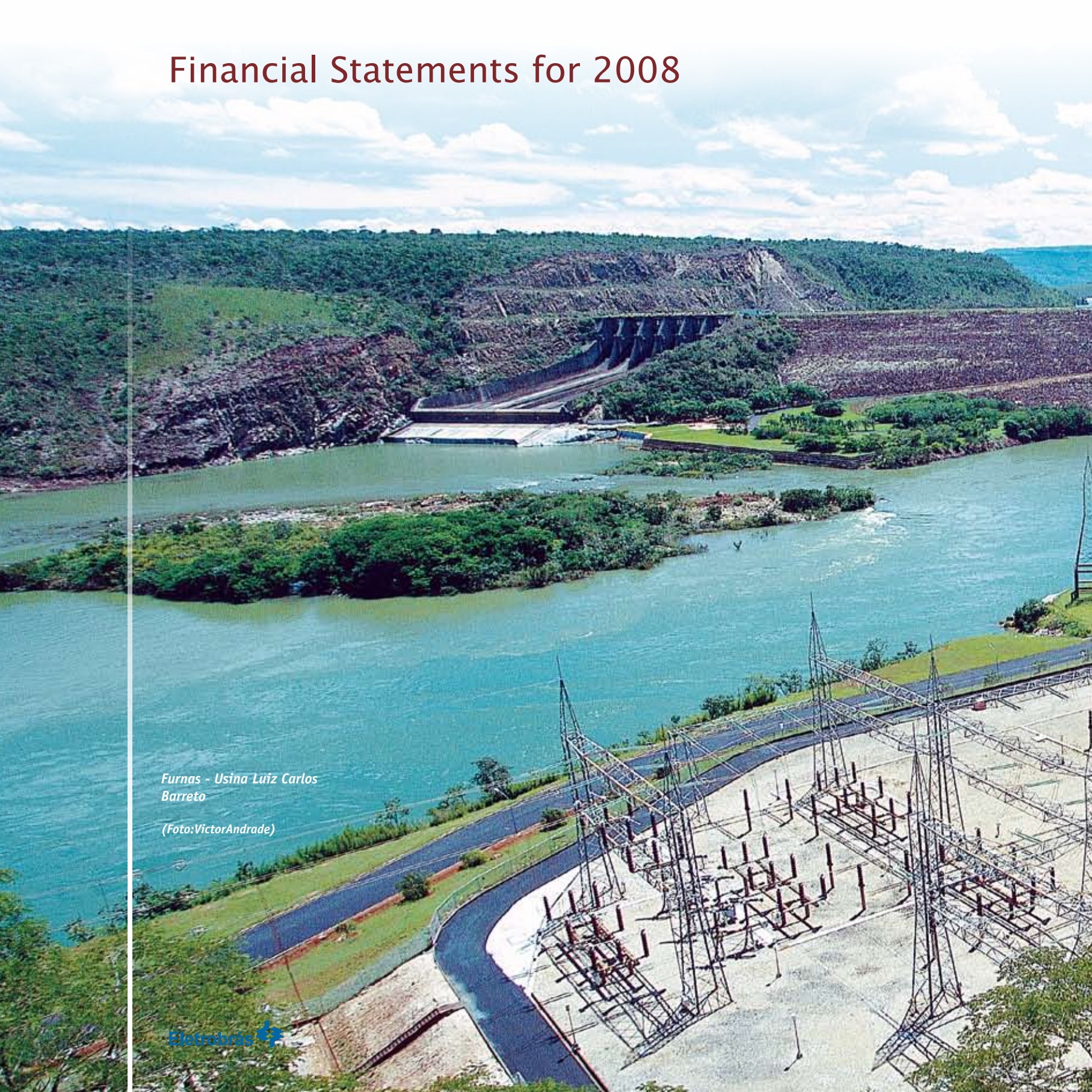
In the area of Social Responsibility, Eletronuclear received the 2007 CREA-RJ Social Responsibility Seal in recognition of the Pomar Project – Marine Repopulation of the

Ilha Grande Bay (RJ); for the fourth consecutive year, Furnas earned the Mogi News – Chevrolet Alto Tietê Social Corporate Responsibility Award for the social project “Qualify with Energy.” CGTEE won the 16th Ecology Expression Award in the “Socio-Environmental Technologies” category for the project “Organic Fruit Gardens: Contribution to Food Security in Rural, Indigenous and Urban Areas.”

Eletrobrás also received the Gender Pro—Equity Seal granted by the Special Department of Policies for Women (SPM) in recognition of its commitment to promoting equality between men and women in the workplace. Besides the holding company, Cepel, Ceal, CGTEE, Eletronorte, Eletronuclear, Eletrosul, Furnas and Itaipu Binacional were also considered for the seal.



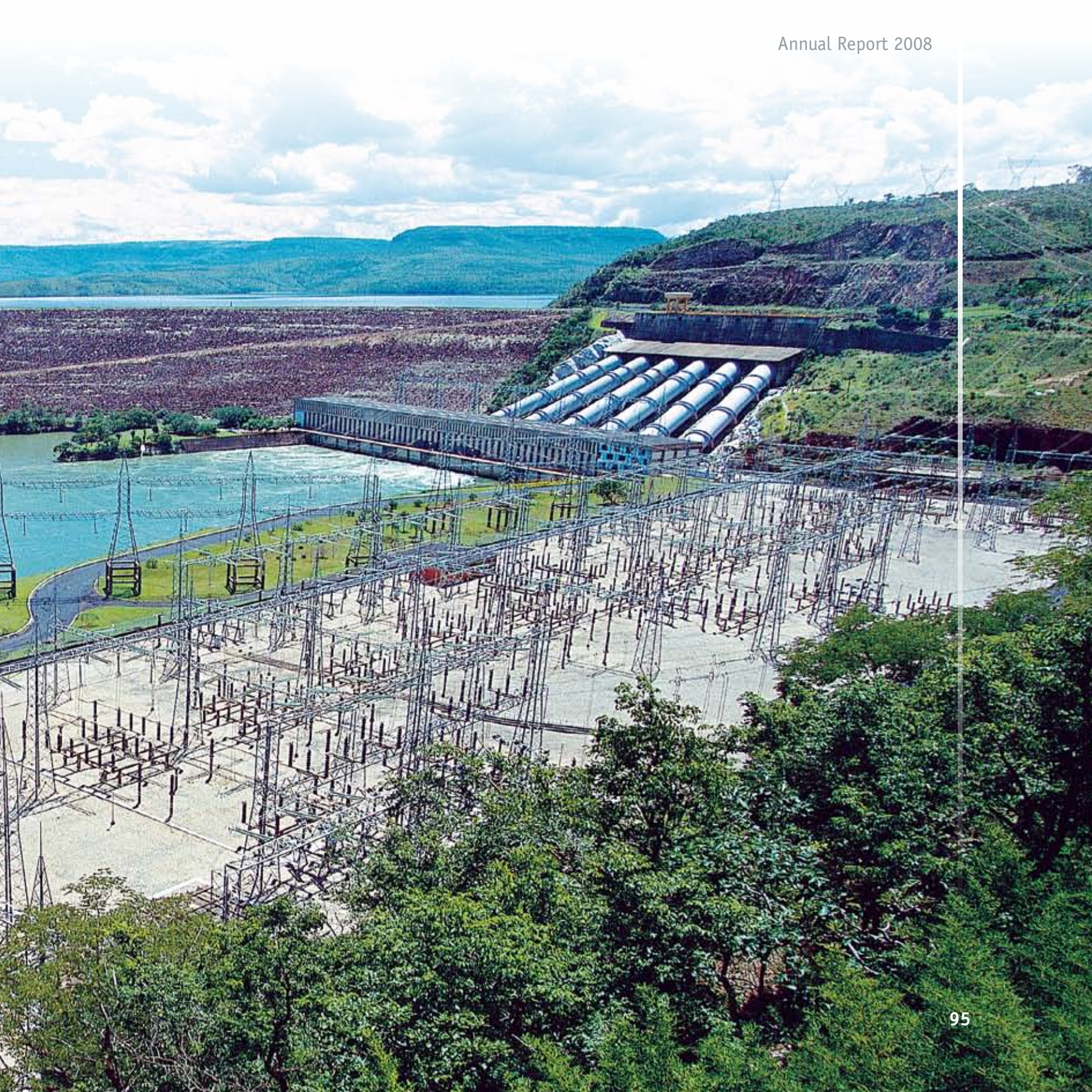
# Financial Statements for 2008



*Furnas - Usina Luiz Carlos  
Barreto*

*(Foto:VictorAndrade)*







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**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>25,920.924</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>	<u>109,727.088</u>	<u>96,548.805</u>	<u>138,053.932</u>	<u>121,927.908</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**  
**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
	<u>7.038.580</u>	<u>4.811.031</u>	<u>14.287.016</u>	<u>11.924.636</u>
<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
	<u>17.070.147</u>	<u>11.774.538</u>	<u>37.915.887</u>	<u>29.727.028</u>
<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	-
	<u>81.331.008</u>	<u>76.151.611</u>	<u>81.331.008</u>	<u>76.151.611</u>
Advances for future capital increase	4.287.353	3.811.625	4.287.353	3.811.625
	<u>85.618.361</u>	<u>79.963.236</u>	<u>85.618.361</u>	<u>79.963.236</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>109.727.088</u>	<u>96.548.805</u>	<u>138.053.932</u>	<u>121.927.908</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 INCOME FOR THE YEARS ENDED**  
**DECEMBER 31, 2008 AND 2007**  
(In thousands of Brazilian reais)

	COMPANY	
	2008	2007 Reclassified
OPERATING REVENUES		
Electricity sale, and transmission	10.927.053	7.553.751
(-) Sectorial charges	-	-
(-) State VAT (ICMS)	-	-
Ownership interests	382.799	1.883.289
Tax incentive revenue	-	-
Other revenues	-	-
OPERATING EXPENSES		
Personnel, material, and services	278.453	318.370
Energy purchased for resale	9.572.208	7.151.995
Fuel for electricity production	-	-
PASEP and COFINS (taxes on sales)	160.551	86.947
Electricity network use	-	-
Financial compensation of water resources	-	-
Depreciation and amortization	6.864	7.016
Operating provisions	303.994	586.483
ITAIPU's income (loss) to be offset	-	-
Donations and contributions	153.650	126.400
Other	150.159	356.712
OPERATING INCOME (LOSS) BEFORE FINANCIAL INCOME (EXPENSES)	683.973	803.117
FINANCIAL INCOME (EXPENSES)	7.797.423	597.903
OTHER EXPENSES AND INCOME	-	-
OPERATING INCOME	8.481.396	1.401.020
NON-OPERATING INCOME (LOSS)	-	-
INCOME (LOSS) BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES, EMPLOYEES' AND MANAGEMENT PROFIT SHARING AND MINORITY INTEREST	8.481.396	1.401.020
Income tax	(1.700.759)	146.976
Social contribution tax on net income	(621.140)	17.861
INCOME (LOSS) BEFORE OWNERSHIP INTERESTS	6.159.497	1.565.857
Profit sharing	(23.000)	(18.000)
Minority interest	-	-
NET INCOME FOR THE YEAR / PERIOD	6.136.497	1.547.857
EARNINGS PER SHARE, NET	R\$5,42	R\$1,37

CONSOLIDATED				
Quarters				
4T/08	até 3T/08	4T/07 Reclassified	2008	2007 Reclassified
9.573.586	21.877.178	7.257.804	31.450.764	25.603.572
(307.947)	(883.726)	(346.697)	(1.191.673)	(1.235.991)
(265.409)	(719.199)	(256.814)	(984.608)	(882.750)
48.119	617.414	303.717	665.533	753.292
343.251	-	-	343.251	-
308.947	139.669	370.517	448.616	496.746
1.547.196	3.892.446	1.453.565	5.439.642	4.918.538
3.319.965	5.512.349	1.871.289	8.832.314	6.420.631
244.107	914.749	197.732	1.158.856	632.826
371.610	1.093.199	368.549	1.464.809	1.124.658
293.442	807.778	237.860	1.101.220	976.647
301.968	798.809	655.476	1.100.777	1.095.234
590.371	1.749.533	507.933	2.339.904	2.127.479
1.260.170	283.921	92.670	1.544.091	1.105.122
342.664	493.221	319.968	835.885	694.088
85.573	132.340	55.213	217.913	198.990
(137.322)	632.642	793.951	495.320	1.906.767
1.480.803	4.720.349	774.321	6.201.152	3.533.889
2.799.238	584.530	1.517.766	3.383.768	(1.208.663)
262.258	(294.516)	-	(32.258)	-
4.542.299	5.010.363	2.292.087	9.552.662	2.325.226
-	-	(22.237)	-	(41.309)
4.542.299	5.010.363	2.269.850	9.552.662	2.283.917
(930.938)	(1.431.921)	(354.029)	(2.362.859)	(415.322)
(343.017)	(520.639)	(116.618)	(863.656)	(172.612)
3.268.344	3.057.803	1.799.203	6.326.147	1.695.983
(176.817)	-	(159.983)	(176.817)	(159.926)
(53.117)	40.284	(48)	(12.833)	11.800
3.038.410	3.098.087	1.639.172	6.136.497	1.547.857
R\$2,68	R\$2,74	R\$1,45	R\$5,42	R\$1,37

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	2.065.419	3.109.765	7.960.593	6.035.740
(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)
	(684.405)	2.204.012	(998.258)	(920.611)
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
	2.227.550	420.822	2.362.380	1.186.371
Funds provided by (used in) operating activities	3.608.564	5.734.599	9.324.715	6.301.500

to be continued...

**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
				...Continued
<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)
Funds provided by (used in) financing activities	(421.972)	(2.510.514)	589.450	(1.135.239)
<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	-
Funds provided by (used in) investments	1.120.125	(546.547)	(4.735.568)	(2.621.348)
Increase in cash and cash equivalents	4.306.717	2.677.538	5.178.597	2.544.913
Cash and cash equivalents at beginning of year	5.797.710	3.120.172	8.387.789	5.842.876
Cash and cash equivalents at end of year	10.104.427	5.797.710	13.566.386	8.387.789
	4.306.717	2.677.538	5.178.597	2.544.913

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 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
As of December 31, 2006	24.235.829	25.907.304	230.538
Financial charges - Decree 2,673/98			
Realization of revaluation surplus			(22.429)
Net income			
Application of income:			
Recognition of reserves			
Shareholders' compensation			
As of December 31, 2007	24.235.829	25.907.304	208.109
Initial adjustments ref. Law no. 11,638/2007			
Company			
Companies appraised by the equity method			
Incorporation of surplus reserves	1.859.401		
Conversion of compulsory loan	61.337	141.038	
Accumulated translation adjustments			
Financial charges - Decree 2,673/98			
Realization of revaluation surplus			(11.203)
Net income			
Application of income:			
Recognition of reserves			
Shareholders' compensation			
As of December 31, 2008	<u>26.156.567</u>	<u>26.048.342</u>	<u>196.906</u>

REVENUES RESERVES							
LEGAL RESERVE	STATUTORY RESERVE	DIVIDENDS NOT DISTRIBUTED	RETAINED EARNINGS	ACCUMULATED TRANSLATION ADJUSTMENTS	ACCUMULATED EARNINGS	ADVANCES FOR FUTURE CAPITAL INCREASE	T O T A L SHAREHOLDERS' EQUITY
1.653.645	14.910.344	7.421.522	68.748			3.407.858	77.835.788
		879.310				403.767	1.283.077
					22.429		-
					1.547.857		1.547.857
77.393	789.407				(866.800)		-
					(703.486)		(703.486)
1.731.038	15.699.751	8.300.832	68.748			3.811.625	79.963.236
					(767.186)		(767.186)
					258.654		258.654
	(1.790.653)		(68.748)				-
				28.285			202.375
							28.285
		1.036.026				475.728	1.511.754
					11.203		-
					6.136.497		6.136.497
306.824	3.129.614		487.476		(3.923.914)		-
					(1.715.254)		(1.715.254)
<u>2.037.862</u>	<u>17.038.712</u>	<u>9.336.858</u>	<u>487.476</u>	<u>28.285</u>	<u>-</u>	<u>4.287.353</u>	<u>85.618.361</u>

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)
	<u>10.766.502</u>	<u>29.760.956</u>	<u>7.553.751</u>	<u>26.059.009</u>
<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)
	<u>(9.933.529)</u>	<u>(16.715.999)</u>	<u>(7.693.052)</u>	<u>(14.834.548)</u>
<b>3 - GROSS ADDED VALUE</b>	<u>832.973</u>	<u>13.044.957</u>	<u>(139.301)</u>	<u>11.224.461</u>
<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)
	<u>(310.858)</u>	<u>(3.883.995)</u>	<u>(593.499)</u>	<u>(3.232.601)</u>
<b>5 - NET ADDED VALUE PRODUCED BY THE COMPANY</b>	<u>522.115</u>	<u>9.160.962</u>	<u>(732.800)</u>	<u>7.991.860</u>
<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
	<u>10.235.900</u>	<u>7.090.964</u>	<u>4.282.221</u>	<u>2.348.451</u>
<b>7 - TOTAL ADDED VALUE TO DISTRIBUTE</b>	<u>10.758.015</u>	<u>16.251.926</u>	<u>3.549.421</u>	<u>10.340.311</u>
<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
	<u>243.941</u>	<u>3.847.251</u>	<u>278.425</u>	<u>3.393.290</u>
<b>TAXES</b>				
. Taxes and contributions	<u>2.321.899</u>	<u>3.226.515</u>	<u>(77.890)</u>	<u>2.595.342</u>
<b>FINANCIAL CHARGES AND RENT</b>	<u>2.055.678</u>	<u>3.041.663</u>	<u>1.801.029</u>	<u>2.803.822</u>
<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
	<u>6.136.497</u>	<u>6.136.497</u>	<u>1.547.857</u>	<u>1.547.857</u>
	<u>10.758.015</u>	<u>16.251.926</u>	<u>3.549.421</u>	<u>10.340.311</u>

The accompanying notes and attachments I, II, III, IV, IV-A, V and VI are an integral part of these financial statements.



## 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 (LA-TIBEX), 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

	RIVER NAME	CAPACITY IN MW	MATURITY
<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 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
<b>IN CONSTRUCTION</b>			
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:

- 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	Company	Municipalities served	Concession Term
Eletoacre	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.

**g) 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'
	Líquido	Equity
Balance according to previous accounting practice - Law no. 6.404/1976	6,408,768	86,121,846
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	6,136,497	85,618,361

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 manage-



ment 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 non-current.

**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' equitiespartida à sua participação nos respectivos patrimônios líquidos;
- 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.

CONSOLIDATED BALANCE SHEET (R\$ thousand)		
(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	12,453,282
	<u>34,842,009</u>	<u>25,920,925</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>86,535,350</u>
Total assets	<u>124,789,538</u>	<u>138,053,932</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	85,618,361	85,618,361
	<u>85,851,028</u>	<u>85,851,028</u>
Total liabilities and shareholders' equity	<u>124,789,538</u>	<u>138,053,932</u>

STATEMENT OF OPERATIONS (R\$ thousand)		
(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
	<u>29,901,418</u>	<u>30,066,350</u>
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)
	<u>(25,374,840)</u>	<u>(24,530,731)</u>
Operating income before financial income	<u>4,526,578</u>	<u>5,535,619</u>
Financial income (expenses)	<u>4,393,502</u>	<u>3,383,768</u>
Income from participating interests held	<u>665,533</u>	<u>665,533</u>
Other revenues and expenses	<u>(32,951)</u>	<u>(32,258)</u>
Income before Corporate Income Tax (IRPJ) and Social Contribution Tax (CSLL)	<u>9,552,662</u>	<u>9,552,662</u>
CSLL and IRPJ	(3,226,515)	(3,226,515)
Income before ownership interests	<u>6,326,147</u>	<u>6,326,147</u>
Profit sharing	(176,817)	(176,817)
Minority interest	(12,833)	(12,833)
Net income	<u>6,136,497</u>	<u>6,136,497</u>
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
Restricted Cash				
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
Total	10,104,427	5,797,710	13,566,386	8,387,789

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\$ mil			
	CONTROLADORA		CONSOLIDADO	
	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
	<u>613,374</u>	<u>1,289,672</u>	<u>617,889</u>	<u>1,293,014</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\$ 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	35,243	31,535
	165,442	313,145

- 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	90,697	652,575

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
	1,186,409	1,146,064
Short-term energy – CCEE	293,560	293,560
	1,546,967	1,749,356

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 collec-

tion 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
	84,371	112,803	619,871	526,275
<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
	199,646	203,959	2,070,302	1,920,766
	284,017	316,762	2,690,173	2,447,041

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
CURRENT ASSETS				
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
	1,348,168	1,351,862	2,786,948	2,526,213

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 cre-



dits 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:

	<b>CONSOLIDATED (R\$ thousand)</b>
<b>RTE – Portion A, Free Energy and Generating Company Reimbursement</b>	
Balance as of December 31, 2007	526,702
(-) Losses	(268,612)
(-) Actual	(160,213)
Realizable balance as of December 31, 2008	97,877
<b>Allowance for doubtful accounts</b>	
Balance as of December 31, 2007	(309,732)
(+) Reversal	257,309
(-) Recognition	(14,575)
Realizable balance as of December 31, 2008	(66,998)
	30,879

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
	<u>725,142</u>	<u>657,188</u>

### 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
FURNAS				
CHESF	31,154	31,154	-	-
ELETROSUL	294,397	294,397	-	-
ELETROPAR	94,576	94,576	-	-
ELETRONORTE	62,285	62,285	-	-
ELETRONUCLEAR	-	1,337,552	-	-
CEAL	-	264	-	-
ELETROACRE	158,300	121,675		
Eletroacre	85,542	80,553		
	726,254	2,022,456	-	-
Other investments	4,027	4,027	4,027	4,027
	<u>730,281</u>	<u>2,026,483</u>	<u>4,027</u>	<u>4,027</u>

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
TRANSESTE (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
	3,299,359	3,180,712	5,242,563	4,442,271

	COMPANY		CONSOLIDATED	
	2008	2007	2008	2007
c) 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
	447,549	536,710	654,302	705,867
	43,682,718	43,062,138	5,896,865	5,193,138

- (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		R\$ thousand
	Investment amount	Blocking percentage	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
	3,014,642		2,764,418
Other investments	40,668,076	-	-
	43,682,718	6.32%	2,764,418

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 is 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 Paroapeba, 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
	53,706	55,558	375,811	474,485



**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
CURRENT				
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	24,121	28,789	44,976	135,382
	<u>1,676,071</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
CURRENT				
ALBRÁS	-	-	37,778	35,191
PROINFA	15,381	202,250	15,381	202,250
	<u>15,381</u>	<u>202,250</u>	<u>53,159</u>	<u>237,441</u>
NONCURRENT				
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 amorti-

zation 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	
Advances received	2008	2007
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 an 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	
	2008	2007
<b>COMPANY</b>		
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).

**a) 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	1,700,759	621,140	(146,976)	(17,861)

#### 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 (TJLP).

The debt payable under PAES as of December 31, 2008, is as follows:

	<b>CONSOLIDATED</b> <b>R\$ thousand</b>
PAES balance as of December 31, 2006	1,328,256
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 (TJLP)	(99,020)
PAES balance as of December 31, 2007	1,178,368
Monetary restatement	44,549
Inclusion of debits	2,535
Payments made	(137,615)
PAES balance as of December 31, 2008	1,087,837

## NOTE 25 - REGULATORY FEES

<b>CURRENT</b>	<b>R\$ thousand</b> <b>CONSOLIDATED</b>	
	<b>2008</b>	<b>2007</b>
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
PROINFA (Alternative Electricity Sources Incentive Program)	27,427	27,692
Other	609	25,248
	708,285	541,968

**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	(306,824)	(77,393)
Adjusted net income	5,829,673	1,470,464
Mandatory minimum dividend - 25%	1,457,418	367,616
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
	1,715,254	703,486
<b>Proposed compensation per share in reais</b>		
	<b>2008</b>	<b>2007</b>
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' com-



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
	72,236	58,150	2,854,201	726,989

**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:**

- o Complementary disability benefit
- o Complementary benefit for years of service (or years of contribution);
- o Complementary special benefit and veteran pension;
- o Complementary benefit for age;
- o Additional retirement income
- o Pension
- o 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:**

- o Normal retirement benefit
- o Anticipated retirement benefit
- o Disability benefit
- o Death benefit
- o Unemployment benefit
- o Minimum benefit
- o Assured benefit
- o Annual bonus benefit
- o 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	DC 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		
	PLANO BD	PLANO CD	TOTAL CONSOLIDADO
(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	
Expected yield on the assets of the plan	160,972
Amortization	
Actuarial gains or losses	-
Contributions paid	
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

### 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

## 1 - Lawsuits against the Company and its subsidiary companies rated as probable losses:

### 1.1 - 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).

#### Na Controlada Eletronorte:

As demandas cíveis de maior relevância são de caráter indenizatório por perdas financeiras, em função de atrasos de pagamentos, e por desapropriações de áreas inundadas pelos reservatórios de usinas hidrelétricas. O montante estimado de perda provável é de R\$ 690.266 mil.

## 1.2 - Labor Lawsuits

### 1.2.1 - Company:

The Company has set up a provision of R\$ 88,574 thousand to face possible losses with labor contingencies.



### 1.2.2 - 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.

### 1.3 - 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).

## **2 - Lawsuits against the Company and its subsidiary companies rated as possible losses:**

### **2.1 - Civil lawsuits**

#### **2.1.1 - Company:**

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.

### 2.1.2 - 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.



### 3 - Lawsuits against the Company and its controlled companies rated as remote losses:

#### 3.1 - Civil lawsuits

##### 3.1.1 - 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 ELETROBRÁS 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).

##### 3.1.2 - 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 Júnior’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**

A Companhia reconhece obrigações para descomissionamento de usinas termonucleares, quThe 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 Krisko 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 live 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:

SHAREHOLDER	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 ELETROBRAS' 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
	26,048,342	25,907,304

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.

RESERVE	COMMON SHARES		RESERVE
	NUMBER	%	R\$ mil
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
TOTAL	<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
	1,191,673	1,235,991
ICMS (State VAT)	984,608	882,750
	2,176,281	2,118,741

**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
	(200,000)	1,188,850	36,157	39,325
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
	560,608	521,661	560,608	521,661
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
	22,191	172,778	68,768	192,306
	382,799	1,883,289	665,533	753,292

**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	1,508,354	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	-
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**

ELETOBRÁS, 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, ELETOBRÁS 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 ELETOBRÁS. 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**

ELETOBRÁS 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. 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
thousand	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\$ Corresponding value in US\$ 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

g) 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.

h) 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 counterpart, 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.

### h.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	
Albrás	7/1/2004	12/31/2024	750 MW – up to 12/31/2006 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

Parte relevante do ativo da Companhia e do resultado de suas operações é afetada significativamente pelo fator de risco da taxa de câmbio, em especial no que se refere ao dólar norte-americano. Em 31 de dezembro de 2008, a Companhia possui créditos decorrentes de financiamentos concedidos em moeda estrangeira no montante de R\$ 21.051.270 mil, equivalente a US\$ 9,007,818 mil. Comparando-se os recebíveis em moeda estrangeira com a dívida, observa-se uma cobertura de cerca de 5,1 vezes.

#### 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 (CCE-AR), 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		
	ASSETS	COMPANY 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
	<u>1,466,107</u>	<u>339</u>	<u>105,725</u>
<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
	<u>4,298,957</u>	<u>1,368</u>	<u>429,001</u>

ELETRONORTE			
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
ELETROSUL			
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
CGTEE			
Loans and financing	574,954	-	-
Interest, commissions and fees	-	-	13,598
	574,954	-	13,598
ELETRONUCLEAR			
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	1,482	321,873
ELETROPAR			
Advance for future increase in capital	62,285	-	-
Return on investments	8,268	-	-
Sundry obligations	-	799	-
Interest, commissions and fees	-	-	1,931
	70,553	799	1,931

ITAIPIU			
Loans and financing	9,208,263	-	-
Return on investments	14,022	-	-
Interest, commissions and fees	-	-	506,221
	9,222,285	-	506,221
CEAL			
Loans and financing	346,965	-	-
Advance for future increase in capital	158,300	-	-
Interest, commissions and fees	-	-	37,177
	505,265	-	37,177
CEPISA			
Loans and financing	433,979	-	-
Interest, commissions and fees	-	-	44,289
	433,979	-	44,289
MANAUS ENERGIA			
Loans and financing	729,355	-	-
Interest, commissions and fees	-	-	47,723
	729,355	-	47,723
CERON			
Loans and financing	451,824	-	-
Interest, commissions and fees	-	-	45,033
	451,824	-	45,033
ELETROACRE			
Loans and financing	40,069	-	-
Advance for future increase in capital	85,542	-	-
Interest, commissions and fees	-	-	4,321
	125,611	-	4,321
NATIONAL TREASURY			
Obligations	-	2,926,437	-
Dividends payable	-	783,078	-
	-	3,709,515	-
ELETROS			
Social security contributions	-	-	19,968
	-	-	19,968
BNDESPAR			
Dividends payable	-	199,273	-
	-	199,723	-

	R\$ thousand		
	ASSETS	LIABILITIES	INCOME
<b>SISTEMA DE TRANSMISSÃO NORDESTE</b>			
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)
	122,611	1,069	14,303
<b>INTESA</b>			
Permanent ownership interest	22,893	-	-
Interest on equity capital / dividends receivable	57	-	-
Equity in earnings	-	-	862
	22,950	-	862
<b>ÁGUAS DA PEDRA</b>			
Permanent ownership interest	61,985	-	-
	61,985	-	-
<b>ENERGIA SUSTENTÁVEL</b>			
Permanent ownership interest	50,002	-	-
	50,002	-	-
<b>FACHESF</b>			
Trade accounts payable	-	3,856	-
Normal contributions	-	6,784	-
Actuarial contracts	-	398,820	-
Financial expense	-	-	(299)
Operating expenses	-	-	(33,689)
	-	409,460	(33,988)

ETAU			
Permanent ownership interest	9,567	-	-
Advances for future increase in capital	274	-	-
Equity in earnings	-	-	2,646
	9,841	-	2,646
ARTEMIS			
Permanent ownership interest	64,976	-	-
Equity in earnings	-	-	3,166
	64,976	-	3,166
SC ENERGIA			
Accounts receivable	6,115	-	-
Permanent ownership interest	66,633	-	-
Advances for future increase in capital	30,008	-	-
Equity in earnings	-	-	13,755
	102,756	-	13,755
UIRAPURU			
Accounts receivable	4,344	-	-
Permanent ownership interest	19,600	-	-
Equity in earnings	-	-	612
	23,944	-	612
RS ENERGIA			
Permanent ownership interest	61,985	-	-
Equity in earnings	-	-	(138)
	61,985	-	(138)
FUNDAÇÃO ELOS			
Social security contributions	-	39,280	-
	-	39,280	-
BRASNORTE			
Permanent ownership interest	39,600	-	-
	39,600	-	-

AMAPARI			
Permanent ownership interest	41,423	-	-
Equity in earnings	-	-	(110)
	41,423	-	(110)
AETE			
Permanent ownership interest	25,201	-	-
Other	17	-	-
Use of the electricity network	-	179	-
Equity in earnings	-	-	(692)
	27,218	179	(692)
INTESA			
Permanent ownership interest	71,175	-	-
Other	1,580	-	-
Use of the electricity network	-	543	-
Equity in earnings	-	-	5,774
	72,755	543	5,774
PREVINORTE			
Social security contributions	-	3,902	-
	-	3,902	-
NUCLEOS			
Normal contributions	-	-	(7,308)
Actuarial deficit	-	106,603	-
Actuarial expenses	-	-	(6,707)
	-	106,603	(14,015)
ENERPEIXE			
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
	431,562	-	90,968



TRANSELESTE			
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
	13,834	126	1137
TRANSUDESTE			
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)
	8,639	-78	232
TRANSIRAPE			
Permanent ownership interest	6,029	-	-
Trade accounts payable	-	(53)	-
Equity in earnings	-	-	248
Charges on the use of the electric network	-	-	(275)
	6,029	(53)	(27)
CENTROESTE			
Permanent ownership interest	6,514	-	-
	6,514	-	-
BAGUARI			
Permanent ownership interest	61,925	-	-
	61,925	-	-
RETIRO BAIXO			
Permanent ownership interest	67,188	-	-
	67,188	-	-

SERRA DO FACÃO			
Permanent ownership interest	273,713	-	-
	273,713	-	-
CHAPECO			
Permanent ownership interest	270,855	-	-
	270,855	-	-
ENSE			
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)
	1,140,259	(257)	92,310
REAL GRANDEZA			
Accounts receivable	932,667	-	-
Accounts payable	-	(11,825)	-
Normal contributions	-	(65,021)	-
Actuarial contracts	-	(931,046)	-
Operating expenses	-	-	(189,134)
	932,667	(1,007,892)	(189,134)

**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	
	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 Fraguaglia 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-057,991/0-S-DF





**CENTRAIS ELÉTRICAS BRASILEIRAS S.A - ELETROBRÁS**  
**CONSUMERS AND RESELLERS AS OF DECEMBER 31, 2008 AND 2007**  
(In thousands of Brazilian reais)

	COMPANY				
	Current				12/31/2007
	Falling due	12/31/2008		Total	
Overdue up to 90 days		More than 90 days			
AES ELETROPAULO	198.574	-	-	198.574	200.238
AES SUL	42.083	-	-	42.083	33.336
AES TIETÊ	-	-	-	-	-
AMPLA	42.836	-	-	42.836	28.399
ANDE	-	-	-	-	-
EBE	51.608	-	-	51.608	65.661
CEA	-	-	-	-	-
CEB	21.149	-	-	21.149	13.169
CEEE-D	55.052	-	-	55.052	29.507
CEEE-GT	-	-	-	-	-
CELESC	88.739	-	-	88.739	50.824
CELG	-	41.652	410.722	452.374	153.575
CELPA	-	-	-	-	-
CELPE	-	-	-	-	-
CEMAR	-	-	-	-	-
CEMIG	168.761	-	-	168.761	196.914
CESP	-	-	-	-	-
COELCE	-	-	-	-	-
COELBA	-	-	-	-	-
COPEL	100.040	-	-	100.040	74.090
CPFL	109.835	-	-	109.835	91.718
ELEKTRO	58.388	-	-	58.388	49.982
ENERSUL	16.359	-	-	16.359	11.738
ESCELSA	31.374	-	-	31.374	28.834
LIGHT	107.251	-	-	107.251	134.829
PIRATININGA	57.097	-	-	57.097	62.310
RGE	37.616	-	-	37.616	24.304
Sales at CCEE (Electricity Sales Chamber)	-	-	-	-	-
Regulatory assets	-	-	-	-	-
Electricity network use	-	-	-	-	-
PROINFA (Alternative electricity sources incentive program)	11.323	5.212	22.995	39.530	89.010
Consumers	-	-	-	-	-
Public sector	-	-	-	-	-
Other	30.903	-	-	30.903	10.821
(-) Allowance for doubtful accounts	-	-	-	-	-
	<u>1.228.988</u>	<u>46.864</u>	<u>433.717</u>	<u>1.709.569</u>	<u>1.349.259</u>

## Attachment I

CONSOLIDATED							
Circulante				Longo Prazo			
12/31/2008				12/31/2007	12/31/2008		
Falling due	Overdue up to 90 days	More than 90 days	Total	Total	12/31/2007		
235.100	-	-	235.100	290.496	-	-	
61.031	-	-	61.031	52.031	-	-	
761	-	-	761	690	-	-	
77.634	-	-	77.634	66.548	-	-	
55.251	-	-	55.251	38.779	-	-	
69.843	-	-	69.843	90.474	-	-	
11.501	26.873	527.909	566.283	423.275	-	-	
34.251	-	12.802	47.053	41.205	-	-	
83.252	-	-	83.252	43.993	-	-	
250	-	-	250	3.432	-	-	
102.242	-	-	102.242	59.016	-	-	
33.858	41.652	410.722	486.232	187.784	-	-	
43.305	-	-	43.305	38.513	-	-	
47.808	-	-	47.808	47.465	-	-	
30.259	-	-	30.259	24.511	-	-	
238.590	-	-	238.590	279.535	-	-	
2.500	-	-	2.500	2.267	-	-	
30.367	-	-	30.367	30.794	-	-	
64.146	-	-	64.146	65.096	-	-	
180.742	-	-	180.742	160.921	-	-	
130.982	-	-	130.982	118.581	-	-	
105.961	-	-	105.961	99.840	-	-	
29.371	-	-	29.371	18.473	-	-	
47.895	-	-	47.895	49.075	-	-	
172.966	-	-	172.966	218.111	-	-	
58.932	-	-	58.932	1.208	-	-	
43.675	-	-	43.675	30.373	-	-	
307.564	-	1.082	308.646	383.448	-	-	
86.879	-	12	86.891	448.361	10.986	78.341	
339.129	4.374	20.969	364.472	134.620	-	-	
11.323	5.212	22.995	39.530	89.010	-	-	
368.883	229.139	468.921	1.066.943	1.065.169	-	-	
23.214	24.156	201.539	248.909	396.657	-	-	
577.414	24.924	153.035	755.373	862.306	36.269	170.736	
(366.828)	(26.873)	(1.148.035)	(1.541.736)	(1.679.733)	(5.231)	(69.623)	
3.340.051	329.457	671.951	4.341.459	4.182.324	42.024	179.454	

**CENTRAIS ELÉTRICAS BRASILEIRAS S.A - ELETROBRÁS**  
**LOANS AND FINANCING GRANTED AS OF DECEMBER 31, 2008 AND 2007**  
(In thousands of Brazilian reais)

	COMPANY							
	12/31/2008				12/31/2007			
	CURRENT AVERAGE RATE	CHARGES VALUE	PRINCIPAL AMOUNT		CURRENT AVERAGE RATE	CHARGES VALUE	PRINCIPAL AMOUNT	
		CURRENT	NONCURRENT			CURRENT	NONCURRENT	
COMPANY AND CONTROLLED COMPANIES TOGETHER								
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
		<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>
OTHER								
CEMIG	6,76%	2.457	63.022	403.565	6,76%	2.353	58.020	355.958
COPEL	10,21%	429	4.548	67.142	8,33%	2.130	35.855	271.965
CEEE	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
AES TIETÊ	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
TRACTBEL	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
CEMAR	5,09%	1.154	26.352	317.532	7,97%	924	8.157	284.790
CESP	9,36%	1.165	28.121	235.273	9,44%	1.185	24.106	245.098
OTHER	-	100.658	331.872	1.572.714	-	63.927	240.682	1.103.298
(-) Allowance for doubtful accounts	-	(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>
<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>

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

## Attachment II

CONSOLIDATED							
12/31/2008				12/31/2007			
CURRENT AVERAGE RATE	CHARGES VALUE	PRINCIPAL AMOUNT		CURRENT AVERAGE RATE	CHARGES VALUE	PRINCIPAL AMOUNT	
		CURRENT	NONCURRENT			CURRENT	NONCURRENT
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	30.472	9,177.791	-	-	23.096	7,312.490
-	-	<u>30.472</u>	<u>9,177.791</u>	-	-	<u>23.096</u>	<u>7,312.490</u>
6,76%	2,457	63,022	403,565	6,76%	2,353	58,020	284,790
8,39%	429	4,548	67,142	8,39%	5,062	183,766	1,104,299
9,33%	172	66,693	30,085	9,33%	1,174	90,383	54,436
10,00%	2,375	168,691	439,233	10,00%	3,966	144,026	865,083
10,00%	4,819	224,659	982,694	10,00%	5,062	183,766	1,104,299
9,30%	274,406	117,931	-	9,85%	262,048	120,904	8,917
12,00%	707	29,611	41,114	12,00%	1,005	31,909	68,559
4,44%	867	17,173	77,957	6,02%	679	16,295	82,851
6,07%	1,154	26,352	317,532	6,07%	924	8,157	284,790
9,33%	1,165	28,121	235,273	9,32%	1,185	24,106	245,098
-	101,821	443,301	1,695,257	-	64,233	147,577	525,793
-	(58,221)	(59,454)	-	-	(38,785)	(41,845)	-
	<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>
	<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>

**CENTRAIS ELÉTRICAS BRASILEIRAS S.A - ELETROBRÁS**  
**INVESTMENTS IN CONSOLIDATED COMPANIES AS OF DECEMBER 31, 2008**  
(In thousands of Brazilian reais)

COMPANIES' DATA	31/12/2008			
	FURNAS	CHESF	ELETROSUL	ELETRONORTE
Capital stock	6.000.000	4.196.306	1.245.042	4.177.205
Advance for future capital increase	31.154	294.396	94.576	-
Shareholders' equity	13.681.453	12.773.150	2.354.149	6.188.665
Net income (loss) for the year	454.518	1.437.291	268.250	(2.424.558)
<b>ELETROBRÁS'S INTERESTS</b>				
Number of shares – thousand share lot				
Common shares	50.618.949	40.478	42.582.421	68.736.323
Preferred shares	14.088.233	1.002	-	-
% of interest				
Subscribed and paid-in capital	99,54	99,45	99,71	98,66
Voting	99,82	100,00	99,71	98,66
<b>CHANGES IN INVESTMENTS:</b>				
Balances at beginning of period	13.325.437	11.507.964	2.103.058	6.798.763
Transference of stockholding control	-	-	-	-
Equity accounting – income (loss) for the year	454.296	1.429.386	267.472	(2.021.630)
Dividends	(251.607)	(541.878)	(135.713)	-
Accumulated translation adjustments	-	-	-	-
Adjustments as per Law 11.638/07	59.472	14.649	18.203	(4.128)
Conversion of advance for future capital increase into capital stock	-	-	-	1.333.970
Balances at end of year	13.587.598	12.410.121	2.253.020	6.106.975

## Attachment III

31/12/2008						31/12/2007	
ELETRONUCLEAR	ELETROPAR	CGTEE	MANAUS	ITAIPIU (a)	TOTAL	TOTAL	
3.296.032	55.769	868.721	2.381.558	233.700	-	-	
-	62.285	-	-	-	-	-	
4.319.737	118.587	350.006	753.971	233.700	-	-	
(282.070)	10.664	(292.202)	198.845	-	-	-	
9.611.945	8.480.196	1.126.273	1.750.588	-	-	-	
2.687.056	-	-	-	-	-	-	
99,80	81,61	99,94	100,00	50,00	-	-	
99,92	81,61	99,94	100,00	50,00	-	-	
4.446.849	45.181	641.823	387.076	88.565	39.344.716	38.672.726	
-	-	-	168.050	-	168.050	-	
(281.535)	9.035	(292.026)	198.845	-	(236.157)	1.149.525	
(28.749)	(8.268)	-	-	-	(966.215)	(477.535)	
-	-	-	-	28.285	28.285	-	
174.965	-	-	-	-	263.161	-	
-	-	-	-	-	1.333.970	-	
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				
	12/31/2008	12/31/2008				
	ELETROBRÁS	FURNAS	CHESF	ELETRONORTE	ELETRONUCLEAR	ELETROSUL
Generation						
In service	-	8.865.499	17.319.003	17.474.335	6.048.244	-
Accumulated depreciation	-	(3.064.423)	(6.940.820)	(7.254.557)	(2.042.099)	-
In progress	-	5.801.076	10.378.183	10.219.778	4.006.145	-
	-	1.474.035	195.185	482.753	2.561.143	289.774
	-	7.275.111	10.573.368	10.702.531	6.567.288	289.774
Transmission						
In service	13.269	12.418.450	7.479.588	6.220.484	-	3.232.630
Accumulated depreciation	(740)	(6.336.871)	(3.321.142)	(2.897.953)	-	(1.355.168)
	12.529	6.081.579	4.158.446	3.322.531	-	1.877.462
In progress	-	1.263.346	1.015.348	507.751	-	149.560
	12.529	7.344.925	5.173.794	3.830.282	-	2.027.022
Distribution						
In service	-	1.416	-	227.885	-	-
Accumulated depreciation	-	(549)	-	(62.600)	-	-
	-	867	-	165.285	-	-
In progress	-	79	-	99.333	-	-
	-	946	-	264.618	-	-
Management						
In service	41.777	200.171	1.030.983	55.006	14.754	33.175
Accumulated depreciation	(28.812)	(87.704)	(486.686)	(24.480)	(6.851)	(9.947)
	12.965	112.467	544.297	30.526	7.903	23.228
In progress	-	24.016	79.326	162.735	411	-
	12.965	136.483	623.623	193.261	8.314	23.228
	25.494	14.757.465	16.370.785	14.990.692	6.575.602	2.340.024
Concession-linked obligations						
(-) Amortization and reversals	-	-	-	-	-	-
(-) Consumers' contributions	-	-	(3.344)	(318)	-	-
(-) Federal Government's participation	-	-	(108.052)	(230.256)	(2.056)	-
(-) Donations and grants for investment	-	-	(43.865)	-	-	(6.815)
(-) Other	-	(112.540)	(606)	(38.632)	(189)	-
	-	(112.540)	(155.867)	(269.206)	(2.245)	(6.815)
<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>
Annual average depreciation rate (%)						
Generation	0,00%	2,20%	2,41%	2,56%	3,30%	0,00%
Transmission	0,00%	3,00%	2,98%	2,76%	0,00%	3,19%
Distribution/Commercialization	0,00%	5,70%	0,00%	3,00%	0,00%	0,00%
Management	7,95%	9,30%	7,18%	15,00%	10,00%	7,51%

## Attachment IV

CONTROLLED COMPANIES								CONSOLIDATED
12/31/2008								12/31/2008
ITAIPU	CGTEE	MANAUS	CEAL	CERON	CEPISA	ELETROACRE	ELETROPAR	TOTAL
18.944.955	197.752	2.026.384	-	47.318	-	-	-	70.923.490
-	-	(1.004.830)	-	(32.139)	-	-	-	(20.338.868)
18.944.955	197.752	1.021.554	-	15.179	-	-	-	50.584.622
270.616	726.860	147.757	-	1.545	-	-	-	6.149.668
19.215.571	924.612	1.169.311	-	16.724	-	-	-	56.734.290
1.439.025	-	-	-	-	-	-	-	30.803.446
-	-	-	-	-	-	-	-	(13.911.874)
1.439.025	-	-	-	-	-	-	-	16.891.572
-	-	-	-	-	-	-	-	2.936.005
1.439.025	-	-	-	-	-	-	-	19.827.577
-	-	1.105.448	673.588	480.320	363.518	257.754	-	3.109.929
-	-	(527.136)	(252.788)	(212.092)	(172.817)	(65.738)	-	(1.293.720)
-	-	578.312	420.800	268.228	190.701	192.016	-	1.816.209
-	-	245.443	88.585	95.904	116.078	53.911	-	699.333
-	-	823.755	509.385	364.132	306.779	245.927	-	2.515.542
1.001.391	-	286.948	14.311	33.626	-	15.059	187	2.727.388
-	-	(187.542)	(8.583)	(14.144)	-	(9.825)	(140)	(864.714)
1.001.391	-	99.406	5.728	19.482	-	5.234	47	1.862.674
402.292	-	1.317	399	96	-	1.248	-	671.840
1.403.683	-	100.723	6.127	19.578	-	6.482	47	2.534.514
22.058.279	924.612	2.093.789	515.512	400.434	306.779	252.409	47	81.611.923
-	-	-	(418)	-	-	-	-	(418)
-	-	(24.375)	(19.258)	(12.111)	-	(3.266)	-	(62.672)
-	-	(53.747)	(150.895)	(24.240)	-	(146.828)	-	(716.074)
-	-	(197.751)	(36.143)	(4.502)	-	-	-	(289.076)
-	-	-	(5.296)	(114.999)	-	(8.747)	-	(281.009)
-	-	(275.873)	(212.010)	(155.852)	-	(158.841)	-	(1.349.249)
22.058.279	924.612	1.817.916	303.502	244.582	306.779	93.568	47	80.262.674
0,00%	6,12%	2,02%	0,00%	2,98%	0,00%	0,00%	-	
0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	-	
0,00%	0,00%	1,06%	6,44%	4,21%	5,40%	4,09%	-	
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	COMPANY AND CONTROLLED COMPANIES TOGETHER				
	12/31/2007	12/31/2007				
	ELETROBRAS	FURNAS	CHESF	ELETRONORTE	ELETRONUCLEAR	ELETROSUL
Generation						
In service	-	7.657.039	17.143.404	19.762.511	6.036.619	-
Accumulated depreciation	-	(2.879.918)	(6.593.464)	(7.698.655)	(1.860.924)	-
	-	4.777.121	10.549.940	12.063.856	4.175.695	-
In progress	-	1.973.816	169.207	580.437	2.294.264	93.768
	-	6.750.937	10.719.147	12.644.293	6.469.959	93.768
Transmission						
In service	-	12.180.452	6.936.848	5.990.161	-	2.914.876
Accumulated depreciation	-	(5.981.580)	(3.135.709)	(2.716.878)	-	(1.279.948)
	-	6.198.872	3.801.139	3.273.283	-	1.634.928
In progress	-	1.252.690	1.175.238	567.970	-	280.638
	-	7.451.562	4.976.377	3.841.253	-	1.915.566
Distribution/Commercialization						
In service	-	1.480	-	1.054.108	-	-
Accumulated depreciation	-	(502)	-	(478.420)	-	-
	-	978	-	575.688	-	-
In progress	-	39	-	291.518	-	-
	-	1.017	-	867.206	-	-
Management						
In service	53.704	195.521	895.235	319.186	13.137	44.586
Accumulated depreciation	(24.897)	(83.559)	(441.070)	(185.563)	(7.255)	(12.171)
	28.807	111.962	454.165	133.623	5.882	32.415
In progress	-	20.535	131.056	72.177	4.170	1.986
	28.807	132.497	585.221	205.800	10.052	34.401
	28.807	14.336.013	16.280.745	17.558.552	6.480.011	2.043.735
Concession-linked obligations						
(-) Amortization and reversals	-	(81.998)	-	-	-	-
(-) Consumers' contributions	-	-	(3.344)	(24.482)	-	-
(-) Federal Government's participation	-	(28.539)	(108.052)	(266.480)	(3.617)	-
(-) Donations and grants for investment	-	(2.003)	(43.865)	(18.260)	(204)	(6.815)
(-) Other	-	-	(380)	(36.072)	-	-
	-	(112.540)	(155.641)	(345.294)	(3.821)	(6.815)
<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>
Annual average depreciation rate (%)						
Generation	0,00%	2,20%	2,41%	2,56%	3,30%	0,00%
Transmission	0,00%	3,00%	2,97%	2,76%	0,00%	3,19%
Distribution/Commercialization	0,00%	5,70%	0,00%	3,00%	0,00%	0,00%
Management	7,95%	9,30%	6,57%	15,00%	10,00%	7,51%

## Attachment IV - A

COMPANY AND CONTROLLED COMPANIES TOGETHER								CONSOLIDATED
12/31/2007								12/31/2007
CGTEE	ITAIPU	CEAL	CERON	CEPISA	ELETROACRE	CEAM	ELETROPAR	TOTAL
1.880.963	15.132.699	-	47.364	-	-	235.983	-	67.896.582
(1.576.832)	-	-	(30.746)	-	-	(92.801)	-	(20.733.340)
304.131	15.132.699	-	16.618	-	-	143.182	-	47.163.242
176.578	207.234	-	1.545	-	-	59.617	-	5.556.466
480.709	15.339.933	-	18.163	-	-	202.799	-	52.719.708
-	1.090.279	-	-	-	-	-	-	29.112.616
-	-	-	-	-	-	-	-	(13.114.115)
-	1.090.279	-	-	-	-	-	-	15.998.501
-	-	-	-	-	-	-	-	3.276.536
-	1.090.279	-	-	-	-	-	-	19.275.037
-	-	599.731	439.922	530.560	213.877	125.352	-	2.965.030
-	-	(226.590)	(193.724)	(270.146)	(55.457)	(64.952)	-	(1.289.791)
-	-	373.141	246.198	260.414	158.420	60.400	-	1.675.239
-	-	79.545	58.907	157.361	42.905	89.820	-	720.095
-	-	452.686	305.105	417.775	201.325	150.220	-	2.395.334
8.418	746.544	14.005	33.493	12.925	16.759	14.555	171	2.368.239
(2.793)	-	(7.688)	(12.705)	(9.455)	(10.314)	(9.723)	(129)	(807.322)
5.625	746.544	6.317	20.788	3.470	6.445	4.832	42	1.560.917
-	390.305	1.493	165	9	1.240	453	-	623.589
5.625	1.136.849	7.810	20.953	3.479	7.685	5.285	42	2.184.506
486.334	17.567.061	460.496	344.221	421.254	209.010	358.304	42	76.574.585
-	-	(418)	-	-	-	-	-	(82.416)
-	-	-	(10.859)	(10.050)	-	(544)	-	(49.279)
-	-	-	(24.240)	(3.604)	-	(10.636)	-	(445.168)
-	-	(171.502)	(4.489)	(117.091)	-	(121.938)	-	(486.167)
-	-	-	(90.438)	(2.210)	(119.786)	-	-	(248.886)
-	-	(171.920)	(130.026)	(132.955)	(119.786)	(133.118)	-	(1.311.916)
486.334	17.567.061	288.576	214.195	288.299	89.224	225.186	42	75.262.669
6,12%	0,00%	0,00%	3,17%	0,00%	0,00%	2,61%	0,00%	
0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	
0,00%	0,00%	4,07%	4,31%	5,40%	4,09%	1,77%	0,00%	
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							
	12/31/2008				12/31/2007			
	CURRENT CHARGES		PRINCIPAL AMOUNT		CURRENT CHARGES		PRINCIPAL AMOUNT	
	AVERAGE RATE	VALUE	CURRENT	NONCURRENT	AVERAGE RATE	VALUE	CURRENT	NONCURRENT
<b>FOREIGN CURRENCY</b>								
Financial Institutions								
Inter-American Development Bank - IDB	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
Kreditanstalt für Wiederaufbau - KFW	5,73%	202	31.349	95.514	5,73%	199	24.773	100.540
AMFORP & BEPCO	6,50%	-	128	-	6,50%	-	296	303
Dresdner Bank	6,25%	259	31.349	95.513	6,25%	266	24.772	100.539
Eximbank	2,15%	2.544	56.822	482.981	2,15%	1.721	34.767	330.291
Other		2.510	2.359	585.322	6,40%	366	1.790	16.629
		<u>21.344</u>	<u>165.490</u>	<u>3.264.830</u>		<u>9.064</u>	<u>126.314</u>	<u>1.045.482</u>
Bonus								
Bonus - Dresdner Bank	7,75%	5.347	-	701.100	7,75%	4.052	-	531.390
		<u>5.347</u>	<u>-</u>	<u>701.100</u>		<u>4.052</u>	<u>-</u>	<u>531.390</u>
Other								
Federal treasury - ITAIPU		-	-	-		-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
		26.691	165.490	3.965.930		13.116	126.314	1.576.872
<b>LOCAL CURRENCY</b>								
Receivables Investment Fund (FIDC)		-	-	-		-	-	-
Other		-	-	-		-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
		<u>26.691</u>	<u>165.490</u>	<u>3.965.930</u>		<u>13.116</u>	<u>126.314</u>	<u>1.576.872</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\$ 4.158.112 thousand (Company), corresponding to US\$ 1,779,252 thousand, and R\$ 16.738.887 thousand corresponding to US\$ 7,162,553 thousand. The percentage distribution by currency is as follows:

	US\$	EURO	YEN
COMPANY	81%	6%	13%
CONSOLIDATED	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
COMPANY	120.731	120.731	193.841	240.325	240.327	781.063	1.697.018
CONSOLIDATED	657.827	514.798	648.203	646.627	618.488	4.743.566	7.829.509

## Attachment V

CONSOLIDATED							
12/31/2008				12/31/2007			
CURRENT CHARGES		PRINCIPAL AMOUNT		CURRENT CHARGES		PRINCIPAL AMOUNT	
AVERAGE RATE	VALUE	CURRENT	NONCURRENT	AVERAGE RATE	VALUE	CURRENT	NONCURRENT
5,32%	5.489	43.482	369.600	5,62%	4.578	32.957	313.091
4,76%	10.340	-	1.635.900	8,06%	1.934	6.959	184.089
5,73%	376	59.698	95.514	5,73%	479	47.610	123.378
6,50%	-	128	-	6,50%	-	296	303
6,25%	331	45.110	95.513	6,25%	382	35.859	111.625
2,15%	2.544	56.823	482.981	2,15%	1.721	34.767	330.291
	<u>3.466</u>	<u>19.246</u>	<u>502.328</u>		<u>558</u>	<u>14.858</u>	<u>34.699</u>
	<u>22.546</u>	<u>224.487</u>	<u>3.181.836</u>		<u>9.652</u>	<u>173.306</u>	<u>1.097.476</u>
7,75%	5.347	-	701.100	7,75%	4.052	-	531.390
	<u>5.347</u>	<u>-</u>	<u>701.100</u>		<u>4.052</u>	<u>-</u>	<u>531.390</u>
	<u>5.698</u>	<u>941.908</u>	<u>11.655.965</u>		<u>6.202</u>	<u>667.338</u>	<u>9.179.553</u>
	<u>5.698</u>	<u>941.908</u>	<u>11.655.965</u>		<u>6.202</u>	<u>667.338</u>	<u>9.179.553</u>
	33.591	1.166.395	15.538.901		19.906	840.644	10.808.419
		224.977	86.930			306.419	277.296
	<u>52.114</u>	<u>237.534</u>	<u>2.671.731</u>		<u>35.674</u>	<u>248.172</u>	<u>1.943.353</u>
	<u>52.114</u>	<u>462.511</u>	<u>2.758.661</u>		<u>35.674</u>	<u>554.591</u>	<u>2.220.649</u>
	<u>85.705</u>	<u>1.628.906</u>	<u>18.297.562</u>		<u>55.580</u>	<u>1.395.235</u>	<u>13.029.068</u>

**CENTRAIS ELÉTRICAS BRASILEIRAS S.A - ELETROBRÁS**  
**SUMMARIZED FINANCIAL STATEMENTS OF CONTROLLED COMPANIES AS OF DECEMBER 31**  
(In thousands of Brazilian reais)

BALANCE SHEET								
2008								
ASSETS				LIABILITIES				
Current	Noncurrent		TOTAL	Current	Noncurrent	Shareholders' Equity	TOTAL	
	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
Chesf	2.050.322	212.570	16.497.310	18.760.202	1.924.551	4.062.501	12.773.150	18.760.202
Eletrosul	753.020	958.947	2.334.767	4.046.734	637.861	1.054.724	2.354.149	4.046.734
Eletronorte	2.237.348	570.308	15.071.074	17.878.730	2.103.273	9.586.792	6.188.665	17.878.730
Manaus	703.626	1.204.797	1.832.093	3.740.516	935.639	2.050.907	753.970	3.740.516
Boa Vista	61.418	50.524	129.169	241.111	132.961	46.958	61.192	241.111
Eletronuclear	863.099	891.998	6.602.538	8.357.635	429.997	3.607.901	4.319.737	8.357.635
CGTEE	111.518	10.876	928.849	1.051.243	123.597	577.640	350.006	1.051.243
Eletropar	107.033	1	93.696	200.730	82.142	1	118.587	200.730
Itaipu	2.226.006	3.843.996	40.811.662	46.881.664	3.474.740	43.173.224	233.700	46.881.664

STATEMENT OF OPERATIONS								
2008								
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	
Furnas	5.771.647	(4.858.236)	913.411	(9.851)	(318.399)	585.161	(130.643)	454.518
Chesf	4.826.300	(2.610.935)	2.215.365	(108.419)	(464.979)	1.641.967	(204.676)	1.437.291
Eletrosul	638.958	(328.689)	310.269	(14.701)	103.626	399.194	(130.874)	268.320
Eletronorte	3.854.497	(3.663.420)	191.077	(1.120.506)	(1.495.129)	(2.424.558)	-	(2.424.558)
Manaus	991.488	(596.472)	395.016	(28.207)	(162.558)	204.251	(5.406)	198.845
Boa Vista	113.244	(156.612)	(43.368)	(1.278)	8.008	(36.638)	-	(36.638)
Eletronuclear	1.471.755	(1.085.042)	386.713	(330)	(589.158)	(202.775)	(79.295)	(282.070)
CGTEE	176.206	(378.454)	(202.248)	(92.190)	2.236	(292.202)	-	(292.202)
Eletropar	14.122	(3.818)	10.304	(12)	428	10.720	(56)	10.664
Itaipu	8.001.428	(3.077.817)	4.923.610	1.770	(2.864.458)	2.060.922	-	2.060.922

Equivalence = Other income  
Profits sharing - Other income



## Attachment VI

BALANCE SHEET							
2007							
ASSETS				LIABILITIES			
Current	Noncurrent		TOTAL	Current	Noncurrent	Sharehold- ers' Equity	TOTAL
	Other	Property, plant and equipment, Intangible Assets and Investments					
2,026.416	2,354.090	15,184.024	19,564.530	2,773.971	3,358.851	13,431.708	19,564.530
1,789.042	257.662	16,421.300	18,468.004	1,704.403	4,897.597	11,866.004	18,468.004
488.855	632.005	2,280.372	3,401.232	420.269	777.212	2,203.751	3,401.232
2,143.497	1,093.996	17,488.676	20,726.169	2,513.896	9,594.867	8,617.406	20,726.169
273.970	603.077	1,576.054	2,453.101	652.425	1,245.551	555.125	2,453.101
53.909	46.993	85.105	186.007	43.023	45.154	97.830	186.007
751.170	793.831	6,486.309	8,031.310	548.126	3,027.607	4,455.577	8,031.310
184.785	11.213	527.777	723.775	74.988	6.579	642.208	723.775
97.209	1	93.691	190.901	72.846	1	118.054	190.901
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							
2007							
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
5,105.173	(5,140.796)	(35.623)	(66.893)	1,055.733	953.217	(276.693)	676.524
3,980.753	(2,452.170)	1,528.583	(60.132)	(486.608)	981.843	(329.213)	652.630
549.145	(318.943)	230.202	(35.866)	101.744	296.080	(99.140)	196.940
4,624.070	(4,426.515)	197.555	(7.466)	(688.650)	(498.561)	(43.754)	(542.315)
810.290	(1,338.514)	(528.224)	267	(73.749)	(601.706)	-	(601.706)
109.435	(127.098)	(17.663)	183	9.371	(8.109)	-	(8.109)
1,271.697	(1,092.041)	179.656	(7.494)	(53.282)	118.880	(1.212)	117.668
131.122	(219.864)	(88.742)	235	19.358	(69.149)	-	(69.149)
19.089	(3.475)	15.614	-	609	16.223	(126)	16.097
5,967.576	(2,312.945)	3,654.631	(2.171)	(2,330.870)	1,321.591	-	1,321.591

## Initials used in the Financial Statements

Albrás	Alumínio Brasileiro S,A,
AES Bandeirante	AES Bandeirante Empreendimentos Ltda,
AES Eletropaulo	AES Eletropaulo Metropolitana de Eletricidade de São Paulo S,A,
AES SUL	AES Sul Distribuidora Gaúcha de Energia S,A,
AES Tietê	AES Tietê S,A,
Ampla	Ampla Energia e Serviços S,A,
ANDE	Administración Nacional de Electricidad
Aneel	Agência Nacional de Energia Elétrica
Artemis	Artemis Transmisora de Energia S,A,
BNDESPAR	BNDES Participações S,A,
CAJA	Caja Paraguaya de Judicaciones y Pensiones del Personal de Itaipu Binacional
Cataguazes Leopoldina	Energisa Minas Gerais – Distribuidora de Energia
CCEE	Câmara de Comercialização de Energia Elétrica
CDSA	Centrais Elétricas Cachoeira Dourada S,A,
CEA	Companhia de Eletricidade do Amapá
Ceal	Companhia Energética de Alagoas
Ceam	Companhia Energética do Amazonas
CEB	Companhia Energética de Brasília
CEB Lajeado	CEB Lajeado S,A,
CELB	Energisa Borborema – Distribuidora de Energia S,A
CEEE - D	Companhia Estadual de Distribuição de Energia Elétrica
CEEE - GT	Companhia Estadual de Geração e Transmissão de Energia Elétrica
Celesc	Centrais Elétricas de Santa Catarina S,A,
Celg	Centrais Elétricas de Goiás S,A,
Cenf	Energisa Nova Friburgo – Distribuidora de Energia S,A,
Celpa	Centrais Elétricas do Pará S,A,
Celpe	Companhia Energética de Pernambuco
Cemar	Companhia Energética do Maranhão
Cemat	Centrais Elétricas Matogrossenses S,A,
Cemig	Centrais Elétricas de Minas Gerais S,A,
Centroeste de Minas	Companhia de Transmissão Centro-Oeste de Minas
Cepisa	Companhia Energética do Piauí
Ceron	Centrais Elétricas de Rondônia S,A,
Cesp	Companhia Energética de São Paulo
Chapecoense	Chapecoense Geração S,A,
Cnen	Comissão Nacional de Energia Nuclear
Coelce	Companhia Energética do Ceará
Copel	Companhia Paranaense de Energia
CPFL	Companhia Paulista de Força e Luz
CTEEP	Companhia de Transmissão de Energia Elétrica Paulista
DUKE	Duke Energy International. Geração Paranapanema S,A,
Eate	Empresa Amazonense de Transmissão de Energia S,A,
EBE	Empresa Bandeirante de Energia S,A,

## Attachment VII

EDP Lajeado	EDP – Lajeado Energia S,A,
Elejor	Centrais Elétricas do Rio Jordão S,A,
Elektro	Elektro Eletricidade e Serviços S,A,
Elos	Fundação Eletrosul de Previdência e Assistência Social
Eletros	Fundação Eletrobrás de Seguridade Social
Eletroacre	Companhia de Eletricidade do Acre
Eletroceee	Fundação CEEE de Seguridade Social
Eletronet	Eletronet S,A,
Emae	Empresa Metropolitana de Águas e Energia S,A,
Energipe	Energisa Sergipe – Distribuidora de Energia S,A,
Enerpeixe	Enerpeixe S,A,
Enersul	Empresa Energética do Mato Grosso do Sul
EPTE	Empresa Paraense de Transmissão de Energia S,A,
Etau	Empresa de Transmissão do Alto Uruguai S,A,
Escelsa	Espírito Santo Centrais Elétricas S,A,
Fachesf	Fundação CHESF de Assistência e Seguridade Social
FGP	Fundo Garantidor das Parcerias Público Privadas
Fibra	Fundação Itaipu-BR de Previdência e Assistência Social
FND	Fundo Nacional de Desenvolvimento
Guascor	Guascor do Brasil Ltda,
Ibracon	Instituto dos Auditores Independentes do Brasil
Intesa	Integração Transmissora de Energia S,A,
Investco	Investco S,A,
Itiquira	Itiquira Energética S,A,
Light	Light Serviços de Eletricidade S,A,
MAE	Mercado Atacadista de Energia Elétrica
Nucleos	Nucleos Instituto de Seguridade Social
Nuclep	Nuclebrás Equipamentos Pesados S,A,
Paulista Lajeado	Paulista Lajeado Energia S,A,
Piratininga	Companhia Piratininga de Força e Luz
Previnorte	Previnorte – Fundação de Previdência Complementar
Real Grandeza	Real Grandeza – Fundação de Previdência e Assistência Social
Rede Lajeado	Rede Lajeado Energia S,A,
RGE	Rio Grande Energia Elétrica S,A,
RS Energia	Empresa de Transmissão de Energia do Rio Grande do Sul
Saelpa	Energisa Paraíba – Distribuidora de Energia S,A,
SC Energia	Empresa de Transmissão de Energia de Santa Catarina S,A,
STN	Sistema de Transmissão Nordeste S,A,
Tangará	Tangará Energia S,A,
Tractbel	Tractbel Energia S,A,
Transirapé	Companhia Transirapé de Transmissão
Transleste	Companhia Transleste de Transmissão
Transudeste	Companhia Transudeste de Transmissão
Uirapuru	Uirapuru Transmissora de Energia S,A,

# Board of Executive Directors

Eletrobrás' Executive Board (EEB) is elected by the Board of Directors and is comprised of five members: the president, who must be a member of the Board, and four officers. The EEB works in compliance with the provisions set forth in the company's By-Laws, and the guidelines of the Board of Directors.

In December 2008, EEB was constituted as follows:

José Antonio Muniz Lopes	<b>President</b>
Miguel Colasuonno	<b>Administration Officer</b>
Flávio Decat de Moura	<b>Distribution Officer</b>
Astrogildo Fraguglia Quental	<b>Finance and Investors' Relations Officer</b>
Valter Luiz Cardeal de Souza	<b>Engineering Officer</b>
Ubirajara Rocha Meira	<b>Technological Officer</b>

#### **BOARD OF DIRECTORS**

##### **President**

Márcio Pereira Zimmermann	<b>Secretary of Power Energy of the Ministry of Mines and Energy</b>
---------------------------	--

##### **Directors**

José Antonio Muniz Lopes	<b>President of Eletrobrás</b>
José Antonio Corrêa Coimbra	<b>Office Manager - Ministry of Mines and Energy</b>
Luiz Soares Dulci	<b>Minister of General Secretary of the Republic</b>
Arlindo Magno de Oliveira	<b>Elected by minority shareholders</b>
Míriam Aparecida Belchior	<b>Palácio do Planalto – Casa Civil</b>
Victor Branco de Holanda	<b>Minister of Finance</b>
Nelson Rubner Moreira	<b>Management consultant</b>
Wagner Bittencourt de Oliveira	<b>Director - Infrastructure Area, BNDES</b>

#### **AUDIT COMMITTEE**

##### **Title Holders**

Haílton Madureira de Almeida	<b>Representative to the Federative Union/Treasury</b>
Édison Freitas de Oliveira	<b>Federative Union Comptroller/MME</b>
Danilo de Jesus Vieira Furtado	<b>Federative Union Comptroller/MME</b>
Ana Lúcia de Paiva Lorena Freitas	<b>Holder of Common Share</b>
Carlos César Meirelles Vieira	<b>Holder of Preferred Shares</b>

##### **Title Holders**

Luciana de Almeida Toldo	<b>Representative to the Federative Union/Treasury</b>
Jairez Elói de Sousa Paulista	<b>Federative Union Controlling Shareholder/MME</b>
Rodrigo Magela Pereira	<b>Federative Union Controlling Shareholder/MME</b>
Elson Espedito Panoeiro	<b>Holder of Preferred Shares</b>

# Independent Auditors Report



**BDO Trevisan**

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(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.





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- 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.



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- 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.



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- 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 49<sup>th</sup> 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.



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- 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

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