

U.S.\$1,750,000,000



Centrais Elétricas Brasileiras S.A. - Eletrobras

5.750% Notes Due 2021

We are offering U.S.\$ 1,750,000,000 aggregate principal amount of 5.750% senior notes due 2021 (or the notes). The notes will mature on October 27, 2021. We will pay interest on the notes each April 27 and October 27. The first interest payment will be made on April 27, 2012.

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

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

Price: 100.000%

plus accrued interest, if any, from October 27, 2011

Investing in the notes involves risks. See “Risk Factors” beginning on page 16.

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

The notes will be delivered to purchasers in book-entry form through The Depository Trust Company and its direct and indirect participants, including Clearstream Banking S.A. and Euroclear Bank S.A./N.V., as operator of the Euroclear System, on or about October 27, 2011.

Joint Bookrunners

Credit Suisse

Santander

The date of this offering circular is October 27, 2011

You should rely only on the information contained in this offering circular. Neither we nor Credit Suisse Securities (USA) LLC or Santander Investment Securities Inc. (or the initial purchasers) have authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the initial purchasers are not, making an offer to sell the notes in any jurisdiction where the offer or sale is not permitted. This document may only be used where it is legal to sell the notes. You should assume that the information appearing in this offering circular is accurate only as of the date on the front cover of this offering circular. Our business, financial condition, results of operations and prospects may have changed since that date.

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

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

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

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

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

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

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

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

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

NOTICE TO NEW HAMPSHIRE RESIDENTS

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

NOTICE TO INVESTORS

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

NOTICE TO RESIDENTS OF BRAZIL

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

NOTICE TO INVESTORS IN THE UNITED KINGDOM

This offering circular is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive that are also (1) investment professionals falling within Article 19(5) of the Order or (2) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents. Persons into whose possession this offering

circular may come are required by the issuer and the initial purchasers to inform themselves about and to observe such restrictions.

NOTICE TO RESIDENTS OF THE EUROPEAN ECONOMIC AREA

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive, each a “Relevant Member State,” with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, or the “Relevant Implementation Date,” an offer of notes which are the subject of the offering contemplated by this offering circular to the public may not be made in that Relevant Member State other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the representative or representatives nominated by the Company for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of notes shall require the issuer or the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of the foregoing sentence, the expression an “offer of notes to the public” in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Member State; “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State; and “2010 PD Amending Directive” means Directive 2010/73/EU.

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FORWARD-LOOKING STATEMENTS

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

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

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

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

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

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

Financial Information in this offering circular

The audited consolidated financial statements as of and for the years ended December 31, 2010 and 2009 and the unaudited consolidated financial statements, which were subject to a limited review, as of and for the six-month periods ended June 30, 2011 and 2010 included in this offering circular have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements are our first financial statements to be prepared in accordance with IFRS. IFRS 1 – “First-time Adoption of International Reporting Standards” has been applied in preparing these financial statements. Until December 31, 2009, our consolidated financial statements were prepared in accordance with generally accepted accounting principles in the United States (“US GAAP”). US GAAP differs in certain respects from IFRS. In preparing our 2010 consolidated IFRS financial statements, management has amended certain accounting, valuation and consolidation methods, which were used in the preparation of our US GAAP financial statements to comply with IFRS. The comparative figures in respect of 2009 have been restated to reflect these adjustments.

Filings with the United States Securities and Exchange Commission

We are a reporting company under Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended (or the Exchange Act) and we file and/or furnish periodic reports with the SEC. However, those reports do not form part of, and are not incorporated by reference in, this offering circular. You should rely only on the information contained in this offering circular in making an investment decision in relation to the notes.

Pursuant to SEC regulations, our management, including our Chief Executive Officer and Chief Financial Officer, evaluate the effectiveness of our disclosure controls and procedures, including the effectiveness of our internal control over financial reporting. As a result of our management’s evaluation of the effectiveness of our disclosure controls and procedures in 2010, management determined that these controls and procedures were not effective due to material weaknesses in our internal control over financial reporting. In the event we are unable to remediate these material weaknesses, the reliability of our financial reporting and the preparation of our financial statements may be materially adversely affected, which may materially adversely affect our company and our reputation. Notwithstanding our management’s assessment that our disclosure controls and procedures were not effective and that there were material weaknesses as identified above, we believe that our financial statements contained in this offering circular fairly present our financial position, results of operations and cash flows for the years and periods covered thereby in all material respects. The effectiveness of our internal control over financial reporting, as of December 31, 2010, has been audited by PricewaterhouseCoopers Auditores Independientes, our independent auditors, as stated in their report included elsewhere in this offering circular. For additional information regarding the material weaknesses in our internal controls over financial reporting, see “Risk Factors—Risk Relating to Our Company—If we are unable to remedy the material weaknesses in our internal controls, the reliability of our financial reporting and the preparation of our financial statements may be materially adversely affected.”

Emphasis Paragraph in the Audit Reports for our Financial Statements

Our independent auditors included an emphasis paragraph in their audit reports for our financial statements as of and for the six-month period ended June 30, 2011 and 2010 and as of and for the years ended December 31, 2010 and 2009. These reports state that our distribution subsidiaries incurred recurring net losses during these periods and that their current liabilities exceeded their current assets by R\$789,585 as of June 30, 2011 and R\$554,323 as of December 31, 2010. These reports state that this situation raises doubt as to the ability of these companies to continue operations. For further information regarding these losses and liabilities, see note 14 to our financial statements as of and for the six-month period ended June 30, 2011 and 2010 and note 16 to our financial statements as of and for the years ended December 31, 2010 and 2009.

Currency and Other Information

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

This offering circular contains translations of various *real* amounts into U.S. dollars at specified rates solely for your convenience. You should not construe these translations as representations by us that the *real* amounts actually represent the U.S. dollar amounts or could be converted into U.S. dollars at the rates indicated. Unless otherwise indicated, we have translated the *real* amounts using a rate of R\$1.5611 to U.S.\$1.00, the U.S. dollar selling rate as of June 30, 2011 published by the Central Bank on its electronic information system, SISBACEN, using transaction PTAX 800, option 5.

Rounding

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

Glossary

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

SUMMARY

Overview

Directly and through our subsidiaries, we are involved in the generation, transmission and distribution of electricity in Brazil. As of June 30, 2011 and as of December 31, 2010, we controlled approximately 37.0% of the installed power generating capacity within Brazil. Through our subsidiaries, we are also responsible for approximately 55.5% of the installed transmission capacity above 230 kV in Brazil as of June 30, 2011 and as of December 31, 2010. Our revenues derive mainly from:

- the generation of electricity and its sale to electricity distribution companies and free consumers;
- the transmission of electricity on behalf of other electricity concessionaires; and
- the distribution of electricity to end consumers.

For the year ended December 31, 2010, we derived 67.0%, 22.0% and 10.9% of our net revenue from our electricity generation, transmission and distribution businesses, respectively, while for the six-month period ended June 30, 2011, we derived 63.6%, 22.5% and 13.9% of our net revenue from our electricity generation, transmission and distribution businesses, respectively. For the year ended December 31, 2010, our net revenues were R\$26,749 million, compared to R\$23,141 million for the year ended December 31, 2009. Additionally, for the six-month period ended June 30, 2011 our net revenues were R\$13,592 million, compared to R\$12,076 million for the same period in 2010.

Our Strengths

We believe that our competitive strengths are as follows:

Large and diverse company engaged in a variety of energy activities, particularly generation and transmission. As of December 31, 2010, we are the largest generation company in Brazil as measured by installed capacity and the largest transmission company in Brazil as measured by percentage of the Brazilian transmission grid for which we are responsible. With respect to generation, we had an installed capacity of 42,091 MW as of June 30, 2011 and as of December 31, 2010 (considering the 350 MW installed capacity of our Candiota III generation facility, in operation since January 3, 2011), 39,453 MW as of December 31, 2009 and 39,402 MW as of December 31, 2008. We are not reliant on a single source of generation, as we use a variety of sources, including thermal, hydroelectric and nuclear power. If one power source becomes inefficient or too costly, we are able to rely on our other sources to continue our business. For further information, see “Business—Generation.” With respect to transmission, we were responsible for 55.5% of transmission capacity above 230 kV in Brazil as of June 30, 2011 and as of December 31, 2010. We believe that the scale of our generation and transmission operations places us in a position of leadership in the Brazilian market.

Vast experience that provides us with an excellent platform for future growth. We have over 45 years of experience in the Brazilian electricity sector and an established track record of successfully planning, developing and executing new projects. Our personnel have vast experience and, together with our considerable institutional know-how, developed as a result of our scale and historical success, we believe this experience provides an excellent platform for future growth. For example, through our subsidiary Eletrobras Eletronuclear, we are the only company in Brazil that operates nuclear energy plants (Angra I and Angra II), and will use this experience in the planned construction and development by Eletrobras Eletronuclear of Brazil’s third nuclear energy plant, Angra III. For further information about Eletrobras Eletronuclear and Angra III, see “Business—Generation—Nuclear Plants.” Additionally, this experience has led us to invest in new projects. We have invested in a variety of generation projects, which are expected to increase our generation capacity by approximately 10,000 MW by 2015.

Solid financial position. We believe that we have a solid and stable financial position and capital structure. As of December 31, 2010, we had R\$146.9 billion of total assets on our balance sheet and a capital stock of approximately R\$26.1 billion. As of June 30, 2011, we had R\$146.3 billion of total assets on our balance sheet and a capital stock of R\$31.3 billion. In May 2008, Standard and Poor’s Ratings Group, a division of McGraw Hill, Inc., or S&P, upgraded our international issuer credit rating to investment grade (BBB–). It has since maintained this

rating and in May 2011 changed our outlook from stable to positive. We believe our solid financial position and credit rating is due, in part, to the fact that our majority shareholder is the Federative Republic of Brazil, whose international issuer credit rating with S&P, Fitch Ratings Inc., or Fitch, and Moody's Investors Service, Inc., or Moody's, is also investment grade. We believe this solid financial base, together with our other competitive strengths, enables us to more readily and efficiently obtain financing to achieve our strategic growth and profitability goals.

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

Our Strategies

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

- **Expand and improve efficiency in our generation, transmission and distribution businesses.** Our business has historically been focused on both our core operations in the Brazilian generation, transmission and distribution markets and on our former role as lender to third parties, including historically to our subsidiaries. Since the advent of privatization in our industry, the opportunities to consolidate our role as lender have diminished because many of our former subsidiaries were privatized and we are no longer permitted to act as lender to those companies or any other third party. Accordingly, we have adopted a strategy of focusing on our core operations of generation, transmission and distribution. This strategy involves a particular focus on maximizing opportunities arising from the auction process, set out in the Electricity Regulatory Law, for the sale of electricity to distribution companies. By focusing on generation, transmission and distribution, we believe that we will be able to maximize profits by improving efficiency in our existing infrastructure and capitalizing on opportunities arising from new infrastructure such as new power units and transmission lines. Our *Programa de Ações Estratégicas do Sistema Eletrobras* (Strategic Action Program), or PAE, for 2009-2012 includes the strategic target of increasing generation capacity by 6,459 MW and increasing transmission lines to the National Interconnected Power System (*Sistema Interligado Nacional*), or SIN, by 10,386 km by 2012. In addition, we plan to invest R\$7 billion in our transmission segment from 2011 until 2013.
- **Renewed strategy for distribution business.** With respect to our distribution business, as part of the PAE, we adopted a renewed strategy in 2008 for the management of our distribution companies and are seeking to continue to improve their operational efficiency. In 2008, we reorganized the governance and management of our distribution companies (except Eletrobras Amazonas Energia) so that each company would have the same members in their respective boards of directors and the same CEO. Initially, the new administration focused on improving each company's quality of service and increasing its total income. We standardized our processes and policies in order to make our distribution business more efficient and to centralize the purchase of material and services and negotiations with debtors. Although we have already made substantial progress in terms of efficiency, we intend to continue to improve our policies to further reduce any commercial and technical losses with a view to improving the financial position of these subsidiaries. We believe that we will be able to achieve our operational efficiency goals by 2014. For further information about our distribution companies, please see "Business—Distribution—Distribution Companies."
- **We seek to maintain high corporate governance standards and to promote sustainability in order to enhance the value of our brand.** Our common shares are listed on the BM&FBOVESPA's Level 1 segment and on the NYSE. As a result of these listings, we are required to comply with numerous regulations, and we believe that by complying with these regulations we will maintain high corporate governance standards. Our current corporate governance standards are included in the PAE, the audit and administration manuals, the internal

regulations of the Board of Directors and Audit Committee and our by-laws. We believe that improving our corporate governance standards will help us to achieve growth, profitability and increased market share as a result of the positive effect these standards have for our brand, both domestically and internationally. As part of this strategy, we have already begun the process of establishing the controls and procedures required by the Sarbanes Oxley Act of 2002. In addition, we are a signatory to the United Nations Global Compact, the world's largest corporate responsibility initiative, and are a member of the BM&FBOVESPA's ISE Corporate Sustainability Index. We are currently amending our by-laws so that we will be compliant with the BM&FBOVESPA's Level 2 segment, which has stricter corporate governance standards. We are also aiming to obtain membership in the Dow Jones Sustainability Index. We believe that both membership in these initiatives and registration with organizations that are known to have governance standards that are among the most stringent in the world will enable us to significantly raise our global profile. In order to manage and promote all of these initiatives we have developed a ten-year Strategic Corporate Plan (*Plano Corporativo Estratégico*). We strive to continue to be a competitive company that emphasizes social and environmental responsibility and sustainability together with the development and quality of life for our employees. Our goal is to be the largest global enterprise providing clean energy by 2020, while maintaining our competitive rates of return. In order to maintain our present market share, we are continually focused on improving the performance of our investments, including by diversifying our portfolio of equity investments, restructuring our subsidiaries and expanding into international markets.

- ***Selectively identify growth opportunities in certain international markets.*** In accordance with our PAE, we are conducting feasibility studies for investments in neighboring countries, including, Argentina, Colombia, Peru and Uruguay. Our strategic goal is to generate new energy that can be added to the Interconnected Power System and to integrate certain electrical power systems in the Americas. In order to achieve sustained growth, we believe that certain international electricity markets offer opportunities and we plan to selectively identify opportunities in these markets in the future. We may also identify and pursue growth opportunities outside of South America, including renewable energy projects.

Organizational Structure

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

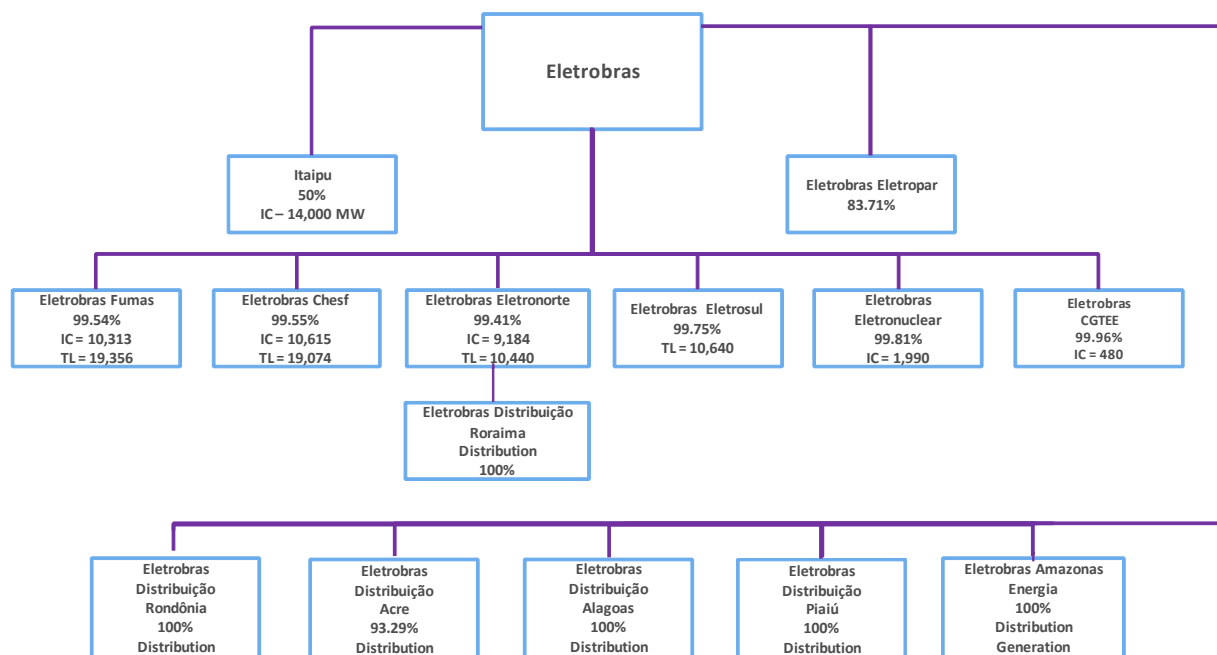
- *Itaipu*, a plant in which we and a Paraguayan governmental entity (ANDE) each hold a 50.0% interest and which we believe is one of the world's largest hydroelectric plants by volume of energy generated;
- *Eletrobras Furnas*, which engages in generation and transmission activities in the southeast and part of the midwest regions of Brazil;
- *Eletrobras Chesf*, which engages in generation and transmission in the northeast region of Brazil;
- *Eletrobras Eletronorte*, which engages in generation, transmission and limited distribution activities in the north and part of the midwest regions of Brazil and is the holding company of *Eletrobras Distribuição Roraima*;
- *Eletrobras Eletronuclear*, which owns and operates two nuclear plants, Angra I and Angra II, and is planning to construct a third, Angra III;
- *Eletrobras Amazonas Energia*, which engages in generation and distribution in the State of Amazonas. Eletrobras Amazonas Energia operates in the interior of the State of Amazonas, an area that, until March, 2008, was operated by Ceam, which was previously directly held by Eletrobras but no longer exists as a standalone operating company;

- *Eletrobras Eletrosul*, which engages in transmission activities in the State of Santa Catarina, Rio Grande do Sul, Mato Grosso do Sul and Paraná;
- *Eletrobras Distribuição Piauí*, which engages in distribution activities in the State of Piauí;
- *Eletrobras Distribuição Alagoas*, which engages in distribution activities in the State of Alagoas;
- *Eletrobras Distribuição Rondônia*, which engages in distribution activities in the State of Rondônia;
- *Eletrobras CGTEE*, which owns and operates thermal plants in the south region of Brazil; and
- *Eletrobras Distribuição Acre*, which engages in distribution activities in the state of Acre.

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

We also hold a majority interest in Eletropar, a holding company that holds minority interests in the following five Brazilian distribution companies: (1) AES Eletropaulo Metropolitana de Eletricidade de São Paulo S.A – AES Eletropaulo; (2) Energias do Brasil S.A. – Energias do Brasil; (3) Companhia de Transmissão de Energia Elétrica Paulista – CTEEP; (4) Empresa Metropolitana de Águas e Energia S.A. – EMAE; and (5) Companhia Piratininga de Força e Luz – CPFL.

The following organizational chart shows our summarized shareholder structure and subsidiaries as of the date of this offering circular (we also have minority shareholdings in 20 state utility companies throughout Brazil, not indicated in this chart):



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

On February 22, 2008, the Board of Directors of our subsidiary Eletrobras Eletrosul resolved to purchase 69,352,857 shares, or 51% of the total shares, of Empresa de Transmissão de Energia de Santa Catarina S.A. – SC Energia and 72,537 shares, or 51% of the total shares, of Empresa de Transmissão de Energia do Rio Grande do Sul S.A. – RS Energia, each of which focuses on the transmission of electricity. The acquisitions were approved by

ANEEL in Authoritative Resolution No. 1,665 on November 18, 2008, and the acquisition was completed on February 11, 2009. This acquisition improved our transmission capacity in the southern region of Brazil by providing us with an additional 620 km of transmission lines (360km from Energia de Santa Catarina S.A. – SC Energia, and 260km from Empresa de Transmissão de Energia do Rio Grande do Sul S.A. – RS Energia). These new lines make up 6.6% of the expansion of Eletrobras Eletrosul’s transmission lines, which totaled 10,028.1 km as of December 31, 2010.

On January 31, 2011, the Board of Directors of our subsidiary Eletrobras Eletrosul approved the purchase of 71,264,300 shares, or 51% of the total shares, in Artemis Transmissora de Energia S.A. and 5,100,000 shares, or 26% of the total shares, in Uirapuru Transmissora de Energia S.A., each of which focuses on the transmission of electricity. The acquisitions were approved by ANEEL in Authoritative Resolution No. 2.840 on March 29, 2011. Eletrobras Eletrosul is currently awaiting approval of the related financing to be incurred in connection with the acquisition.

General

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

THE OFFERING

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

Issuer	Centrais Elétricas Brasileiras S.A. – Eletrobras.
Notes offered	U.S.\$1,750,000,000 aggregate principal amount of 5.750% senior notes due October 27, 2021.
Issue price	100.000% of the principal amount of the notes, plus accrued interest from October 27, 2011, if any.
Issue Date	October 27, 2011
Maturity date	October 27, 2021.
Interest payment dates	April 27 and October 27 of each year, commencing on April 27, 2012.
Interest	The notes will bear interest from October 27, 2011 at the annual rate of 5.750%, payable semi-annually in arrears on each interest payment date.
Ranking	The notes will be unsecured and will rank equally with our other unsecured senior indebtedness.
Tax redemption	If, as a result of changes in Brazilian law relating to the withholding taxes applicable to payments of interest, we are obligated to pay additional amounts on the notes in excess of the additional amounts that we would pay if payments in respect of the notes were subject to withholding or deduction at a rate of 15.0% (or at a rate of 25% in the event that the holder of notes is resident in a tax haven jurisdiction, i.e., countries which do not impose it at a maximum rate lower than 20% or where the laws impose restrictions on the disclosure of ownership composition or securities ownership), we may redeem the outstanding notes in whole, but not in part, at 100.0% of the principal amount thereof plus accrued interest to the redemption date. See “Terms and Conditions of the Notes — Redemption and Purchase — Redemption for Taxation Reasons.”
Additional amounts	In the event withholding or deduction is required by law by Brazil, Japan, Luxembourg, the United States or the United Kingdom or any political subdivision thereof or taxing authority therein, we will pay additional amounts in respect of any payments of interest or principal so that the amount you receive will equal the amount that you would have received if no withholding or deduction had been required, subject to some exceptions as described under “Terms and Conditions of the Notes — Taxation — Gross up.”
Covenants	The terms of the notes will contain certain covenants that limit our ability, and the ability of our subsidiaries to: <ul style="list-style-type: none">• enter into certain transactions with affiliates;• create liens; and• engage in a merger, consolidation or sale of assets.

	These covenants are subject to important exceptions and qualifications. For a further description of these covenants see “Terms and Conditions of the Notes — Negative Pledge and Covenants.”
Events of default.....	The trust deed sets forth the events of default applicable to the notes, including a cross default in respect of any indebtedness of the issuer or any of its subsidiaries having an aggregate principal amount of U.S.\$100.0 million or more. For a discussion of certain events of default that will permit acceleration of the principal of the notes plus accrued interest, see “Terms and Conditions of the Notes — Events of Default.”
Use of proceeds	We estimate the net proceeds to us to be approximately U.S.\$1,748 million and we intend to primarily use these net proceeds for investments in our generation, transmission, and distribution activities, as well as for general corporate purposes.
Form and denomination; settlement.....	Any notes sold pursuant to Rule 144A under the Securities Act will be issued in fully registered form in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. Any notes sold outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act will be in fully registered form in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. The notes will be issued in book-entry form through the facilities of DTC, for the accounts of its participants, including Clearstream, Luxembourg and Euroclear Bank S.A./N.V., as the operator of Euroclear, and will trade in DTC’s same-day funds settlement system. Beneficial interests in notes held in book-entry form will not be entitled to receive physical delivery of certificates notes except in certain limited circumstances. See “Form of the Notes.”
Listing.....	Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and for the notes to be admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange.
Governing law	The trust deed and the notes and all non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
Trustee, transfer agent, paying agent and registrar	Deutsche Bank Trust Company Americas
Principal paying agent	The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Luxembourg paying agent.....	Deutsche Bank Luxembourg S.A.
Transfer restrictions.....	The notes have not been registered under the Securities Act and are subject to certain restrictions on transfer. See “Transfer Restrictions.” We have not entered into any agreement requiring us to register any reoffer or resale of the notes for equivalent notes registered under the Securities Act.
Selling restrictions	There are restrictions on persons to whom notes can be sold and on distribution of this offering circular. See “Plan of Distribution.”
Risk factors.....	You should carefully consider all of the information contained in this offering circular prior to making a decision to invest in the notes. In

particular, we urge you to read and carefully consider the information set out in “Risk Factors” beginning on page 16 for a discussion of risks and uncertainties relating to us, our business, the Brazilian power industry, Brazil and the notes.

Certain ERISA considerations..... Sales of the notes to specified types of employee benefit plans and affiliates are subject to certain conditions. See “Certain ERISA Considerations.”

SUMMARY FINANCIAL INFORMATION

The following tables present our summary historical financial and operating data. You should read the following information in conjunction with our audited consolidated financial statements as of and for the year ended December 31, 2010 and 2009 and our unaudited consolidated financial statements as of and for the six-month period ended June 30, 2010 and their related notes and the information under “Presentation of Financial Information,” “Selected Financial Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this offering circular.

Consolidated Balance Sheet Information

	<u>As of June 30,</u>	<u>As of December 31,</u>	
	<u>2011</u>	<u>2010</u>	<u>2009</u>
	<i>(R\$ thousands)</i>		
Assets			
Current			
Cash and cash equivalents	8,937,297	9,220,169	8,617,294
Restricted cash	2,395,823	2,058,218	1,341,719
Marketable securities	3,349,968	6,774,073	7,662,640
Accounts receivable	3,155,773	4,016,006	3,102,079
Financial assets of concession agreements	1,062,347	726,507	715,720
Financial asset – Itaipu	889,869	997,015	854,656
Financing and loans	1,368,727	1,359,269	1,926,193
Fuel consumption account – CCC	3,091,629	3,041,484	877,833
Investment remuneration	209,900	178,604	78,726
Taxes recoverable	2,471,570	1,825,905	1,326,933
Reimbursement rights	372,096	324,451	221,519
Other debtors	760,834	478,367	602,731
Warehouse (storeroom)	354,696	378,637	350,470
Stock of nuclear fuel	297,972	297,972	324,634
Prepaid expenses	62,825	40,418	58,765
Financial instruments	310,172	283,220	227,540
Other	1,273,055	805,632	511,774
	30,364,553	32,805,946	28,801,226
Non-current			
Long term assets			
Financing and loans	7,525,695	8,300,171	9,839,828
Accounts receivable	2,084,401	1,470,215	1,431,080
Marketable securities	829,014	769,905	687,188
Stock of nuclear fuel	808,118	799,556	755,434
Financial assets of concession agreements	25,493,946	24,995,625	22,352,103
Financial asset – Itaipu	14,992,227	15,648,087	16,744,836
Deferred tax assets	4,298,732	4,338,682	4,493,223
Escrow deposits	1,900,864	1,750,678	1,521,317
Fuel consumption account – CCC	1,113,495	1,156,926	1,173,580
Financial instruments	249,981	297,020	228,020
Other	713,260	889,931	766,145
	60,009,733	60,416,796	59,992,754
Advances for corporate shares	95,988	7,141	4,001
	60,105,721	60,423,937	59,996,755
Investments	4,781,341	4,724,647	5,288,107
Fixed assets	48,879,912	46,682,498	41,597,605
Intangible			
Concession contracts	680,660	932,509	991,879
Other	1,490,133	1,331,463	1,032,804
	55,832,046	53,671,117	48,910,395
Total assets	146,302,320	146,901,000	137,708,376

	<u>As of June 30,</u>	<u>As of December 31,</u>	
	<u>2011</u>	<u>2010</u>	<u>2009</u>
		<i>(R\$ thousands)</i>	
Liabilities and shareholders' equity			
Current			
Financing and loans	2,411,872	1,868,465	1,115,275
Compulsory loan	15,620	16,925	13,675
Suppliers	4,694,222	5,165,765	3,079,614
Advances from clients	343,588	341,462	63,400
Taxes and social contributions	1,181,656	1,102,672	963,365
Fuel consumption account – CCC	2,945,056	2,579,546	923,535
Shareholders' remuneration	257,571	3,424,520	3,214,450
National Treasury credits	100,301	92,770	76,036
Estimated liabilities	916,577	772,071	672,214
Reimbursement obligations	930,162	759,214	857,001
Complementary pension plans	341,171	330,828	351,149
Provision for contingencies	325,647	257,580	252,708
Regulatory fees	636,120	584,240	589,433
Leasing	125,727	120,485	108,827
Financial instruments	297,020	237,209	40,050
Other	737,521	715,757	949,113
	16,259,831	18,369,509	13,269,844
Non-current			
Financing and loans	31,293,800	31,269,971	28,392,542
National Treasury credits	205,445	250,485	311,306
Compulsory loan	146,487	141,425	127,358
Taxes and social contributions	1,252,521	1,217,649	1,273,890
Shareholders' remuneration	5,944,575	5,601,077	7,697,579
Provision for decommission	386,442	375,968	323,326
Advances from clients	902,349	928,653	978,980
Fuel consumption account – CCC	2,049,906	1,876,598	1,344,380
Provision for contingencies	4,187,704	3,901,289	3,528,917
Complementary pension plans	1,912,462	2,066,702	1,992,012
Leasing	1,771,261	1,694,547	1,639,448
Concessions payable	1,129,302	834,215	761,131
Advances for future capital increase	136,741	5,173,856	4,712,825
Financial instruments	249,981	303,331	228,020
Other	2,195,203	2,365,315	1,747,768
	53,764,179	58,001,081	55,059,482
Shareholders' equity			
Capital stock	31,305,331	26,156,567	26,156,567
Capital reserves	26,048,342	26,048,342	26,048,342
Profit reserves	16,599,503	16,804,851	19,009,668
Retained earnings	1,542,332	-	(3,345,744)
Asset valuation adjustment	231,296	163,335	179,427
Additional proposed dividend	-	753,201	370,755
Other comprehensive income	319,221	377,818	827,491
Non-controlling shareholders' interest	232,285	226,296	132,543
	76,278,310	70,530,410	69,379,050
Total liabilities and shareholders' equity	146,302,320	146,901,000	137,708,376

Consolidated Income Statement

	For the six-month period ended June 30,		For the year ended December 31,	
	2011	2010	2010	2009
	<i>(R\$ thousands)</i>			
Net operating revenue	13,592,265	12,075,932	26,749,402	23,140,905
Operating expenses				
Goods, supplies and services	3,659,132	3,238,295	7,370,713	6,486,218
Profit sharing for employees and management	-	-	296,270	284,534
Electricity purchased for reselling	1,718,460	1,692,687	4,315,084	3,581,396
Fuel for electricity production	263,315	386,190	743,761	756,285
Use of the grid	668,389	796,526	1,353,839	1,263,408
Remuneration and indemnification	596,232	523,936	1,087,341	1,188,032
Depreciation and amortization	832,859	786,004	1,592,476	1,624,246
Operation and Maintenance - Distribution	56,031	38,900	-	-
Construction	1,376,515	1,217,557	2,953,484	1,723,960
Operation and Maintenance - Transmission	8,086	-	-	-
Operating provisions	941,879	915,688	1,529,549	2,140,406
Itaipu's income to offset	257,825	509,814	441,057	669,675
Donations and contributions	160,574	126,501	261,006	237,978
Other	360,118	48,396	1,063,205	704,449
	10,899,415	10,280,494	23,007,785	20,660,585
Operating income before the financial result	2,692,850	1,795,438	3,741,617	2,480,320
Financial result				
Financial revenue				
Revenues from interest, commissions and fees	324,507	422,665	781,872	1,035,487
Revenue from financial investments	953,530	690,594	1,537,435	1,464,782
Arrears surcharge on electricity	176,063	137,299	393,987	228,145
Monetary restatement	284,716	278,139	616,141	356,023
Exchange rate variations	-	337,099	-	-
Other financial revenues	-	116,532	44,857	736,766
Financial expenses				
Debt charges	(968,031)	(774,788)	(1,675,821)	(1,758,473)
Leasing charges	(184,811)	(166,224)	(332,449)	(213,470)
Charges on shareholders' resources	(757,674)	(614,924)	(1,298,647)	(1,468,713)
Exchange rate variations	(689,906)	-	(431,497)	(4,018,643)
Other financial expenses	(103,150)	-	-	-
	(964,756)	426,392	(364,123)	(3,638,097)
Result of participation in associates and other investments	388,564	305,928	669,755	1,571,032
Income before income tax and social contribution	2,116,656	2,527,758	4,047,249	413,255
Income tax	(342,702)	(702,676)	(1,074,606)	635,875
Social contribution on the net income	(138,021)	(241,858)	(419,659)	201,010
Net income of the year	1,635,933	1,583,224	2,552,985	1,250,140
Attributable to controlling shareholders	1,611,193	1,575,271	2,247,913	911,467
Attributable to non-controlling shareholders	24,740	7,953	305,072	338,673
Net income per share	R\$1.21	R\$1.40	R\$2.25	R\$1.10

RISK FACTORS

Risks Relating to our Company

Some of our concessions are due to expire in 2015 and renewal of these concessions is not guaranteed; if we are unable to renew these concessions our results of operations would be materially adversely affected.

We carry out our generation, transmission and distribution activities pursuant to concession agreements entered into with the Brazilian Government through ANEEL. These concessions range in duration from 20 to 35 years. Our concession agreements with the earliest expiration dates are due to expire in 2015 and have already been renewed once, except for Corumbá I which expires in November 2014 and has not been previously renewed. Our concession agreement for Itumbiara, which expires in February 2020, and Corumbá I have contractual provisions allowing renewal of the concession since they have not been previously renewed. On May 10, 2011, ANEEL dismissed our request for extension of the concession period for our Xingó plant. Eletrobras Furnas requested the renewal for a period of twenty-nine years of Serra da Mesa three years ago in accordance with the timeframe established by law. ANEEL has completed its review of this process and has issued a recommendation to the Ministry of Mines and Energy, or MME, in favor of the renewal of the Serra da Mesa concession. As of the date of this offering circular, we were awaiting approval from the MME. In our generation business, concessions expiring in 2015 or before represent approximately 30.2% of our total installed capacity as of December 31, 2010, and 86.8% and 35.5% of the installed capacity of our subsidiaries Eletrobras Chesf and Eletrobras Furnas, respectively. Presently, Law No. 10,848 of 2004 only permits concessions to be renewed once. However, we formed working groups in 2010, which are currently examining proposals to amend this law. If the law is not amended, we would be unable to renew certain concessions and would have to take part in auctions for these concessions again. If we are unable to renew any of our concessions and were unable to successfully bid for the concessions in any of the auctions for these concessions, we would lose the business derived from these concessions, which would adversely affect our financial condition and results of operations.

We are controlled by the Brazilian Government, the current policies and priorities of which directly affect our operations and may conflict with interests of our investors.

The Brazilian Government, as our controlling shareholder, has pursued (and may continue to pursue) some of its macroeconomic and social objectives through us using principally Brazilian Government funds, which we administer. These funds are the RGR Fund, the CCC Account and the CDE Account.

The Brazilian Government also has the power to appoint eight out of the 10 members of our *Conselho de Administração* (or Board of Directors) and, through them, a majority of the executive officers responsible for our day-to-day management. Additionally, the Brazilian Government currently holds the majority of our voting shares. Consequently, the Brazilian Government has the majority of votes at our shareholders' meetings, which empowers it to approve most matters prescribed by law, including the following: (1) the partial or total sale of the shares of our subsidiaries; (2) increase of our capital stock through a subscription of new shares; (3) our dividend distribution policy, as long as it complies with the minimum dividend distribution regulated by law; (4) issuances of securities in the domestic market and internationally; (5) corporate spin-offs and mergers; (6) swaps of our shares or other securities; and (7) the redemption of different classes of our shares, independent from approval by holders of the shares and classes that are subject to redemption. Our operations impact the commercial, industrial and social development promoted by the Brazilian Government. The Brazilian Government has in the past and may in the future require us to make investments, incur costs or engage in transactions (which may include, for example, requiring us to make acquisitions) that may not be consistent with our objective of maximizing our profits.

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

Our current budget anticipates capital expenditures of approximately R\$10 billion in 2011 of which we have spent R\$2,145.1 million through June 30, 2011. We cannot assure you that we will be able to finance our proposed capital expenditure programs from either our cash flow or external resources. Moreover, as a state controlled company, we are subject to certain rules limiting our indebtedness and investments and must submit our proposed annual budgets, including estimates of the amounts of our financing requirements and sources of our financing, to the Ministry of Planning, Budget and Management and the Brazilian Congress for approval. Thus, if

our operations do not fall within the parameters and conditions established by such rules and the Brazilian Government, we may have difficulty in obtaining the necessary financing authorizations, which could create difficulties in raising funds. If we are unable to obtain such funds, our ability to invest in capital expenditures for expansion and maintenance may be adversely impacted, which would materially adversely affect the execution of our growth strategy, particularly large scale projects such as the construction of the new nuclear plant, Angra III, the development of the Belo Monte hydroelectric complex and the continuing construction of the Jirau and Santo Antônio hydroelectric plants.

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

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

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

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

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

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

We believe that a substantial portion of our assets, including our generation assets, our transmission network and our limited distribution network, would be deemed by Brazilian courts to be related to providing an essential public service. Accordingly, these assets would not be available for liquidation in the event of our bankruptcy or available for attachment to secure a judgment. In either case, these assets would revert to the Brazilian Government pursuant to Brazilian law and the terms of our concession agreements. Although the Brazilian Government would in such circumstances be under an obligation to compensate us in respect of the

reversion of these assets, we cannot assure you that the level of compensation received would be equal to the market value of the assets and, accordingly, our financial condition and results of operations may be affected.

We may be liable for damages, subject to further regulation and have difficulty obtaining financing if there is a nuclear accident involving our subsidiary Eletrobras Eletronuclear.

Our subsidiary Eletrobras Eletronuclear, as an operator of two nuclear power plants, is subject to strict liability under Brazilian law for damages in the event of a nuclear accident. The Vienna Convention on Civil Liability for Nuclear Accidents (or the Vienna Convention) became binding in Brazil in 1993. The Vienna Convention provides that an operator of a nuclear installation, such as Eletrobras Eletronuclear, in a jurisdiction which has adopted legislation implementing the Vienna Convention, will be strictly liable for damages in the event of a nuclear accident (except as covered by insurance). Eletrobras Eletronuclear is regulated by several federal and state agencies. As of December 31, 2010, Eletrobras Eletronuclear's Angra I and Angra II plants were insured for an aggregate amount of U.S.\$171 million in the event of a nuclear accident. In addition to the liability for damages in the event of a nuclear accident, Eletrobras Eletronuclear has acquired insurance to cover operational risks due to potential equipment failure in the amount of U.S.\$500 million for each unit. We cannot assure that this coverage will be sufficient in the event of a nuclear accident. Accordingly, any nuclear accident may have a material adverse effect on our financial condition and results of operations.

The incident at the Fukushima Dai-ichi Nuclear Power Plant in Japan in March 2011 and Germany's subsequent announcement in May 2011 that it will no longer rely on nuclear power by the year 2022 could lead to more stringent safety regulations of nuclear power plants and a trend toward reliance on non-nuclear power. If global public sentiment continues to favor tougher regulations for nuclear power or a trend towards non-nuclear power, our ability to finance and profitably expand our nuclear power operations could be materially adversely affected.

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

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

Our distribution companies operate under challenging market conditions and historically, in the aggregate, have incurred losses.

Our distribution activities are carried out in the northern and northeastern regions of Brazil, representing 10.89% of our consolidated net revenue as of December 31, 2010 and 10.33% as of June 30, 2011. The northern and northeastern regions of Brazil are the poorest regions in the country, and our distribution subsidiaries incur significant commercial losses due to illegal connections, as well as relatively high levels of default by consumers in those regions. Historically, in the aggregate, our distribution subsidiaries have incurred losses which have adversely affected our consolidated results of operations. In May 2008, we implemented a new management structure for our distribution activities. As a result, several measures have been taken in order to reduce the commercial losses and to renegotiate debts due by consumers in default with our distribution subsidiaries. However, we cannot be certain that such measures will succeed, and that the losses suffered by our distribution subsidiaries will be substantially reduced. We also cannot be certain that the conditions in the market where these subsidiaries operate will not deteriorate.

In addition, the tariffs we charge for sales of electricity to customers are determined by ANEEL pursuant to concession agreements and to Brazilian law, which establish mechanisms that permit adjustment periodically. ANEEL determines the level of any adjustment by analyzing the costs of each distribution company and their weighted average cost of capital, or WACC. We believe that the third tariff review cycle for energy distribution companies may result in a WACC below the 9.95% set in the second tariff review cycle, due to macroeconomic indicators and other factors that are beyond our control. Given that the macroeconomic indicators of Brazil have improved in the recent past, the new WACC could lead to lower energy costs while other costs

remain stable. Therefore, our electrical power distribution subsidiaries may incur losses, and may continue to adversely affect our financial condition and results of our operations.

We may incur losses and spend time and money defending pending litigation and administrative proceedings.

We are currently a party to numerous legal proceedings relating to civil, administrative, environmental, labor and tax claims filed against us. These claims involve substantial amounts of money and other remedies. Several individual disputes account for a significant part of the total amount of claims against us. We have established provisions for all amounts in dispute that represent a probable loss in the view of our legal advisors and in relation to those disputes that are covered by laws, administrative decrees, decrees or court rulings that have proven to be unfavorable. As of December 31, 2010, we provisioned a total aggregate amount of approximately R\$4,159 million in respect of our legal proceedings, of which R\$282 million were related to tax claims, R\$2,982 million were related to civil claims and R\$895 million were related to labor claims. As of June 30, 2011, we provisioned a total aggregate amount of approximately R\$4,513 million in respect of our legal proceedings, of which R\$260 million were related to tax claims, R\$3,345 million were related to civil claims and R\$908 million were related to labor claims. For further information see “Business—Litigation.”

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

Our insurance coverage may be insufficient to cover potential losses.

Our business is generally subject to a number of risks and hazards, including industrial accidents, labor disputes, unexpected geological conditions, changes in the regulatory environment, environmental hazards and weather and other natural phenomena. Additionally, we and our subsidiaries are liable to third parties for losses and damages caused by any failure to provide generation, transmission and distribution services.

Our insurance covers only part of the losses that we may incur. We maintain insurance in amounts that we believe to be adequate to cover damages to our plants caused by fire, general third-party liability for accidents and operational risks. If we are unable to renew our insurance policies from time to time or losses or other liabilities occur that are not covered by insurance or that exceed our insurance limits, we could be subject to significant unexpected additional losses.

Judgment may not be enforceable against our directors or officers.

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

We do not have an established history of preparing IFRS financial statements and we lack in-depth internal expertise on IFRS.

Historically, our financial statements have been prepared in accordance with accounting practices adopted in Brazil and in accordance with U.S. GAAP for the purposes of our 20F filing, the accounting standards issued by the *Instituto dos Auditores Independentes do Brasil* (or Brazilian Institute of Independent Accountants) and the standards and procedures of the CVM. We do not have IFRS financial data for any period prior to the year ended December 31, 2009.

As a result, we currently lack in-depth internal expertise with IFRS. As of the date of this offering circular, we use a third party consultancy firm to assist us in preparing IFRS financial statements. If we are unable to develop this expertise internally or through external hires, we may face challenges in certain areas such as making the assessments required by IFRS in consolidating the results of our operating subsidiaries. If we are unable to train, hire and retain the appropriate personnel, our ability to prepare IFRS financial statements in a consistent and timely manner might be jeopardized.

If we are unable to remedy the material weaknesses in our internal controls, the reliability of our financial reporting and the preparation of our financial statements may be materially adversely affected.

Pursuant to SEC regulations, our management, including our Chief Executive Officer and Chief Financial Officer, evaluate the effectiveness of our disclosure controls and procedures, including the effectiveness of our internal control over financial reporting. Our internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. As a result of our management's evaluation of the effectiveness of our disclosure, controls and procedures in 2010, our management determined that these controls and procedures were not effective due to material weaknesses in our internal controls over financial reporting. These material weaknesses included our lack of design and maintenance of effective operating controls over:

- financial reporting based criteria established by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO, including: internal control deficiencies not remedied in a timely manner; lack of adequately defined responsibility with respect to our internal controls over financial reporting and the necessary lines of communication; lack of adequate performance of an assessment to ensure effectively defined and implemented controls to prevent and detect material misstatements to our financial statements; lack of adequate design and maintenance of effective information technology policies, including those related to segregation of duties, security and access (grant and monitor) to our financial application programs and data;
- completeness and accuracy of period-end financial reporting, specifically relating to the recording of recurring and non-recurring journal entries;
- the completeness and accuracy of information regarding judicial deposits and periodic reviews and updates of this information, including updates of expected losses for accrual purposes;
- the completeness and accuracy and the review and monitoring of post-retirement benefit plans (pension plans) sponsored by us, including the failure to perform a detailed review of the actuarial assumptions, reconciliation between actuarial valuation reports and accounting records, as well as cash flows from contribution payments;
- Itaipu's accounting for property, plant and equipment, specifically, to ensure the completeness, accuracy and validation of its fixed asset acquisitions;
- the completeness, accuracy, validity and valuation of the purchase of and payments for goods and services by Eletrobras Furnas due to changes related to the implementation of new software;
- the completeness and accuracy of changes in transmission services revenue associated with the adjustment factor related to the availability of the transmission lines not included in the fixed transmission revenue fee (*Receita Annual Permitida*); and
- the appropriate review and monitoring related to the preparation of our IFRS financial statements and disclosures, including lack of internal accounting staff with adequate knowledge of IFRS to supervise and review the accounting process.

In response to these findings by our management, we have begun to implement steps to remedy each of these material weaknesses. In the event we are unable to remedy these material weaknesses, the reliability of our

financial reporting and the preparation of our financial statements may be materially adversely affected, which may materially adversely affect our company and our reputation.

Risks Relating to Brazil

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

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

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

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

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

The Brazilian currency has experienced high degrees of volatility in the past. The Brazilian Government has implemented several economic plans, and has used a wide range of foreign currency control mechanisms, including sudden devaluation, small periodic devaluation during which the occurrence of the changes varied from daily to monthly, floating exchange market systems, exchange controls and parallel exchange market. From time to time, there was a significant degree of fluctuation between the U.S. dollar and the Brazilian *real* and other currencies. On December 31, 2010, the exchange rate between the real and the dollar was R\$1.6662 to U.S.\$1.00, and on June 30, 2011 the exchange rate between the *real* and the dollar was R\$1.5611 to U.S.\$1.00.

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

On December 31, 2010, approximately 43.0% of our consolidated indebtedness, which equals R\$13,891 million as of such date, was denominated in foreign currencies, of which R\$13,487 million (or approximately 97.0%) was denominated in U.S. dollars, and approximately R\$8.3 billion of such foreign indebtedness, or 60.0% of such foreign indebtedness related to Itaipu indebtedness. On June 30, 2011, approximately 38.3% of our consolidated indebtedness, which equaled R\$12,898 million, was denominated in foreign currencies, of which R\$12.5 billion (or approximately 97%) was denominated in U.S. dollars, and approximately R\$7.6 billion of such foreign indebtedness, or 59.2% of such foreign indebtedness, related to Itaipu indebtedness.

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

Brazil has historically experienced high rates of inflation. Inflation and some of the Brazilian Government's measures taken in an attempt to curb inflation have had significant negative effects on the Brazilian economy generally. Since the introduction of the *real* in 1994, Brazil's rate of inflation has been substantially lower than in previous periods. However, inflationary pressures persist, and policies adopted to contain inflationary pressures and uncertainties regarding possible future governmental intervention have contributed to economic uncertainty.

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

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

Adverse events in the Brazilian economy and in market conditions of other emerging markets, especially in Latin America, may adversely affect the market prices of securities issued by Brazilian companies. Even if economic conditions in these countries differ considerably from economic conditions prevailing in Brazil, investors' reactions to events in those countries may have a negative effect on the market prices of securities of Brazilian issuers. Crisis in other emerging countries may reduce investor demand for securities of Brazilian issuers, including securities issued by us. This may negatively affect the market price of our notes. In addition, it may make it more difficult for us to access the international capital markets and to obtain financing on acceptable terms in the future.

The Brazilian economy is also affected by general global economic conditions, particularly those in the United States. For instance, the stock prices on BM&FBOVESPA have historically been vulnerable to interest rate fluctuations in the United States, as well as to fluctuation in the main U.S. stock indices.

These factors could affect the trading price of our common and preferred shares and ADSs and could make it more difficult for us to access capital markets and finance future operations.

Risks Relating to the Brazilian Power Industry

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

In 2004, the Brazilian Government enacted the Electricity Regulatory Law, a far-reaching piece of legislation that provides the framework for regulation of the electricity sector in Brazil. Among other changes, the new legislation (1) modifies the rules regarding the purchase and sale of electric power between generation companies and distribution companies; (2) established new rules for the auction of generation companies; (3) created the Electric Power Commercialization Chamber, or CCEE, and new divisional bodies; and (4) modified the responsibilities of the Energy and Mining Ministry and ANEEL. We have aligned our business within this framework. However, the constitutionality of the Electricity Regulatory Law is being challenged in the Brazilian Supreme Court. The Supreme Court has not yet issued a final ruling in this case although it recently agreed to deny a request to suspend the effectiveness of the Electricity Regulatory Law while the challenge is pending. If the Supreme Court were to hold that the Electricity Regulatory Law is unconstitutional, this would result in significant uncertainty in Brazil as to the appropriate regulatory framework for the electricity sector, which could materially adversely affect the operation of our business. Moreover, we have no way of predicting the terms of any alternative

framework for the regulation of electricity in Brazil. We would likely face costs in re-aligning our business to meet the requirements of any such framework, which would materially adversely affect our financial condition and results of operations.

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

We carry out our generation, transmission and distribution activities in accordance with concession agreements we execute with the Brazilian Government through ANEEL. The length of such concessions varies from 20 to 35 years. ANEEL may impose penalties on us in the event that we fail to comply with any provision of our concession agreements. Depending on the extent of the non-compliance, these penalties could include substantial fines (in some cases up to two per cent of our gross revenues in the fiscal year immediately preceding the assessment), restrictions on our operations, intervention or termination of the concession. For example, on May 22, 2010, our subsidiary Eletrobras Furnas received a R\$53,700 fine from ANEEL, as a result of ANEEL determining that there were two malfunctions in the protection system of the Itaberá and Ivaiporã substations that led to power outages and disruption in generation on November 10, 2009. ANEEL may also terminate our concessions prior to their due date in the event that we fail to comply with their provisions, are declared bankrupt or are dissolved, or in the event that ANEEL determines that such termination would serve the public interest.

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

Our generation, transmission and distribution activities are regulated and supervised by the Brazilian Government. Our business could be adversely affected by any regulatory changes or by termination of the concessions prior to their expiration dates, and any indemnity payments for the early terminations may be less than the full amount of our investments.

According to Brazilian law, ANEEL has the authority to regulate and supervise the generation, transmission and distribution activities of electrical energy concessionaires, such as us and our subsidiaries, including in relation to investments, additional expenses, tariffs and the passing of costs to customers, among other matters. Regulatory changes in the electrical energy sector are hard to predict and may have a material adverse impact on our financial condition and results of operations.

Concessions may be terminated early through expropriation and/or forfeiture. Granting authorities may expropriate concessions in the interest of the public as expressly provided for by law, in which case granting authorities carry out the service during the concession period. A granting authority may declare the forfeiture of concessions after ANEEL or MME conduct an administrative procedure and declare that the concessionaire (a) did not provide proper service for more than 30 consecutive days and did not present any acceptable alternative to ANEEL or to ONS, or failed to comply with the applicable law or regulation; (b) lost the technical, financial or economic conditions necessary to provide the service properly; and/or (c) did not comply with the fines charged by the granting authority.

Penalties are set forth in ANEEL Resolution No. 63, of May 12, 2004, and include warnings, substantial fines (in certain cases up to 2.0% of the revenue for the fiscal year immediately preceding the evaluation), restrictions on the concessionaire's operations, intervention or termination of the concession.

We may contest any expropriation or forfeiture and will be entitled to receive compensation for our investments in expropriated assets that have not been fully amortized or depreciated. However, the indemnity payments may not be sufficient to fully recover our investments, which could materially adversely affect our financial condition and results of operations.

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

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

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

We must conduct environmental impact studies and obtain regulatory permits for our current and future projects. We cannot assure you that these environmental impact studies will be approved by the Brazilian Government, that public opposition will not result in delays or modifications to any proposed project or that laws or regulations will not change or be interpreted in a manner that could materially adversely affect our operations or plans for the projects in which we have an investment. We believe that concern for environmental protection is an increasing trend in our industry. Changes in environmental regulations, or changes in the policy of enforcement of existing environmental regulations, could materially adversely affect our results of operations and our financial condition by delaying the implementation of electricity projects, increasing the costs of expansion, or subjecting us to regulatory fines for non-compliance with environmental regulations.

We are affected by hydrological conditions and our results of operations could be affected.

Hydrological conditions could adversely affect our operations. For example, hydrological conditions that result in a low supply of electricity in Brazil could cause, among other things, the implementation of broad electricity conservation programs, including mandatory reductions in electricity generation or consumption. The most recent period of extremely low rainfall in a large portion of Brazil was in the years immediately prior to 2001, and as a result, the Brazilian Government instituted a program to reduce electricity consumption from June 1, 2001 to February 28, 2002. A recurrence of unfavorable hydrological conditions that result in a reduced supply of electricity to the Brazilian market could cause, among other things, the implementation of broad electricity conservation programs, including mandatory reductions in electricity consumption. It is possible that prolonged periods of rain scarcity could adversely affect our financial condition and the results of operations in the future. Our generation capacity could also be affected by events such as floods which might damage our installations. This may in turn materially adversely affect our financial condition and results of operations.

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

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

- the inability to obtain required governmental permits and approvals;
- the unavailability of equipment;

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

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

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

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

Risks Relating to the Notes

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

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

An active trading market for the notes may not develop.

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

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

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

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

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

ENFORCEABILITY OF CIVIL JUDGMENTS

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

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

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

Notwithstanding the foregoing, no assurance can be given that confirmation will be obtained, that the process described above can be conducted in a timely manner or that a Brazilian court would enforce a monetary judgment for violation of the securities laws of countries other than Brazil with respect to the notes. We understand that original actions predicated on the securities laws of countries other than Brazil may be brought in Brazilian courts and that, subject to Brazilian public policy, or good morals and national sovereignty and provided further that Brazilian courts can assert jurisdiction over the particular actions, Brazilian courts may enforce civil liabilities in such actions against us, our directors, certain of our officers and the advisors named herein. The ability of a creditor to satisfy a judgment by attaching certain assets of the defendant is limited by provisions of Brazilian law. Pursuant to Article 835 of Law No. 5,869 of January 11, 1973 (or the Brazilian Code of Civil Procedures), a plaintiff (whether Brazilian or non-Brazilian) who resides outside or leaves Brazil during the course of litigation in Brazil must provide a bond to guarantee court costs and legal fees if the plaintiff owns no real property in Brazil that may ensure such payment. This bond must have a value sufficient to satisfy the payment of court fees and defendant's attorneys' fees, as determined by a Brazilian judge. This requirement does not apply to enforcement of foreign judgments which have been duly confirmed by the STJ, nor to the exceptions set forth in certain limited circumstances (enforcement of trade bills and counterclaims, which do not include the notes being offered by this offering circular) under Article 836 of the Brazilian Code of Civil Procedures.

EXCHANGE RATE INFORMATION

The Brazilian foreign exchange system allows the purchase and sale of foreign currency and the international transfer of *reais* by any person or legal entity, regardless of the amount, subject to certain regulatory procedures.

Since 1999, the Central Bank has allowed the U.S. dollar-*real* exchange rate to float freely, and, since then, the U.S. dollar-*real* exchange rate has fluctuated considerably.

In the past, the Central Bank has intervened occasionally to control unstable movements in foreign exchange rates. We cannot predict whether the Central Bank or the Brazilian government will continue to permit the *real* to float freely or will intervene in the exchange rate market through the return of a currency band system or otherwise. The *real* may depreciate or appreciate against the U.S. dollar substantially. Furthermore, Brazilian law provides that, whenever there is a serious imbalance in Brazil's balance of payments or there are serious reasons to foresee a serious imbalance, temporary restrictions may be imposed on remittances of foreign capital abroad. We cannot assure you that such measures will not be taken by the Brazilian government in the future. See "Risk Factors—Risks Relating to Brazil—The stability of the Brazilian *real* is affected by its relationship with the U.S. dollar, inflation and Brazilian Government policy regarding exchange rates. Our business could be adversely affected by any recurrence of volatility affecting our foreign currency linked receivables and obligations."

The following table sets forth the period end, average, high and low Foreign Exchange Market selling rates published by the Central Bank on its electronic information system (SISBACEN), under transaction code PTAX 800 (*Consultas de Câmbio*), or Exchange Rate Enquiry, Option 5, *Venda (Cotações para Contabilidade)*, or Rates for Accounting Purposes expressed in *reais* per U.S. dollar for the periods and dates indicated. The exchange rate as of October 19, 2011 was R\$1.7604 per U.S.\$1.00.

Year	Closing Selling Rates of <i>reais</i> per U.S.\$1.00			
	Low	High	Average ⁽¹⁾	Year End
2006.....	2.0586	2.3711	2.1778	2.1380
2007.....	1.7325	2.1556	1.9483	1.7713
2008.....	1.5593	2.5004	1.8372	2.3370
2009.....	1.7024	2.4218	1.9935	1.7412
2010.....	1.6554	1.8811	1.7583	1.6662

Month	Closing Selling Rates of <i>reais</i> per U.S.\$1.00			
	Low	High	Average ⁽²⁾	Period End
February 2011.....	1.6612	1.6776	1.6680	1.6612
March 2011.....	1.6287	1.6757	1.6591	1.6287
April 2011.....	1.5654	1.6194	1.5864	1.5733
May 2011.....	1.5799	1.6134	1.5747	1.5799
June 2011.....	1.5730	1.6108	1.5870	1.5611
July 2011.....	1.5345	1.5639	1.5828	1.5563
August 2011.....	1.5551	1.6334	1.5970	1.5872
September 2011.....	1.6040	1.9016	1.7498	1.8544
October 2011 (through October 19).....	1.7376	1.8856	1.7897	1.7604

(1) Represents the average of the month end rates beginning with December of the previous period through the last month of the period indicated.

(2) Represents the average of the lowest and highest daily rates in the period.

USE OF PROCEEDS

We estimate the net proceeds of the offering to be approximately U.S.\$1,748 million after deducting transaction expenses and fees. We believe that the transaction expenses and fees are generally consistent with market practice for offerings of this type. We intend to primarily use these net proceeds for investments in our generation, transmission, and distribution activities, as well as for general corporate purposes.

CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2011, on an actual basis and as adjusted to give effect to the issuance of the notes and the use of the proceeds therefrom as if it had occurred on June 30, 2011 as derived from our reviewed consolidated financial statements prepared in accordance with IFRS. This table should be read in conjunction with “Selected Financial Information,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our audited and unaudited consolidated financial statements included elsewhere in this offering circular.

	As of June 30, 2011	
	Actual	Adjusted ⁽¹⁾
	<i>(R\$ thousands)</i>	
Short-Term Debt		
Loans and financings:		
Foreign financing	727,654	727,654
Local financial institutions	1,684,218	1,684,218
Total short-term debt	2,411,872	2,411,872
Long-Term Debt		
Loans and financings:		
Foreign financing	12,171,122	14,898,002
Local financial institutions	10,781,910	10,781,910
Global Reversal Reserve Quota – RGR	8,340,768	8,340,768
Total long-term debt	31,293,800	34,020,680
Stockholders’ equity		
Capital stock	31,305,331	31,305,331
Capital reserves	26,048,342	26,048,342
Profit reserves	16,599,503	16,599,503
Retained earnings	1,542,332	1,542,332
Asset valuation adjustments	231,296	231,296
Other comprehensive income	319,221	319,221
Non-controlling shareholders’ interests	232,285	232,285
Total stockholders’ equity	76,278,310	76,278,310
Advances for future capital increases	136,741	136,741
Total capitalization	110,120,723	112,847,603

(1) As adjusted in compliance with IFRS, assuming the issuance of U.S.\$1.75 billion in notes offered hereby net of borrowing costs converted from U.S. dollars to *reais* using the rate of R\$1.56 to U.S.\$1.00, the U.S. dollar selling rate of June 30, 2011 published by the Central Bank.

As of June 30, 2011, our corporate capital of R\$31,305,331 consisted of 1,352,634,100 shares with no par value, of which 1,087,050,297 were common shares, 146,920 were class A preferred shares and 265,436,883 were class B preferred shares. All of our issued capital is fully paid-up.

There has been no material change to our capitalization since June 30, 2011.

SELECTED FINANCIAL INFORMATION

The following tables present our selected historical financial and operating data. You should read the following information in conjunction with our audited consolidated financial statements as of and for the year ended December 31, 2010 and 2009 and our unaudited consolidated financial statements as of and for the six-month period ended June 30, 2010 and their related notes and the information under “Presentation of Financial Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this offering circular.

Consolidated Balance Sheet Information

	<u>As of June 30,</u>	<u>As of December 31,</u>	
	<u>2011</u>	<u>2010</u>	<u>2009</u>
	<i>(R\$ thousands)</i>		
Assets			
Current			
Cash and cash equivalents	8,937,297	9,220,169	8,617,294
Restricted cash	2,395,823	2,058,218	1,341,719
Marketable securities	3,349,968	6,774,073	7,662,640
Accounts receivable	3,155,773	4,016,006	3,102,079
Financial assets of concession agreements	1,062,347	726,507	715,720
Financial asset – Itaipu	889,869	997,015	854,656
Financing and loans	1,368,727	1,359,269	1,926,193
Fuel consumption account – CCC	3,091,629	3,041,484	877,833
Investment remuneration	209,900	178,604	78,726
Taxes recoverable	2,471,570	1,825,905	1,326,933
Reimbursement rights	372,096	324,451	221,519
Other debtors	760,834	478,367	602,731
Warehouse (storeroom)	354,696	378,637	350,470
Stock of nuclear fuel	297,972	297,972	324,634
Prepaid expenses	62,825	40,418	58,765
Financial instruments	310,172	283,220	227,540
Other	1,273,055	805,632	511,774
	30,364,553	32,805,946	28,801,226
Non-current			
Long term assets			
Financing and loans	7,525,695	8,300,171	9,839,828
Accounts receivable	2,084,401	1,470,215	1,431,080
Marketable securities	829,014	769,905	687,188
Stock of nuclear fuel	808,118	799,556	755,434
Financial assets of concession agreements	25,493,946	24,995,625	22,352,103
Financial asset – Itaipu	14,992,227	15,648,087	16,744,836
Deferred tax assets	4,298,732	4,338,682	4,493,223
Escrow deposits	1,900,864	1,750,678	1,521,317
Fuel consumption account – CCC	1,113,495	1,156,926	1,173,580
Financial instruments	249,981	297,020	228,020
Other	713,260	889,931	766,145
	60,009,733	60,416,796	59,992,754
Advances for corporate shares	95,988	7,141	4,001
	60,105,721	60,423,937	59,996,755
Investments	4,781,341	4,724,647	5,288,107
Fixed assets	48,879,912	46,682,498	41,597,605
Intangible			
Concession contracts	680,660	932,509	991,879
Other	1,490,133	1,331,463	1,032,804
	55,832,046	53,671,117	48,910,395
Total assets	146,302,320	146,901,000	137,708,376

	As of June 30,	As of December 31,	
	2011	2010	2009
		<i>(R\$ thousands)</i>	
Liabilities and shareholders' equity			
Current			
Financing and loans	2,411,872	1,868,465	1,115,275
Compulsory loan	15,620	16,925	13,675
Suppliers	4,694,222	5,165,765	3,079,614
Advances from clients	343,588	341,462	63,400
Taxes and social contributions	1,181,656	1,102,672	963,365
Fuel consumption account – CCC	2,945,056	2,579,546	923,535
Shareholders' remuneration	257,571	3,424,520	3,214,450
National Treasury credits	100,301	92,770	76,036
Estimated liabilities	916,577	772,071	672,214
Reimbursement obligations	930,162	759,214	857,001
Complementary pension plans	341,171	330,828	351,149
Provision for contingencies	325,647	257,580	252,708
Regulatory fees	636,120	584,240	589,433
Leasing	125,727	120,485	108,827
Financial instruments	297,020	237,209	40,050
Other	737,521	715,757	949,113
	16,259,831	18,369,509	13,269,844
Non-current			
Financing and loans	31,293,800	31,269,971	28,392,542
National Treasury credits	205,445	250,485	311,306
Compulsory loan	146,487	141,425	127,358
Taxes and social contributions	1,252,521	1,217,649	1,273,890
Shareholders' remuneration	5,944,575	5,601,077	7,697,579
Provision for decommission	386,442	375,968	323,326
Advances from clients	902,349	928,653	978,980
Fuel consumption account – CCC	2,049,906	1,876,598	1,344,380
Provision for contingencies	4,187,704	3,901,289	3,528,917
Complementary pension plans	1,912,462	2,066,702	1,992,012
Leasing	1,771,261	1,694,547	1,639,448
Concessions payable	1,129,302	834,215	761,131
Advances for future capital increase	136,741	5,173,856	4,712,825
Financial instruments	249,981	303,331	228,020
Other	2,195,203	2,365,315	1,747,768
	53,764,179	58,001,081	55,059,482
Shareholders' equity			
Capital stock	31,305,331	26,156,567	26,156,567
Capital reserves	26,048,342	26,048,342	26,048,342
Profit reserves	16,599,503	16,804,851	19,009,668
Retained earnings	1,542,332	-	(3,345,744)
Asset valuation adjustment	231,296	163,335	179,427
Additional proposed dividend	-	753,201	370,755
Other comprehensive income	319,221	377,818	827,491
Non-controlling shareholders' interest	232,285	226,296	132,543
	76,278,310	70,530,410	69,379,050
Total liabilities and shareholders' equity	146,302,320	146,901,000	137,708,376

Consolidated Income Statement

	For the six-month period ended June 30,		For the year ended December 31,	
	2011	2010	2010	2009
	<i>(R\$ thousands)</i>			
Net operating revenue				
Operating expenses	13,592,265	12,075,932	26,749,402	23,140,905
Goods, supplies and services	3,659,132	3,238,295	7,370,713	6,486,218
Profit sharing for employees and management	-	-	296,270	284,534
Electricity purchased for reselling	1,718,460	1,692,687	4,315,084	3,581,396
Fuel for electricity production	263,315	386,190	743,761	756,285
Use of the grid	668,389	796,526	1,353,839	1,263,408
Remuneration and indemnification	596,232	523,936	1,087,341	1,188,032
Depreciation and amortization	832,859	786,004	1,592,476	1,624,246
Operation and Maintenance - Distribution	56,031	38,900	-	-
Construction	1,376,515	1,217,557	2,953,484	1,723,960
Operation and Maintenance - Transmission	8,086	-	-	-
Operating provisions	941,879	915,688	1,529,549	2,140,406
Itaipu's income to offset	257,825	509,814	441,057	669,675
Donations and contributions	160,574	126,501	261,006	237,978
Other	360,118	48,396	1,063,205	704,449
	10,899,415	10,280,494	23,007,785	20,660,585
Operating income before the financial result	2,692,850	1,795,438	3,741,617	2,480,320
Financial result				
Financial revenue				
Revenues from interest, commissions and fees	324,507	422,665	781,872	1,035,487
Revenue from financial investments	953,530	690,594	1,537,435	1,464,782
Arrears surcharge on electricity	176,063	137,299	393,987	228,145
Monetary restatement	284,716	278,139	616,141	356,023
Exchange rate variations	-	337,099	-	-
Other financial revenues	-	116,532	44,857	736,766
Financial expenses				
Debt charges	(968,031)	(774,788)	(1,675,821)	(1,758,473)
Leasing charges	(184,811)	(166,224)	(332,449)	(213,470)
Charges on shareholders' resources	(757,674)	(614,924)	(1,298,647)	(1,468,713)
Exchange rate variations	(689,906)	-	(431,497)	(4,018,643)
Other financial expenses	(103,150)	-	-	-
	(964,756)	426,392	(364,123)	(3,638,097)
Result of participation in associates and other investments	388,564	305,928	669,755	1,571,032
Income before income tax and social contribution	2,116,656	2,527,758	4,047,249	413,255
Income tax	(342,702)	(702,676)	(1,074,606)	635,875
Social contribution on the net income	(138,021)	(241,858)	(419,659)	201,010
	1,635,933	1,583,224	2,552,985	1,250,140
Net income of the year				
Attributable to controlling shareholders	1,611,193	1,575,271	2,247,913	911,467
Attributable to non-controlling shareholders	24,740	7,953	305,072	338,673
Net income per share	R\$1.21	R\$1.40	R\$2.25	R\$1.10

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

The following discussion should be read in conjunction with our audited consolidated financial statements as of and for the year ended December 31, 2010 and 2009 and our unaudited consolidated financial statements as of and for the six-month period ended June 30, 2010 included elsewhere in this offering circular. Our financial statements have been prepared in accordance with IFRS, which differ in certain respects from U.S. GAAP.

Overview

General

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

- the generation of electricity through our subsidiaries and its sale to electricity distribution companies and free consumers, which in 2010 and 2009 accounted for R\$17,914 million, or 67.0%, and R\$16,007 million, or 69.0%, of our total net revenues, respectively, and which as of June 30, 2011 accounted for R\$8,629 million, or 63.5%, of our total net revenues, as compared to R\$7,628 million, or 63.2%, as of June 30, 2010;
- the transmission of electricity, which in 2010 and 2009 accounted for R\$5,879 million or 22.0% and R\$4,607 million or 19.9% of our total net revenues, respectively, and which as of June 30, 2011 accounted for R\$3,045 million, or 22.4%, of our total net revenues, as compared to R\$2,720 million, or 22.5%, as of June 30, 2010; and
- the distribution of electricity to end consumers, which in 2010 and 2009 accounted for R\$2,913 million or 10.9% and R\$2,498 million or 10.8% of our total net revenues, respectively, and which as of June 30, 2011 accounted for R\$1,889 million, or 13.9%, of our total net revenues, as compared to R\$1,707 million, or 14.1%, as of June 30, 2010.

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

Events Affecting our Results for the Six-Month Period ended June 30, 2011

A number of extraordinary events impacted our financial condition and results of operations in the six-month period ended June 30, 2011:

Impairment of Eletrobras Furnas

As a result of construction delays, we invested an additional R\$409 million in Eletrobras Furnas' generation plants. Because the total amount invested was greater than the originally provisioned amount, we were required to account for the difference as an impairment, which in turn increased our operating provisions. For further information on impairments, see “—Critical Accounting Policies—Impairment” below.

Provisions for Contingencies for Balbina (Eletrobras Eletronorte)

In northern Brazil, Eletrobras Eletronorte is involved in several proceedings related to the expropriation of lands for the construction of the hydroelectric plants in the city of Balbina, in the State of Amazonas, and in the city of Tucuruí, in the State of Pará. As of June 30, 2011, the total aggregate amount involved in these proceedings, was approximately R\$314 million. Recently the *Ministério Público Federal* presented new evidence that strengthened the plaintiffs' main argument, and, as a result, Eletrobras Eletronorte's external legal counsel changed the likelihood of loss from possible to probable. Accordingly, we provisioned an additional R\$120 million as a contingency in our

financial statements as of and for the six-month period ended June 30, 2011. For further information, see “Business—Litigation—Civil Proceedings.”

Exchange Rate Variations

As discussed in further detail below in “—Principal Factors Affecting our Financial Performance—Brazilian Macroeconomic Conditions,” the Brazilian *real* appreciated 5.45% against the U.S. dollar from January 1, 2011 through June 30, 2011, reaching an exchange rate of R\$1.56/U.S.\$1 as of June 30, 2011. All of Itaipu’s loans and receivables are denominated in dollars. Therefore, an appreciation of the *real* decreases the value of the receivables collected in *reais* terms while decreasing the principal and interest amounts due on the loans in *reais* terms. These changes to Itaipu’s operating results affect the “Electricity purchased for resale” line item, as most of the amounts in that line item represent energy produced by Itaipu. Additionally, this appreciation of the *real* impacts various components of the “Financial income (expense), net” line item including “Foreign exchange and monetary gain” and “Financial expense.”

Principal Factors Affecting our Financial Performance

Brazilian Macroeconomic Conditions

We are affected by conditions in the Brazilian economy. The macroeconomic scenario in Brazil has been characterized by increased economic activity and a consistent trajectory of the inflation indices. The exchange rate, however, has been volatile.

Except for 2009, which was significantly affected by the global financial crisis, Brazilian GDP has increased over the past several years. In 2007, Brazilian GDP grew 5.4% according to the *Instituto Brasileiro de Geografia e Estatística* (IBGE), as compared to 3.7% in 2006. In 2007, the inflation rate, as measured by the Brazilian Extended Consumer Price Index (*Índice Nacional de Preços ao Consumidor Amplo*), or IPCA, was 4.5%, which allowed for a reduction of the Selic rate to 11.25%.

The year 2008 was characterized by the negative effects of the global financial crisis. The main impact of this crisis on the Brazilian economy was reduced expectations for economic activity in 2009 and 2010. Reduced expectations for the year of 2009 triggered an increase in capital costs to third parties, a devaluation of the *real*, a decrease of prices in the stock market, and a reduction of industrial production.

Nevertheless, the crisis did not significantly affect the growth rate of the Brazilian economy, with GDP increasing by 5.16% in 2008. Inflation, as measured by IPCA, was 5.90% for the year ended on December 31, 2008, which was within the target established by the Central Bank. The inflation rate remained within this range primarily as a result of the Central Bank increasing the base interest rate in 2008 from 11.25% to 13.75%.

In 2009, the Brazilian economy showed certain resistance to the effects of the crisis. Even so, the Brazilian economy ended the year at a level of economic growth close to zero, influenced by the weak performance of the industrial sector. Additionally, macroeconomic conditions and a stable economy allowed the Central Bank to again focus on reducing interest rates. The Selic rate reached 8.7%, its lowest level, in July 2009. Similarly, the *real* appreciated 34.2% against the U.S. dollar throughout 2009. According to the Central Bank, international reserves were above U.S.\$200.0 billion (U.S.\$239.1 billion as of December 31, 2009), demonstrating a significant increase as compared to 2008.

Following a 0.64% decrease in GDP in 2009, the Brazilian economy improved in 2010 with a growth of approximately 7.49%. This economic recovery was due in part to a strong domestic market expansion. Income transfer policies, a continuous increase in the minimum wage and growth in employment levels and credit also contributed to this recovery. Household consumption was estimated to have increased by 7.9% which, together with long-term investment, were the main factors for strong aggregate demand performance in 2010. Gross fixed capital grew 25.59% in 2010, reaching an investment rate of 18.4%.

The official inflation rate, measured by IPCA, reached a high of 5.90%, which was influenced by internal and external factors. Internally, seasonal factors in the agricultural supply and demand growth for goods and

services put pressure on the inflation index. External pressures associated with rising prices of major agricultural commodities and metals also impacted the inflation index.

As for monetary policy, the Central Bank, in response to the worsening of the international financial crisis, sought to normalize liquidity conditions in the economy, raising the reserve requirements rate from 15.0% to 20.0%. The Selic rate increased by 2.0% in 2010, from 8.65% to 10.67%, and it increased by 1.5% during the six-month period ended June 30, 2011 to 12.17%.

Brazil posted a trade surplus of U.S.\$20.3 billion in 2010, with exports totaling U.S.\$201.9 billion (32.0% higher than in 2009), mainly due to the recovery of the global economy and an increase in commodity prices. As of June 30, 2011, the balance of trade had a surplus of U.S.\$12.9 billion. Imports amounted to U.S.\$181.6 billion in 2010 compared to U.S.\$127.7 billion in 2009, an increase of 42.2%, and they amounted to U.S.\$105.3 billion for the six-month period ended June 30, 2011 compared to U.S.\$81.3 billion for the corresponding period in 2010, a increase of 29.0%. This growth was driven by the appreciation of the *real* and growth in domestic demand.

The balance of payments reached a surplus of U.S.\$49.1 billion in 2010 and U.S.\$42.9 billion in the first semester of 2011. The current account presented a deficit of U.S.\$47.4 billion in 2010 and U.S.\$25.5 billion in the first semester of 2011 (which equates to 2.27% and 1.13% of GDP, respectively), compared to the deficit of U.S.\$24.3 billion, or 1.52% of GDP, recorded in 2009. Net inflows of foreign direct investment reached a record value of U.S.\$48.5 billion in 2010, an increase of 86.8% compared to the previous year's outcome and U.S.\$32.5 billion in the first semester of 2011. Foreign portfolio investment showed net inflows of U.S.\$67.8 billion in 2010, 31.0% higher than in 2009 and showed net inflows of U.S.\$11.6 billion in the first semester of 2011, 49.0% lower than in the same period of 2010.

The exchange rate in 2010 experienced low volatility, especially when compared to the previous two years. However, the heavy influx of capital has exerted strong pressure on the exchange rate. As a result, the *real*/U.S. dollar exchange rate increased in 2010 from R\$1.74 to R\$1.66/1.00. Over the six-month period ended June 30, 2011, the *real*/U.S. dollar exchange rate increased from R\$1.66 to R\$1.56/1.00.

The Central Bank's policies with respect to both the spot and futures markets have caused international reserves to grow 17.0%, totaling U.S.\$288.6 billion in December 2010 and 16.0%, totaling U.S.\$335.7 billion as of June 30, 2011.

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

	Six-month period ended June 30,	Year Ended December 31,		
	2011	2010	2009	2008
GDP growth rate.....	N/A	7.49%	(0.64)%	5.16%
Inflation (IGP-M)	6.40%	11.32%	(1.72)%	9.81%
Inflation (IPCA)	7.89%	5.91%	4.31%	5.90%
Appreciation (depreciation) of the real vs. the U.S. dollar....	6.73%	4.50%	34.22%	(24.21)%
Period-end exchange rate – U.S.\$1.00.....	R\$1.56	R\$1.66	R\$1.74	R\$2.34
Average exchange rate – U.S.\$1.00.....	R\$1.63	R\$1.76	R\$2.00	R\$1.84

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

Electric Power Market

Electricity consumption in Brazil registered an increase of 7.8% in 2010, slightly higher than the GDP growth rate for the same period of 7.5%. All consumer classes showed growth in electricity consumption, particularly the industrial class, whose consumption rate increased by 10.6%. The consumption rates of residential and commercial consumers increased by 6.3% and 5.9%, respectively.

After a decrease in industrial production in the last quarter of 2008 and the economic downturn in 2009, 2010 showed a strong recovery in industrial production, which positively impacted industrial consumption of

electricity. The southeast region of Brazil showed the largest growth in industrial consumption, with growth rates of 13.1%.

The electric power consumption in Brazil by geographic region is presented below:

Energy Consumption in the Network (GWh):

Region	Consumption Class				2010	2009	Variation
	Residential	Industrial	Commercial	Others	Total	Total	%
North.....	5,918	13,069	3,489	3,438	25,914	24,083	7.6
Northeast.....	19,280	29,422	10,286	12,005	70,993	65,244	8.8
Southeast.....	56,781	103,731	38,118	26,478	225,108	207,737	8.4
South.....	17,079	30,884	11,723	11,117	70,803	66,729	6.1
Center-West.....	8,101	6,638	5,471	5,990	26,199	24,896	5.2

Source: Permanent Committee of Analysis and Monitoring of Electric Power Market – Copam/EPE.

Itaipu

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

Pursuant to the Itaipu treaty, we are required to sell not only the 50.0% of electricity produced by Itaipu that, through us, Brazil owns, but also that part of Paraguay's share of electricity not used by Paraguay. As a result we sell approximately 95.0% of the electricity produced by Itaipu. Articles 7 and 8 of Law No. 5,899 of July 5, 1973 set out the framework which distribution companies use to calculate the total amount of energy purchased from Itaipu.

While Itaipu produces a large amount of electricity (accounting for 33.5% of the electricity that we sold in 2010, compared to 35.5% in 2009 and 37.1% in 2008), the Itaipu treaty requires that sales of Itaipu electricity be made on a no-profit basis, with no net effect on our results of operations.

In order to effect the “no profit” requirement, profits from the sale of Itaipu electricity are credited in subsequent periods to residential and rural consumers of electricity through the Interconnected Power System through their electricity bills (thus reducing our revenues from electricity sales) and losses are taken into account by ANEEL in calculating tariffs for electricity in subsequent periods (thus increasing our revenues from electricity sales).

Although the operations of Itaipu do not affect our net operating result, they significantly impact several line items in our financial statements. In particular, Itaipu's operating results affect the “electricity purchased for resale” line item, as most of the amounts in that line item represent energy produced by Itaipu. This amount, which after consolidation represents only the Paraguayan portion of the Itaipu energy, would be much higher if we did not consolidate the Brazilian portion of the energy produced by Itaipu. Additionally, because the financial statements of Itaipu Binacional are prepared in U.S. dollars and translated to *reais* at the exchange rate published by the Central Bank at period end, any movement in the exchange rate between the *real* and the U.S. dollar can have a major impact on the “Foreign exchange and monetary gain” component of the line item “Financial income (expense), net.” Royalties paid by Itaipu account for a large proportion of the line item “Financial income (expense), net” and debt related to Itaipu accounts for a significant portion of the “Financial expense” component of “Financial income (expense), net.”

Pursuant to Law No. 11,480/2007, we were able to apply an “adjustment factor” to any financial contracts entered into between us and Itaipu and any credit assignments entered into between us and the Brazilian Federal Treasury prior to December 31, 2007. The aim of this “adjustment factor” was to offset the impact of the rate of inflation in the United States on the U.S. dollar payments. Accordingly, this “adjustment factor” measures the rate of inflation by reference to the consumer price index (CPI) and another index which tracks changes in industry

prices. This law was repealed and Decree No. 6,265 of November 22, 2007 came into force which determines that a rate equivalent to the previous “adjustment factor” is to be passed on to consumers on an annual basis. We apply the adjustment factor to the entire Itaipu loan even though we are only responsible for 30% of the total amount. We account for the remaining amount of the loan as offsetting “Reimbursement rights” in our income statement.

For our 2008 financial year, we started recording any gains or losses made with respect to the U.S. rate of inflation as part of our line item “Net Operating Revenue – Electricity Sales.” Any amounts not yet recorded in our line item “Net Operating Revenue – Electricity Sales” are recorded under “Reimbursement rights” presented in non-current assets. “Reimbursement rights” amounted to R\$1.9 billion as of December 31, 2010 (U.S.\$1.1 billion), compared to R\$1.8 billion (U.S.\$1.03 billion) as of December 31, 2009. We have credits which allow us to delay the inclusion of all of the “Reimbursement rights” until 2023. We will account for the balance of “Reimbursement rights” in installments to the National Treasury. For further information relating to how we account for our reimbursement rights, see Note 19 to our financial statements.

Exchange Rate Variations

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

However, because pursuant to the Itaipu treaty the operation of Itaipu is not permitted to have any net effect on our operating results, any loss or gain incurred as a result of any appreciation or depreciation of the U.S. dollar against the *real*, among other things, will subsequently be compensated for by the tariffs we charge to our residential and rural consumers. In our income statement, the effects of Itaipu on the line items described above are netted out and recorded in the line item “Deferred loss from Itaipu.” Until that compensation takes place, the accumulated results of profits or losses from Itaipu operations, net of compensation through tariff adjustments, is carried on our balance sheet as a current asset under “Reimbursement rights.”

Eletrobras Eletronorte

For many years our subsidiary Eletrobras Eletronorte was used as a vehicle for the development of Brazil's northern region, functioning in some ways as a development agency. In particular, it has supplied electricity pursuant to supply contracts at prices which did not cover its costs. We began to re-negotiate these supply contracts, which are mainly with companies in the aluminum smelting industry, in 2004 with the aim of revising the tariffs to cover Eletrobras Eletronorte's operating costs and gradually pay off its debts. Eletrobras Eletronorte entered into a contract on May 11, 2004 to sell electricity to ALBRAS to provide electrical energy for ALBRAS' industrial operations, priced on the basis of the international aluminum price. This contract came into effect on June 1, 2004. ALBRAS may terminate the contract with two years' notice if they elect to discontinue production or start using their own resources for power generation. ALBRAS is not required to pay any amounts related to termination. The total term of this contract is 20 years and the contract includes an energy prepayment of R\$1.2 million. See Note 23 of the Financial Statements.

One of the main sources of income of Eletrobras Eletronorte derives from the Hydroelectric plant of Samuel, whose initial concession expired in September 2009. On July 18, 2006, Eletrobras Eletronorte requested from ANEEL an extension of such concession, which was granted on March 11, 2010 for an additional 20 years.

For 2010 the net gains attributable to Eletrobras Eletronorte amounted to R\$139.8 million, compared to gains of R\$584.5 million in 2009 and losses of R\$2,425 million in 2008. Additionally, for the six-month period ended June 30, 2011 the net gains attributable to Eletrobras Eletronorte amounted to R\$157 million.

The significant increase in Eletrobras Eletronorte's losses in 2008 was primarily a result of changes in accounting policies with respect to impairments. As part of this change, we recorded as provision for the impairment of assets in an amount of R\$649 million in accordance with IAS 36. This amount comprised,

significantly, a provision in the Samuel plant due to its expiring concession. As mentioned above, ANEEL extended the concession of Samuel for an additional 20 years as from 2010. As a result of the extension, Eletrobras Eletronorte reverted the provision made in 2008.

Regulated Distribution Tariffs

For 2010, 10.89% of our net revenues were derived from the distribution of electricity, while for the six-month period ended June 30, 2011, 13.90% of our net revenues were derived from the distribution of electricity. The distribution companies generally produce losses, which are likely to continue as the tariffs that may be charged by distribution companies are regulated and adjusted by ANEEL only in accordance with the process set out in “The Brazilian Power Industry—Distribution Tariffs.”

Fixed Transmission Revenues

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

Critical Accounting Policies

In preparing the financial statements included in this offering circular, we made estimates and assumptions that we consider reasonable based on our historical experience and other factors. The presentation of our financial condition and results of operations requires that our management make estimates about inherently uncertain matters, such as the book value of our assets, our liabilities and, consequently, our results of operations. Our financial presentation would be materially affected if we were to use different estimates or if we were to change our estimates in response to future events. To provide an understanding of how our management forms its judgments about future events, including the factors and assumptions underlying those estimates, we have identified the following critical accounting policies.

Investments in Affiliates

When necessary, the financial statements of our affiliates are adjusted so as to conform their accounting policies to our accounting policies and assumptions, which apply the equity method of accounting in accordance with IAS 27 and 28.

Impairment

In accordance with IAS 36 “Impairment of Assets,” we analyze the recoverability of the book value of our assets annually, and as and when required. If we find evidence that an asset might not be recoverable, we estimate the chances of its recoverability. When the residual accounting value of the asset exceeds the recoverable value of such asset, we reevaluate the asset downwards, with such resulting amount being known as an impairment. This impairment is then recognized as a provision for the period. If it is not possible to estimate the recoverable amount of an individual asset, we estimate the probability of recovery of the cash generating unit to which such asset belongs. When using this technique, we discount the estimated future cash flows to present value based on a discounted rate before tax which reflects the market conditions, current money value and specific risks related to such asset group. The recoverable value of an asset or such cash generating unit is reviewed periodically. Such reversal will have a impact on our income statement and as well as the book value of the relevant asset or cash generating unit.

Reserves for Contingencies

We are party to certain legal proceedings. Apart from the compulsory loans, we record provisions in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets,” which provides that an

estimated loss should be recorded when the information available before publication of our applicable financial statements indicates a probability that a future event may give rise to the devaluation of any asset or upon identification of a liability incurred and such liability can be estimated. In accordance with IAS 37, we do not record a provision if the chance of loss in a claim is “remote” or “reasonably possible.” In addition, we do not record provisions for administrative proceedings when those provisions have reached court. We account for the costs which may arise from resolving legal proceedings as discussed under “Risk Factors relating to the Company.” In calculating these accruals, we consult outside and internal counsel that represent us in these proceedings, and our estimates are based on an analysis of possible results, taking into account the applicable litigation and settlement strategies. We request quarterly an inventory of the proceedings being handled by our outside legal counsel that identifies the cases where we have potential losses. Accounting for contingencies requires significant judgment by our management concerning the estimated probabilities and ranges of exposure to potential liability. This is particularly true in the context of the impact of Brazilian tax legislation on us because such legislation has historically proved uncertain in scope and application.

Employee Benefits

We sponsor a defined benefit pension plan that covers almost all of our employees. The actuarial liabilities related to this plan are accounted for in accordance with IAS 19, “Employee Benefits” and are valued by an independent actuary. In addition, we and some of our subsidiaries have also established post retirement health care plans and subsidize whole life insurance premiums for “Post retirement Benefits other than Pensions.” Estimates of the evolution of medical attendance costs, and biometrical and economical hypotheses, as well as historical information on incurred expenses and employees' contributions are also taken into consideration.

Derivatives

In accordance with IAS 39 “Financial Instruments: Recognition and Measurement,” we accounted for derivatives at fair value based on market standard valuation techniques of marking to market. We calculate the close out value of each derivative at maturity based on: (1) the current spot rate; (2) the domestic interest rate for Brazilian reais quoted for future interbank deposits; and (3) the domestic interest rate for U.S. dollars, or the coupon rate. We then compare the result of this calculation with the price negotiated for each derivative, enabling us to estimate a future gain or loss, which we discount to present value by using the fixed interest rate for Brazilian reais quoted for future interbank deposits. Any gains or losses are recorded as financial income or expenses, respectively, for the period.

Recovery Costs for Environmental Damage

We incur certain costs to reduce the impact that our operational activities have on the environment. These costs includes those for decommissioning, which involves a series of measures to safely discontinue the operations of our nuclear facilities (Angra I and Angra II) with the objective of reducing residual radioactivity levels. We apply IAS 37 and IFRIC Interpretation 1 “Changes in Existing Decommissioning Restoration and Similar Liabilities,” in accounting for these costs. IAS 37 requires entities to record the fair value of a legal obligation for an asset retirement obligation in the period in which it is incurred. When a new legal obligation is incurred, the entity is required to capitalize the costs of the obligation by increasing the carrying amount of the related long lived asset. The obligation is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement, an entity settles the obligation for its recorded amount or incurs a gain or loss upon settlement. For example, in the case of nuclear decommissioning, IAS 37 requires us to record the full fair value of the decommissioning obligation and a corresponding asset, which will then be depreciated over the remaining expected service lives of each plant's generating units. Our management must exercise considerable judgment in exercising this policy and the following factors are relevant in such decision making: (1) our estimates must cover costs that are incurred over a long period of time and so our management must consider inherent uncertainties such as changes in laws and the level of nature of our operations; and (2) IAS 37 requires that we assume the probabilities of projected cash flows and long term positions in relation to inflation and then determine the credit adjusted to interest rate without risk and premiums on market risks not applicable to operations. In addition, possible changes in estimates may give rise to a significant impact on net income because these costs are discounted to present value over a long period of time.

Calculation basis for indemnification by the grantor of public utility concessions

Our financial statements are prepared under the assumption that our concessions are subject to forfeiture at the end of the concession contract period, while we are granted the right to receive full indemnification from the grantor for investments not yet recovered. We have recently evaluated the various legal and regulatory interpretations of the calculation basis for indemnifiable amounts for forfeited concessions. Based on the contractual provisions of our concessions and on legal and regulatory interpretations, we, supported by the opinion of an independent legal advisor, prepared our financial statements under the assumption that we would be indemnified for each concession at the residual book value of the concession upon its termination. This decision affected the calculation basis for assets used in our generation segment which have contractual indemnification clauses as well as any assets within our electricity transmission and distribution segments that fall within the scope of IFRIC-12.

Taxes on Income

We account for income taxes in accordance with IAS 12, "Income Taxes." IAS 12 provides that we recognize the effects of deferred tax losses and temporary differences in our consolidated financial statements. We recognize a valuation allowance when we believe there is a higher probability that we will not fully recover tax credits in the future. This requires us to carry out estimates on our current tax exposure and assess the temporary differences resulting from the different treatment given to certain items for tax and accounting purposes. These differences give rise to deferred asset and liability taxes, which are presented in our consolidated balance sheet. Accordingly, we assess the probability that our deferred tax credits will be recovered from future taxable income. In the event that we believe that such recovery will not be probable, we recognize a valuation allowance and also recognize a tax expense in our income statement. Any reduction of the valuation allowance leads to recognition of a tax benefit in our income statement. The determination of our provision for income tax or deferred asset and liability income taxes requires significant estimates and judgments by our management. For each future tax credit, we assess the probability that the related tax asset will not be recovered in whole or in part.

Description of Principal Line Items

Operating Revenues

Electrical Energy Sales

We derive our revenues from the generation, transmission and distribution of electricity, as set out below:

- revenues in our generation segment derive from the commercialization and sale to distribution companies and free consumers of electricity that we have generated (including the electricity generated by our share of the Itaipu project) and the resale of electricity from Paraguay's share of the Itaipu project not used in Paraguay. Revenues from our electricity generation segment are recorded based on the output delivered at rates specified under contract terms or prevailing regulatory rates;
- revenues from our transmission segment derive from the construction, operation and maintenance of transmission networks for other electricity concessionaires and certain revenues arising from applying inflation and other indexes to the value of our investments. Revenues received from other concessionaires using our basic transmission network are recognized in the month that the services are provided to the other concessionaires. These revenues are fixed each year by the Brazilian Government. These revenues also include as financial revenue the value calculated over receivables registered as financial assets (formerly recorded as "Property, Plant and Equipment"), based on fees calculated from the receipt of annual permitted revenues (*Receita Anual Permitida*), or RAP, (which is based on gross RAP minus the amount allocated for operations and maintenance revenue) until the concession agreements for energy transmission services terminate; and
- revenues in our distribution segment derive from the sale to end consumers of electricity that we purchase from generation companies and also some electricity that we generate in thermal plants in certain isolated areas in the north region of Brazil for distribution, as well as certain revenues

from the construction, operation and maintenance of distribution networks. Electricity distribution sales to final customers are recognized when power is provided. Invoices for these sales are rendered on a monthly basis. Unbilled revenues from the billing cycle up to the end of each month are estimated based on the prior month's billing and are accrued at the end of the month. Differences between estimated and actual unbilled revenues, if any, are recognized in the following month.

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

Other Operating Revenues

Other operating revenues derive from charges imposed on end consumers for late payments in respect of electricity sold in our distribution segment and, to a lesser extent on other operating revenues that are not attributable to our distribution, generation or transmission segments, which we record under our “corporate” segment. These mainly include fees for the administration of the RGR Fund and other governmental funds. We also derive other operating revenues from telecommunication companies using certain parts of our infrastructure to install telecommunication lines.

Taxes on Revenues

Taxes on revenues consist of *Imposto sobre a Circulação de Mercadorias e Serviços*—ICMS (or VAT), a sales tax charged on gross revenues. We are subject to different VAT rates in the different states in which we operate, with the VAT rates ranging from 7.0% to 27.0%. Pursuant to applicable regulations, we are not liable for any taxes or revenues in our transmission segment.

Additionally, we are subject to two federal taxes imposed on the gross revenues of corporate entities: the Program of Social Integration (*Programa de Integração Social*) – PIS/PASEP and Contribution for the Financing of Social Security (*Contribuição para o Financiamento da Seguridade Social*) – COFINS.

Regulatory Charges on Revenues

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

Operating Costs and Expenses

Personnel, Supplies and Services

Our operating costs and expenses related to personnel, supplies and services primarily consist of daily administrative expenses for employees, equipment and infrastructure, as well as expenses related to outsourcing security, maintenance and external consultants and advisors. Due to the diverse nature of these expenses, we apply certain subjective criteria to allocate such expenses to our operational activities. These expenses do not account for raw materials used to generate power.

Electricity Purchased for Resale

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

Fuel for Electricity Production

The cost of fuel is a significant component of our operating expenses. These costs, however, are subsequently reimbursed from the CCC Account, pursuant to Law No. 12,111.

Use of the Grid

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

Interest Payments and Penalties

These costs represent interest payments in respect of our financing with third parties as well as potential penalties for late payments.

Depreciation and Amortization

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

Operating Provisions

This reflects provisions we make in respect of: (1) legal proceedings to which we are party; (2) allowances for doubtful accounts and impairments; and (3) decommissioning costs, which are the costs associated with decommissioning of nuclear facilities (i.e., the safe retirement of nuclear facilities).

Deferred Loss from Itaipu

As discussed above in “—Principal Factors affecting our Financial Performance—Itaipu,” the net effect of the results of operations of Itaipu is recorded in this line item and the accumulated effects of Itaipu operations, net of compensation through tariff adjustments, is carried on our balance sheet as a current and noncurrent asset under “Financial asset – Itaipu.”

Donations and Contributions

This reflects expenses relating to investments in new information technology and research and development, as well as investments in cultural programs and sponsorships.

Other Operating Costs

Our other operating costs comprise a number of miscellaneous costs that we incur as part of our day-to-day operations. The most significant components are: (1) costs of leasing goods such as generation units for the Isolated System; (2) costs of operations and maintenance of our facilities that provide for electricity services; (3) telecommunication costs comprising primarily costs incurred for telephone and internet services; (4) insurance costs, including insurance for our facilities and property; and (5) costs of disposal of assets, primarily transformers.

Results of Equity Interests

Results arising from the equity adjustment for our interests in other companies.

Financial Income (Expenses), Net

Financial Income

This reflects interest income and commissions we receive from loans we made in accordance with the provisions of Brazilian law that permitted us to act as a lender to certain public utility companies (see “Business—Lending and Financing Activities” for a description of our outstanding loans to other Brazilian utility companies).

Financial Expenses

This principally reflects payments of dividends to our shareholders, as well as debt and leasing expenses. This also reflects the U.S. dollar/*real* exchange rate variation relating to Itaipu.

Foreign Exchange and Monetary Gain (Loss)

Foreign exchange gain (losses) mainly relate to Itaipu, as the financial statements of Itaipu Binacional are presented in U.S. dollars, and this represents our largest exposure to foreign currency risk. A devaluation or depreciation of the *real* against the U.S. dollar increases our revenues, as it increases the value of the contribution from Itaipu, although the effect of this contribution is netted out, as discussed above. An appreciation of the *real* decreases our revenues because it decreases the value of the contribution from Itaipu, although the effect of this contribution is similarly netted out as a depreciation of the cost of construction of Itaipu.

Monetary gain (loss) principally relates to outstanding loans we have made to approximately 60 companies that are linked to the inflation rate measured by the IGP-M.

Operating Results

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

	Six-Month Period Ended June 30,		Year Ended December 31,	
	2011	2010	2010	2009
Revenues				
Electricity sales:				
Generation	72.8%	71.552%	74.0%	75.5%
Distribution	16.7%	17.589%	13.9%	14.3%
Transmission	23.2%	23.577%	23.5%	21.9%
Other operating revenues	3.94%	4.00%	4.5%	5.2%
Taxes on revenues	(10.75)%	(10.715)%	(10.3)%	(11.1)%
Regulatory charges on revenues	(5.1)%	(4.8)%	(5.7)%	(5.7)%
Net operating revenues	100%	100%	100.0%	100.0%
Expenses				
Operating expenses	(80.19)%	(85.1)%	(86.0)%	(89.3)%
Financial expenses, net	(7.1)%	3.5%	(1.4)%	(15.7)%
Gains on results of affiliated companies	2.9%	2.5%	2.5%	6.8%
Income before income tax and social contribution	15.6%	20.9%	15.1%	1.8%
Income taxes	(3.5)%	(7.8)%	(5.6)%	3.6%
Minority interests	(0.2)%	(0.1)%	(1.1)%	(1.5)%
Net income	11.8%	13.0	8.4%	3.9%

Results of Operations

This section is an overview of our consolidated results of operations, which are discussed in greater detail with respect to each segment below.

Six-Month Period Ending June 30, 2011 compared to Six-Month Period Ending June 30, 2010

Net Operating Revenues

Net operating revenues for the six-month period ended June 30, 2011 increased R\$1,516 million, or 12.6%, to R\$13,592 million from R\$12,076 million for the corresponding period in 2010. This increase was due to:

- an increase of R\$1,000.3 million, or 13.1%, in revenues from our generation segment resulting from an increase in the volume of energy sold from 125,804,524 MW as of June 30, 2010 to 129,290,670 MW as of the corresponding period in 2011;
- an increase of R\$325.4 million, or 12.0%, in revenues from our transmission segment, primarily due to a 6.7% increase in the price index (IPCA) which is used to adjust the prices of our energy transmission agreements from the six-month period ended June 30, 2010 to the corresponding period in 2011 as well as the addition of new transmission lines; and
- an increase of R\$182.2 million, or 10.7%, in revenues from our distribution segment, primarily as a result of a 2.0% increase in the volume of energy sold and the fact that we attracted 173,337 new clients from the six-month period ended June 30, 2010 to the corresponding period in 2011.

Operating Costs and Expenses

Operating costs and expenses increased R\$619 million, or 6.0%, to R\$10,899 million for the six-month period ended June 30, 2011 from R\$10,280 million for the corresponding period in 2010. As a percentage of net operating revenues, operating costs and expenses decreased to 80.2% for the six-month period ended June 30, 2011, from 85.1% for the corresponding period in 2010. The primary drivers of the increase in operating costs and expenses were:

- a R\$420.8 million, or 13.0%, increase in personnel, supplies and services costs to R\$3,659.1 million for the six-month period ended June 30, 2011 from R\$3,238.3 million for the corresponding period in 2010, mainly due to an increase in the number of employees, payments to certain employees as an inducement for early retirement and average salaries;
- a R\$337.0 million, or 386.0%, increase in other operating expenses to R\$424.2 million for the six-month period ended June 30, 2011 from R\$87.2 million for the corresponding period in 2010, mainly due to increased rents for basic infrastructure assets in all segments;
- a R\$158.9 million, or 13.0%, increase in construction expenses to R\$1,376.5 million for the six-month period ended June 30, 2011 from R\$1,217.6 million for the corresponding period in 2010, mainly due to new assets commencing operation in our transmission and distribution segments, including the 345 kV Eletrobras Furnas – Pimenta 2 transmission line, the 345 kV Adrianópolis – Venda das Pedras transmission line, the 345 kV Macaé – Venda das Pedras transmission line and the 230 kV Paraíso - Açú II transmission line;
- a R\$72.3 million, or 13.8%, increase in remuneration and reimbursement to R\$596.2 million for the six-month period ended June 30, 2011 from R\$523.9 million for the corresponding period in 2010, mainly due to an increase in royalty payments in our generation segment;
- a R\$46.9 million, or 6.0%, increase in depreciation and amortization to R\$832.9 million for the six-month period ended June 30, 2011 from R\$786.0 million for the corresponding period in 2010, mainly due to an increase in the number of assets in operation in the generation segment, which includes the new TPU Candiota III, HPU Serra do Facão and HPU Foz do Chapecó plants; and
- a R\$25.8 million, or 1.5%, increase in electricity purchased for resale to R\$1,718.5 million for the six-month period ended June 30, 2011 from R\$1,692.7 million for the corresponding period in 2010, principally due to an increase in the amount of energy purchased from 9,327,619 MW in the six-month period ended 2010 to 10,197,324 MW in the corresponding period in 2011 mainly as a result of the delay in the completion of our Candiota III plant.

Increases in these costs and expenses were partially offset by:

- a R\$252.0 million, or 49.4%, decrease in the amounts we record to offset Itaipu's income to R\$257.8 million for the six-month period ended June 30, 2011 from R\$509.8 million for the corresponding period in 2010, mainly due to the appreciation of the *real* in the first half of 2011, as we record our income from Itaipu in U.S. dollars; and
- a R\$122.9 million, or 31.8%, decrease in the cost of fuel for energy production to R\$263.3 million for the six-month period ended June 30, 2011 from R\$386.2 million for the corresponding period in 2010, mainly due to a reduction in the amount of thermal energy generated in the period resulting in a need for less fuel.

Financial Income (Expenses), Net

Financial income (expenses), net was an expense of R\$964.8 million for the six-month period ended June 30, 2011 as compared to income of R\$426.4 million for the corresponding period in 2010. This variation was mainly due to U.S. dollar/*real* exchange rate variations which affected the interest payments received from Itaipu as our loans to Itaipu are denominated in U.S. dollars. This variation is also due to an increase in financings for the SPEs during the six month period ended June 30, 2011.

Equity Investments

Equity investments increased R\$82.7 million, or 27.0%, to R\$388.6 million for the six-month period ended June 30, 2011 from R\$305.9 million for the corresponding period in 2010, reflecting an improvement in the performance of our affiliated companies mainly in the distribution segment.

Income Taxes and Social Contribution

Income taxes and social contribution decreased R\$463.9 million, or 49.1%, to R\$480.7 million for the six-month period ended June 30, 2011 from R\$944.6 million for the corresponding period in 2010. This decrease was mainly due to the reduction in earnings before taxes, which is the base used to calculate this line item.

Minority Interest

Minority interest for the six-month period ended June 30, 2011 increased R\$16.8 million, or 211.1%, to R\$24.7 million from R\$7.9 million for the corresponding period in 2010 due to an increase in net income of our affiliated companies in which we do not have more than 50% control.

Net Income

As a result of the factors discussed above, our net income increased R\$52.8 million, or 3.3%, to R\$1,636.0 million for the six-month period ended June 30, 2011 from R\$1,583.2 million for the corresponding period in 2010.

Results of Generation Segment

Net Operating Revenues

Net operating revenues for the generation segment for the six-month period ended June 30, 2011 increased R\$1,000.3 million, or 13.1%, to R\$8,628.6 million from R\$7,628.3 million for the corresponding period in 2010 due to the factors set forth below.

Electricity Sales

Electricity sales for the six-month period ended June 30, 2011 increased R\$1,259.3 million, or 14.6%, to R\$9,896.3 million from R\$8,637.0 million for the corresponding period in 2010 due to an increase in the volume of energy sold to 129,290,670 MW as of June 30, 2011 from 125,804,524 MW for the corresponding period in 2010 as a result of increased demand due to a 3.6% increase in the amount of electrical energy consumed in the six month

period ended June 30, 2011 as compared to the corresponding period in 2010, which was mainly due to industrial growth and increased consumption in the corporate and services sectors.

Other Operating Revenues

Other operating revenues for the six-month period ended June 30, 2011 decreased R\$31.0 million, or 8.5%, to R\$331.6 million from R\$362.6 million for the corresponding period in 2010 primarily due to the purchase of infrastructure materials including transmission poles.

Taxes on Revenues

Taxes on revenues for the six-month period ended June 30, 2011 increased R\$130.2 million, or 14.2%, to R\$1,048.3 million from R\$918.1 million for the corresponding period in 2010, primarily as a result of our increased gross revenues. The amount of our taxes on revenues is based on a percentage of gross revenues from generation.

Regulatory Charges on Revenues

Regulatory charges on revenues for the six-month period ended June 30, 2011 increased R\$97.9 million, or 21.6%, to R\$555.1 million from R\$453.2 million for the corresponding period in 2010, primarily as a result of our increased gross revenues during the period. The amount of our regulatory charges on revenues is based on a percentage of gross revenues from generation.

Operating Costs and Expenses

Operating costs and expenses for generation for the six-month period ended June 30, 2011 increased R\$323.9 million, or 5.3%, to R\$6,411.6 million from R\$6,087.7 million for the corresponding period in 2010. The primary components of this increase were:

- a R\$161.0 million, or 11.3%, increase in personnel expenses to R\$1,583.9 million from R\$1,422.9 million for the corresponding period in 2010, mainly due to an increase in the number of employees, payments to certain employees as an inducement for early retirement and average salaries, due to changes in personnel;
- a R\$72.3 million, or 13.8%, increase in remuneration and reimbursements to R\$596.2 million from R\$523.9 million for the corresponding period in 2010, mainly due to an increase in the volume of energy generated in areas where we pay royalties to the local municipalities; and
- a R\$55.1 million, or 7.7%, increase in depreciation and amortization expenses to R\$772.2 million from R\$717.2 million for the corresponding period in 2010, mainly due to the normal depreciation of generation assets in operation.

Results of Transmission Segment

Net Operating Revenues

Net operating revenues for the transmission segment for the six-month period ended June 30, 2011 increased R\$325.4 million, or 12.0%, to R\$3,045.0 million from R\$2,719.6 million for the corresponding period in 2010 due to the factors set forth below.

Electricity Sales

Electricity sales for the six-month period ended June 30, 2011 increased R\$317.3 million, or 11.1%, to R\$3,164.5 million from R\$2,847.2 million for the corresponding period in 2010 as a result of (1) an increase in the rates we charge due to an inflation adjustment in the six-month period ended June 30, 2011 to the fixed transmission tariff set by the Brazilian Government and (2) the operation and construction of new transmission lines in 2010 such as the 345 kV Eletrobras Furnas – Pimenta 2 transmission line, the 345 kV Adrianópolis – Venda das Pedras

transmission line, the 345 kV Macaé – Venda das Pedras transmission line and the 230 kV Paraíso - Açu II transmission line, which increased our transmission network, leading to an increase in sales.

Other Operating Revenues

Other operating revenues for transmission increased R\$24.3 million, or 51.0% to R\$71.8 million from R\$47.5 million for the corresponding period in 2010 mainly as a result of an increase in service income related to rents received from renting our transmission poles to third parties to allow them to transmit fiber optic cables.

Regulatory Charges on Revenues

Regulatory charges on revenues increased R\$16.2 million, or 9.2%, to R\$191.3 million from R\$175.2 million for the corresponding period in 2010 primarily as a result of our increased gross revenues during the period. The amount of our regulatory charges on revenues is based on a percentage of gross revenues from transmission.

Operating Costs and Expenses

Operating costs and expenses for transmission increased R\$306.8 million, or 13.4%, to R\$2,592.3 million from R\$2,285.4 million for the corresponding period in 2010. The primary components of this increase were:

- a R\$189.7 million, or 17.1%, increase in personnel expenses to R\$1,301.8 million from R\$1,112.0 million for the corresponding period in 2010, mainly due to an increase in the number of employees, payments to certain employees as an inducement for early retirement and average salaries; and
- a R\$70.5 million, or 7.0%, increase in construction costs to R\$1,082.7 million from R\$1,012.2 million for the corresponding period in 2010, mainly due to the addition of new fixed assets by our SPEs such as the 345 kV Eletrobras Furnas – Pimenta 2 transmission line, the 345 kV Adrianópolis – Venda das Pedras transmission line, the 345 kV Macaé – Venda das Pedras transmission line and the 230 kV Paraíso - Açu II transmission line.

Results of Distribution Segment

Net Operating Revenues

Net operating revenues for the distribution segment for the six-month period ended June 30, 2011 increased R\$182.2 million, or 10.7%, to R\$1,889.4 million from R\$1,707.2 million for the corresponding period in 2010 due to the factors set forth below.

Electricity Sales

Electricity sales for the six-month period ended June 30, 2011 increased R\$144.1 million, or 6.8%, to R\$2,272.4 million from R\$2,128.3 million for the corresponding period in 2010. This increase was primarily due to an increase in the volume of energy sold to 6,303,506 MW for the six-month period ended June 30, 2011 from 6,180,369 MW for the corresponding period in 2010 as a result of increased demand during the period.

Other Operating Revenues

Other operating revenues for the six-month period ended June 30, 2011 increased R\$51.1 million, or 98.9%, to R\$102.8 million from R\$51.7 million for the corresponding period in 2010 principally due to an increase in revenues from the rental of poles used to transmit broadband, telephone and television services as a result of increased usage due to increased demand.

Taxes on Revenues

Taxes on revenues for the six-month period ended June 30, 2011 increased R\$12.6 million, or 3.2%, to R\$412.7 million from R\$400.1 million for the corresponding period in 2010 primarily as a result of our increased

gross revenues during the period. The amount of our taxes on revenues is based on a percentage of gross revenues from distribution but the percentage differs depending on the category of electricity consumers.

Regulatory Charges on Revenues

Regulatory charges on revenues for the six-month period ended June 30, 2011 increased R\$0.4 million, or 0.6%, to R\$73.0 million from R\$72.6 million the corresponding period in 2010 primarily as a result of our increased gross revenues during the period. The amount of our regulatory charges on revenues is based on a percentage of gross revenues from distribution.

Operating Costs and Expenses

Operating costs and expenses for distribution for the six-month period ended June 30, 2011 increased R\$249.9 million, or 23.2%, to R\$1,326.0 million from R\$1,076.1 million for the corresponding period in 2010. The primary components of this increase were:

- a R\$88.4 million, or 43.1%, increase in construction costs to R\$293.8 million from R\$205.4 million for the corresponding period in 2010, mainly due to the addition of new fixed assets in the distribution segments, including transmission poles for the “Luz Para Todos” program. For further information on the “Luz Para Todos” program, see “Business—Brazilian Government Programs;”
- a R\$74.2 million, or 793.1%, increase in other operational expenses to R\$83.5 million from R\$9.3 million for the corresponding period in 2010, mainly due to new leases and rents, principally for cars and trucks, needed as a result of the increase in the number of new customers;
- a R\$32.7 million, or 11.4%, increase in electricity purchased for resale to R\$320.4 million from R\$287.8 million for the corresponding period in 2010, largely due to a combination of an increase in tariffs and an increase in the volume of energy purchased to 2,933,106 MW in the six-month period ended June 30, 2011 from 2,330,004 MW in the corresponding period in 2010, due to increased consumer demand as a result of a 3.6% increase in the amount of electrical energy consumed in the six month period ended June 30, 2011 as compared to the corresponding period in 2010, which was mainly due to industrial growth and increased consumption in the corporate and services sectors. In addition, certain plants, including the Eletrobras Furnas plants, were not ready for production which resulted in the need to purchase electricity in the spot market. For further information on the Eletrobras Furnas plants, see “—Overview—Events Affecting our Results for the Six-Month Period ended June 30, 2011—Impairment of Eletrobras Furnas;” and
- a R\$29.2 million, or 6.8%, increase in personnel expenses to R\$460.3 million from R\$431.1 million for the corresponding period in 2010, mainly due to an increase in the number of employees, an increase in incentive payments to certain employees as an inducement for early retirement, as well as an increase in average salaries, due to changes in personnel.

Year Ending December 31, 2010 compared to Year Ending December 31, 2009

Net Operating Revenues

Net operating revenues for 2010 increased R\$3,608 million, or 15.6%, to R\$26,749 million from R\$23,140 million in 2009. This increase was due to:

- an increase of R\$1,908 million, or 11.9%, in revenues from our generation segment resulting from an increase in tariffs and the fact that new generation plants, including Serra do Facão, Retiro Baixo and Foz do Chapecó, which began operations in 2010;

- an increase of R\$1,272 million, or 27.6%, in revenues from our transmission segment, primarily due to an increase in revenues from our SPE subsidiaries as a result of the construction on new transmission lines by our SPEs; and
- an increase of R\$415 million, or 16.6%, in revenues from our distribution segment, as a result of an increase in construction revenues as a result of new assets, principally transmission lines and substations, commencing operation in our transmission and distribution segment.

Operating Costs and Expenses

Operating costs and expenses for 2010 increased by R\$2,347 million, or 11.4%, to R\$23,008 million in 2010 from R\$20,661 million in 2009. As a percentage of net operating revenues, operating costs and expenses decreased to 86.0% in 2010, from 89.3% in 2009. The primary drivers of the increase in operating costs and expenses were:

- a R\$1,230 million, or 71.3%, increase in construction expenses to R\$2,953 million in 2010 from R\$1,724 million in 2009, mainly due to an increase in capital expenditures relating to transmission infrastructure projects, including the Rio Madeira and the Tucuri – Manaus transmission lines.
- a R\$884 million, or 13.6%, increase in personnel, supplies and services costs to R\$7,371 million in 2010 from R\$6,486 million in 2009, mainly due to an increase in the number of employees, an increase in incentive payments to certain employees as an inducement for early retirement, as well as an increase in average salaries, due to a new collective bargaining agreement; and
- a R\$734 million, or 20.5%, increase in electricity purchased for resale to R\$4,315 million in 2010 from R\$3,581 million in 2009, principally due to the fact that the operations of a number of our new generation plants, which were scheduled to begin in 2010, were delayed to 2011, resulting in the need to purchase electricity on the spot market.

Increases in these costs and expenses were partially offset by:

- a R\$611 million, or 28.5%, decrease in operating provisions to R\$1,529 million in 2010 from R\$2,140 million in 2009, mainly due to the reversal of a provision of R\$576 million, which we made at the holding company level in 2009, by Eletrobras Amazonas Energia following a favorable court ruling, which remains subject to appeal.

Financial Income (Expenses), Net

Financial income (expenses), net was an expense of R\$364 million in 2010 compared to an expense of R\$3,638 million in 2009. This decrease was mainly due to a R\$3,274 million, or 90.0%, decrease in expenses as a result of the appreciation of the value of the *real* against the U.S. dollar, which decreased Itaipu's dollar-denominated financial expenses when measured in *reais*.

Equity Investments

Equity investments decreased R\$902 million, or 57.4%, from R\$1,571 in 2009 to R\$670 in 2010 reflecting a decrease in revenues of our affiliated companies in 2010.

Income Taxes and Social Contribution

Income taxes and social contribution increased by R\$2,331 million, or 278.6%, to an expense of R\$1,494 million in 2010 from a credit of R\$837 million in 2009. The increase was primarily a result of the appreciation of the value of the *real* against the U.S. dollar which increased the interest payments received from Itaipu as our loans to Itaipu are denominated in U.S. dollars. This increase in interest payments increased income, which in turn increased the amount of income tax and social contribution owed.

Minority Interest

Minority interest decreased R\$34 million, or 9.9%, to an expense of R\$305 million in 2010 from an expense of R\$339 million in 2009, due to the fact that Eletrobras Eletrosul and Eletrobras Eletronorte increased their equity participations in certain special purpose companies, which decreased our minority interest expense. For a further description of our equity participations in special purpose companies, see “Business—Lending and Financing Activities—Equity Participation.”

Net Income

As a result of the factors discussed above, our net income for 2010 increased R\$3,159 million or 146.6% to a profit of R\$2,248 million from a loss of R\$911 million in 2009.

Results of Generation Segment

Net Operating Revenues

Net operating revenues for the generation segment increased R\$1,908 million, or 11.9%, to R\$17,914 million in 2010 from R\$16,007 million in 2009 due to the factors set forth below.

Electricity Sales

Electricity sales increased R\$2,336 million in 2010, or 13.4%, to R\$19,803 million in 2010 from R\$17,467 million in 2009 due to an increase in tariffs and the fact that new generation plants commenced operations during 2010.

Other Operating Revenues

Other operating revenues for the generation segment decreased R\$221 million, or 22.9%, to R\$746 million in 2010 from R\$967 million in 2009 primarily due to the purchase of infrastructure materials including transmission poles.

Taxes on Revenues

Taxes on revenues increased R\$133 million, or 8.6%, to R\$1,678 million in 2010 from R\$1,545 million in 2009 primarily as a result of increased revenues. For a description of the calculation of taxes on revenues please see “—Description of Principal Line Items—Operating Revenues—Taxes on Revenues” above.

Regulatory Charges on Revenues

Regulatory charges on revenues increased R\$75 million, or 8.4%, to R\$958 million in 2010 from R\$884 million in 2009 primarily as a result of increased revenues. For a description of the calculation of taxes on revenues please see “—Description of Principal Line Items—Operating Revenues—Regulatory Charges on Revenues” above.

Operating Costs and Expenses

Operating costs and expenses for the generation segment increased R\$1,653 million, or 15.3% to R\$12,480 million in 2010 from R\$10,827 million in 2009. The primary components of this increase were:

- a R\$744 million, or 28.6%, increase in electricity purchased for sale to R\$3,340 million in 2010 from R\$2,597 million in 2009, mainly due to fact that operation of our Candiota III thermal plant was delayed resulting in the need to purchase electricity on the spot market;
- a R\$321 million, or 35.2%, increase in grid utilization expenses to R\$1,234 million in 2010 from R\$913 million in 2009, due to an increased use of third party transmission lines and an increase in costs associated with this use; and

- a R\$470 million, or 17.2%, increase in personnel, supplies and services expenses to R\$3,202 million in 2010 from R\$2,732 million in 2009. This increase was mainly due to an increase in the number of employees, an increase in incentive payments to certain employees as an inducement for early retirement, as well as an increase in average salaries, due to a new collective bargaining agreement.

Increases in these costs and expenses were partially offset by:

- a R\$101 million, or 8.5%, decrease in remuneration and reimbursements expenses from R\$1,188 in 2009 to R\$1,087 in 2010, due to a decrease in the total volume of energy generated to 229,944,139 MW in 2010 from 241,295,704 MW in 2009 and a decrease in royalty payments.

Results of Transmission Segment

Net Operating Revenues

Net operating revenues for the transmission segment increased R\$1,272 million, or 27.6%, to R\$5,879 million in 2010 from R\$4,607 million in 2009 due to the factors set forth below.

Electricity Sales

Electricity sales increased R\$1,232 million in 2010, or 24.3%, to R\$6,297 million in 2010 from R\$5,065 million in 2009 as a result of an inflation adjustment to the fixed transmission tariff set by the Brazilian Government and the operation and construction of new transmission lines in 2010, including the Rio Madeira and Tucuruí – Manaus transmission lines.

Other Operating Revenues

Other operating revenues for the transmission segment increased R\$121 million, or 116.9%, to R\$224 million in 2010 from R\$103 million in 2009 principally as a result of an increase in leases of fixed assets, including poles used to transmit broadband.

Taxes on Revenues

Taxes on revenues increased R\$17 million, or 7.7%, to R\$237 million in 2010 from R\$220 million in 2009 primarily as a result of increased revenues. For a description of the calculation of taxes on revenues please see “—Description of Principal Line Items—Operating Revenues—Taxes on Revenues” above.

Regulatory Charges on Revenues

Regulatory charges on revenues increased R\$63 million, or 18.4%, to R\$404 million in 2010 from R\$341 million in 2009 primarily as a result of increased revenues. For a description of the calculation of taxes on revenues please see “—Description of Principal Line Items—Operating Revenues—Regulatory Charges on Revenues” above.

Operating Costs and Expenses

Operating costs and expenses for the transmission segment increased R\$1,109 million, or 24.6%, to R\$5,613 million in 2010 from R\$4,504 million in 2009. The primary components of this increase were:

- a R\$781 million, or 57.3%, increase in construction expenses to R\$2,143 million in 2010 from R\$1,362 million in 2009, mainly due to an increase in costs relating to the construction of the Rio Madeira and the Tucuruí – Manaus transmission lines;
- a R\$157 million, or 6.4%, increase in personnel, supplies and services costs to R\$2,612 million in 2010 from R\$2,455 million in 2009, mainly due to an increase in the number of employees, an increase in incentive payments to certain employees as an inducement for early retirement, as well as an increase in average salaries; and

- a R\$90 million, or 85.1%, increase in profit sharing to R\$196 million in 2010 from R\$106 million in 2009 due to an increase in our overall profits.

Increases in these costs and expenses were partially offset by:

- a R\$322 million, or 70.1%, decrease in other operating costs to R\$137 million in 2010 from R\$459 million in 2009 related to decreases in corporate costs and the payment of rent and equipment.

Results of Distribution Segment

Net Operating Revenues

Net operating revenues for the distribution segment increased R\$415 million, or 16.6%, to R\$2,913 million in 2010 from R\$2,498 million in 2009 due to the factors set forth below.

Electricity Sales

Electricity sales increased R\$415 million, or 12.6%, to R\$3,713 million in 2010 from R\$3,298 million in 2009. This increase was due to a 6% increase in the volume of electricity sold due to an increase in demand as well as an increase in the inflation index applied to those sales.

Other Operating Revenues

Other operating revenues increased R\$82 million, or 76.1%, to R\$190 million in 2010 from R\$108 million in 2009 principally due to the fact that our distribution companies received increased rental payments from renting out its telecommunications lines to third parties.

Taxes on Revenues

Taxes on revenues increased R\$23 million, or 2.9%, to R\$839 million in 2010 from R\$815 million in 2009 primarily as a result of our increased gross revenues. For a description of the calculation of taxes on revenues please see “—Description of Principal Line Items—Operating Revenues—Taxes on Revenues” above.

Regulatory Charges on Revenues

Regulatory charges on revenues increased R\$60 million, or 64.4%, to R\$152 million in 2010 from R\$92 million in 2009 primarily as a result of our increased gross revenues. For a description of the calculation of taxes on revenues please see “—Description of Principal Line Items—Operating Revenues—Regulatory Charges on Revenues” above.

Operating Costs and Expenses

Operating costs and expenses for the distribution segment increased R\$547 million, or 19.7%, to R\$3,316 million in 2010 from R\$2,770 million in 2009. The primary components of this increase were:

- a R\$352 million, or 112.3%, increase in construction expenses to R\$665 million in 2010 from R\$313 million in 2009. This increase was due to an increase in our capital expenditures relating to the improvement of our distribution network;
- a R\$171 million, or 22.8%, increase in personnel, supplies and services expenses to R\$922 million in 2010 from R\$751 million in 2009. This increase was mainly due to an increase in the number of employees, an increase in incentive payments to certain employees as an inducement for early retirement, as well as an increase in average salaries, due to a new collective bargaining agreement; and

- a R\$49 million, or 68.2%, increase in grid utilization expenses to R\$121 million in 2010 from R\$72 million in 2009. This increase was due to an increased use of third party transmission lines and an increase in costs associated with this use.

These increases were partially offset by a R\$31 million, or 9.9%, decrease in other operating expenses.

Liquidity and Capital Resources

Our principal sources of liquidity derive from the cash generated by our operations and from loans received from various sources, including the RGR Fund (established to compensate electricity concessionaires for uncompensated expenses when the concessions ended as described more fully in “—Principal Factors Affecting our Financial Performance—Our Role in Administering Brazilian Government Programs”), loans from third parties, including certain international agencies, and realizations of various investments we have made with Banco do Brasil S.A., with whom we are required by law to deposit any surplus cash assets. As of December 31, 2009 and 2010 and June 30, 2011 our indebtedness under the RGR Fund totaled an aggregate of R\$7,656.9 million, R\$8,159.0 million and R\$ 8,340.8 million, respectively. In addition, on July 23, 2009 we issued U.S.\$1 billion 6.875% notes due in 2019.

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

From time to time, we consider potential new investment opportunities and we may finance such investments with cash generated by our operations, loans, issuances of debt and equity securities, capital increases or other sources of funding that may be available at the relevant time. At present we have the ability to fund up to R\$4.0 billion of capital expenditure out of existing resources without the need to access the capital markets. Those funds represent a portion of the revenues we have generated from our sales of electricity and the interest we have received from our lending activities.

Cash Flows

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

	For the Six-Month period Ended June 30,		For the Year Ended December 31,	
	2011	2010	2010	2009
	<i>(in R\$ thousands)</i>			
Net Cash Flows:				
Provided by operating activities.....	7,275,454	4,276,627	7,643,910	8,809,027
Provided by (used in) investing activities.....	(3,329,352)	814,770	(7,134,922)	(4,238,265)
Provided by (used in) financing activities	(4,228,974)	(1,355,036)	93,888	(1,480,936)
Total	(282,872)	3,736,761	602,875	3,089,826

Cash Flow from Operating Activities

Our cash flows from operating activities primarily result from:

- the sale and transmission of electricity to a stable and diverse base of retail and wholesale customers at fixed prices; and
- restricted deposits for legal proceedings in cases where we are a plaintiff in a proceeding and are ordered to pay a deposit to the relevant court. Cash flows from operating activities have been sufficient to meet operating and capital expenditures requirements during the periods under discussion.

For the six-month period ended June 30, 2011, our cash flows from operating activities increased by R\$3.0 billion from R\$4.3 billion for the corresponding period in 2010 to R\$7.3 billion in 2011. This variation was mainly due to fluctuations in the market value of our marketable securities.

In 2010, our cash flows from operating activities decreased R\$1.2 billion, from R\$8.8 billion in 2009 to R\$7.6 billion in 2010. This variation was due to property acquisitions for our generation, transmission and distribution lines and an increase in capital in the SPEs.

Cash Flows from Investing Activities

Our cash flows from investing activities primarily reflect:

- restricted investments, being the surplus cash we are required to either deposit with Banco do Brasil S.A. (or in certain other investments issued by the Brazilian Government);
- investment acquisitions, being partnerships we enter into with third parties in the private sector in relation to the operation of new plants;
- acquisitions of fixed assets, being primarily investments in equipment necessary for operational activities; and
- Income derived from the following:
 - (1) CFT-E1 bonds issued by the Brazilian Government: these bonds are indexed to the IGP-M, bear no interest and are due in August 2012.
 - (2) NTN-P bonds issued by the Brazilian Government: these bonds are indexed by the TR, a monthly reference index published by the Central Bank, bear annual interest of 6.0% and mature on varying dates beginning in February 2012.
 - (3) Equity participation in the following companies: (1) Rede Lajeado Energia S.A., (2) EDP Lajeado Energia S.A., (3) CEB Lajeado S.A., and (4) Paulista Lajeado Energia S.A. We receive dividends from these equity interests based on the annual profits earned by each company.
 - (4) Deferred regulatory assets, primarily from accumulated profits and losses of Itaipu's operations, net of compensation through tariff increases.

For the six-month period ended June 30, 2011, our cash flows from investing activities decreased by R\$4.1 billion from R\$0.8 billion for the corresponding period in 2010 to negative R\$3.3 billion in 2011. This variation was mainly due to a decrease in loans and financings, as well as the acquisition of property and plants by our subsidiaries.

In 2010, our cash flows from investing activities decreased R\$2.9 billion, or 68.3%, from negative R\$4.2 billion in 2009 to negative R\$7.1 billion in 2010. This variation was due to the (1) lowering of the Advances for Future Capital Increases (“*Adiantamentos para Futuros Aumentos de Capital*”), which includes amounts we invest in our SPEs, and (2) increase in expenses for the acquisition of fixed assets.

Cash Flows from Financing Activities

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

For the six-month period ended June 30, 2011, our cash flows from financing activities decreased R\$2.8 billion, from negative R\$1.3 billion for the corresponding period in 2010 to negative R\$4.2 million for the

corresponding period in 2011 primarily as a result of the payment of dividends in the six month period ended June 30, 2011 and the payment of dividends from prior periods that had not yet been paid.

In 2010, our cash flows from financing activities increased R\$1,574.824 million, or 106.6%, from negative R\$1,480.936 million in 2009 to an inflow of R\$93.888 million in 2010. This variation was mainly due to an increase in long-term borrowings for our SPEs as a result of our expansion plans.

Relationship between Appropriated Retained Earnings and Cash Flows

As of June 30, 2011, our balance sheet reflected retained reserves of R\$42.6 billion, which consisted of our statutory reserves but do not include unpaid shareholders' remuneration. As of December 31, 2010, our balance sheet reflected retained reserves of R\$43.6 billion, which consisted of our statutory reserves but do not include unpaid shareholders' remuneration.

Capital Expenditures

In the last five years, we have invested an average of R\$4.1 billion per year in capital projects. Approximately 47.9% was invested in our generation segment, 34.1% in our transmission segment and the balance in our distribution segment and other investments.

Our core business is the generation, transmission and distribution of energy and we intend to invest heavily in these segments in the next years.

Companies are now selected to construct new generation units and transmission lines by a tender process. It is, therefore, difficult to predict the precise amounts that we will invest in these segments going forward. We are, however, working to secure a significant number of new contracts either alone or as part of a consortium including the private sector.

According to the EPE 10 Year Plan, it is estimated that Brazil will have 142,202 km of transmission lines and 171,138 MW of installed generation capacity by 2020. These investments will represent approximately R\$220 billion. As the current largest player in the market, we expect to participate in a significant part of these new investments. For these investments, we expect to use the funding derived from our net cash flow as well as from accessing national and international capital markets and through bank financing.

Our capital expenditures in 2009 and 2010 were \$5,262.0 million and R\$6,256.0 million, respectively, and in the six-month period ended June 30, 2011 were R\$3,457.0 million.

Indebtedness

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

	Payments due by period as of June 30, 2011			
	2012	2013	2014	2015 and after
	<i>(in R\$ thousands)</i>			
Long term debt obligations:				
Generation	311,036	572,565	657,516	18,173,984
Transmission	177,735	327,180	375,723	10,385,128
Distribution	4,937	9,088	10,437	288,472
Total	493,708	908,833	1,043,675	28,847,583

Payments due by period as of June 30, 2011						
	2012	2013	2014	2015	2016	2017 and after
	(in R\$ million)					
Long term purchase obligations:						
Generation	2,326	2,324	2,038	63	72	442
Transmission	-	-	-	-	-	-
Distribution.....	2,607	2,927	3,049	3,277	3,563	14,340
Total	4,933	5,251	5,087	3,340	3,635	14,782

Our leasing obligations are set out as follows, as of June 30, 2011:

	As of June 30, 2011
	(in R\$ millions)
Leasing obligations:	
No later than one year	125.7
Later than one year.....	1,771.3
Total	1,897.0

On July 30, 2009, we issued 6.875% notes due 2019 in an aggregate principal amount of U.S.\$1.0 billion in the international capital markets. These notes are subject to substantially the same terms and conditions as the notes under this offering.

On November 29, 2010 we executed a credit agreement in the amount of U.S.\$500.0 million with Corporación Andina de Fomento. The loan is repayable in semi-annual installments, with the final installment due on November 29, 2017. As of June 30, 2011, the aggregate outstanding balance on the loan totaled U.S.\$501.0 million.

On February 24, 2011, we executed a line of credit of up to U.S.\$495.0 million with the International Bank for Reconstruction and Development. The loan is repayable in semi-annual installments, with the final installment due on September 15, 2023. As of June 30, 2011, the aggregate outstanding balance on the loan totaled U.S.\$1.9 million.

As of the date of this offering circular we are in compliance with our material obligations under each of the existing debt agreements.

Qualitative and Quantitative Information Regarding Market Risk

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

Interest Rate Risks

Apart from loans in the total amount of U.S.\$1,555 million linked to the LIBOR rate, we do not have any debt that is directly linked to variable interest rates. As of December 31, 2010, we had R\$690 million of indebtedness that was indexed to the IGP-M, while as of June 30, 2011 we had R\$660 million of indebtedness that was indexed to the IGP-M. Variations in interest rates may impact inflation and, accordingly, we are indirectly subject to changes in interest rates that may increase the cost of financing.

As of December 31, 2010, 6.0% of our total indebtedness of R\$11.73 billion denominated in *reais* was indexed to the IGP-M or other inflation indices, while as of June 30, 2011, 5.2% of our total indebtedness of R\$12.5 billion denominated in *reais* was indexed to the IGP-M or other inflation indices. As a result, our exposure to Brazilian inflation risk was R\$690 million as of December 31, 2010 and R\$660 million as of June 30, 2011. Each 1.0% variation in the IGP-M rate or any other inflation index would have an impact of R\$6.6 million on our net income.

Exchange Rate Risks

As of December 31, 2010, approximately 43.0% of our total consolidated indebtedness of R\$33.1 billion was denominated in foreign currencies, while as of June 30, 2011, approximately 38.3% of our total consolidated indebtedness of R\$33.7 billion was denominated in foreign currencies. Of our 2010 foreign currency denominated indebtedness, R\$13.5 billion, or approximately 97.0% was denominated in U.S. dollars (and of which R\$8.3 billion, or approximately 60.0% was indebtedness of Itaipu). Additionally, of our foreign currency denominated indebtedness as of June 30, 2011, R\$12.5 billion, or approximately 97.0% was denominated in U.S. dollars (and of which R\$7.6 billion, or approximately 59.2% was indebtedness of Itaipu).

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

In 2008, we entered into short-term derivative contracts, which expired in December 2008. Since January 1, 2009, we do not have any derivative contracts outstanding and we are not proposing to enter into derivative contracts providing leverage or credit protection. Our general strategy is to focus on protection from currency fluctuations. However, we were considering broadening our hedging policy to cover others market risks, such as interest rates and indices, as well as embedded derivatives.

As a result, our actual exposure to U.S. dollar exchange rate risk was R\$12.1 billion as of December 31, 2010 and R\$10.7 billion as of June 30, 2011. Each 1.0% variation in the U.S. dollar/Brazilian *real* exchange rate would have a negative impact of R\$107 million on our net income.

Trend Information

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

- ***electricity is in constant demand***: unlike certain industries which are particularly vulnerable to cyclical conditions in the market and/or seasonality, the demand for electricity is constant. We believe we will continue to have the ability to set tariffs in accordance with market conditions, particularly in the generation segment. Although tariffs in the transmission segment are set by the Brazilian Government each year, we believe that these tariffs will continue to increase;
- ***participation in future auctions will allow us to grow***: we expect to participate in an increasing number of future new energy auctions, as well as new transmission auctions, and will, accordingly need to invest in new power generation plants (hydroelectric, wind, biomass and thermal) and new transmission lines in order to expand the existing grid and keep our current market share. We also believe that by focusing on generation and transmission, we will be able to maximize profits by improving efficiency in our existing infrastructure and capitalizing on opportunities arising from new infrastructure;
- ***a decrease in regulatory charges once infrastructure investments have been completed***: in recent periods, our financial results have been impacted by regulatory charges regulated by ANEEL. The proceeds of these charges have been used by the Brazilian Government to invest in infrastructure such as the CCC and RGR. As this infrastructure is completed, we believe ANEEL will decrease the levels of regulatory charges, which will have a positive effect on our financial results. However, we do not believe there will be any changes in the short term. Moreover, we believe that the completion of these infrastructure projects will have a beneficial effect on our ability to grow our business;

- ***revenues from third parties for maintenance of facilities***: although the core of our business will remain the generation and transmission segments, we have successfully increased our revenues in recent periods by using our expertise to provide maintenance services for other companies in our industry. Our subsidiary Eletrobras Eletronorte has been the key conduit for this. We expect this trend to continue, thereby improving our financial position; and
- ***an increasing focus on environmental, health and safety concerns***: there is a trend in Brazil and globally towards increasing concerns for the protection of the environment. This impacts us in various ways, including dealing with social and political issues that may arise when we seek to construct new facilities (particularly in remote areas of Brazil) and reduced carbon emission targets from facilities that rely on fossil fuel. One of the key challenges for us will be to balance these environmental concerns against the growth of our business, as these concerns naturally can increase cost pressures. There is also an increasing trend in Brazil towards more stringent health and safety requirements with respect to operating permits for our facilities, which similarly imposes cost pressure challenges on our business.

BUSINESS

Overview

Directly and through our subsidiaries, we are involved in the generation, transmission and distribution of electricity in Brazil. As of June 30, 2011 and as of December 31, 2010, we controlled approximately 37.0% of the installed power generating capacity within Brazil. Through our subsidiaries, we are also responsible for approximately 55.5% of the installed transmission capacity above 230 kV in Brazil as of June 30, 2011 and as of December 31, 2010. Our revenues derive mainly from:

- the generation of electricity and its sale to electricity distribution companies and free consumers;
- the transmission of electricity on behalf of other electricity concessionaires; and
- the distribution of electricity to end consumers.

For the year ended December 31, 2010, we derived 67.0%, 22.0% and 10.9% of our net revenue from our electricity generation, transmission and distribution businesses, respectively, while for the six-month period ended June 30, 2011, we derived 63.6%, 22.5% and 13.9% of our net revenue from our electricity generation, transmission and distribution businesses, respectively. For the year ended December 31, 2010, our net revenues were R\$26,749 million, compared to R\$23,141 million for the year ended December 31, 2009. Additionally, for the six-month period ended June 30, 2011 our net revenues were R\$13,592 million, compared to R\$12,076 million for the same period in 2010.

Our Strengths

We believe that our competitive strengths are as follows:

Large and diverse company engaged in a variety of energy activities, particularly generation and transmission. As of December 31, 2010, we are the largest generation company in Brazil as measured by installed capacity and the largest transmission company in Brazil as measured by percentage of the Brazilian transmission grid for which we are responsible. With respect to generation, we had an installed capacity of 42,091 MW as of June 30, 2011 and as of December 31, 2010 (considering the 350 MW installed capacity of our Candiota III generation facility, in operation since January 3, 2011), 39,453 MW as of December 31, 2009 and 39,402 MW as of December 31, 2008. We are not reliant on a single source of generation, as we use a variety of sources, including thermal, hydroelectric and nuclear power. If one power source becomes inefficient or too costly, we are able to rely on our other sources to continue our business. For further information, see “Business—Generation.” With respect to transmission, we were responsible for 55.5% of transmission capacity above 230 kV in Brazil as of June 30, 2011 and as of December 31, 2010. We believe that the scale of our generation and transmission operations places us in a position of leadership in the Brazilian market.

Vast experience that provides us with an excellent platform for future growth. We have over 45 years of experience in the Brazilian electricity sector and an established track record of successfully planning, developing and executing new projects. Our personnel have vast experience and, together with our considerable institutional know-how, developed as a result of our scale and historical success, we believe this experience provides an excellent platform for future growth. For example, through our subsidiary Eletrobras Eletronuclear, we are the only company in Brazil that operates nuclear energy plants (Angra I and Angra II), and will use this experience in the planned construction and development by Eletrobras Eletronuclear of Brazil’s third nuclear energy plant, Angra III. For further information about Eletrobras Eletronuclear and Angra III, see “Business—Generation—Nuclear Plants.” Additionally, this experience has led us to invest in new projects. We have invested in a variety of generation projects, which are expected to increase our generation capacity by approximately 10,000 MW by 2015.

Solid financial position. We believe that we have a solid and stable financial position and capital structure. As of December 31, 2010, we had R\$146.9 billion of total assets on our balance sheet and a capital stock of approximately R\$26.1 billion. As of June 30, 2011, we had R\$146.3 billion of total assets on our balance sheet and a capital stock of R\$31.3 billion. In May 2008, S&P upgraded our international issuer credit rating to investment grade (BBB-). It has since maintained this rating and in May 2011 changed our outlook from stable to positive. We

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

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

Our Strategies

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

- ***Expand and improve efficiency in our generation, transmission and distribution businesses.*** Our business has historically been focused on both our core operations in the Brazilian generation, transmission and distribution markets and on our former role as lender to third parties, including historically to our subsidiaries. Since the advent of privatization in our industry, the opportunities to consolidate our role as lender have diminished because many of our former subsidiaries were privatized and we are no longer permitted to act as lender to those companies or any other third party. Accordingly, we have adopted a strategy of focusing on our core operations of generation, transmission and distribution. This strategy involves a particular focus on maximizing opportunities arising from the auction process, set out in the Electricity Regulatory Law, for the sale of electricity to distribution companies. By focusing on generation, transmission and distribution, we believe that we will be able to maximize profits by improving efficiency in our existing infrastructure and capitalizing on opportunities arising from new infrastructure such as new power units and transmission lines. Our PAE for 2009-2012 includes the strategic target of increasing generation capacity by 6,459 MW and increasing transmission lines to the SIN by 10,386 km by 2012. In addition, we plan to invest R\$7 billion in our transmission segment from 2011 until 2013.
- ***Renewed strategy for distribution business.*** With respect to our distribution business, as part of the PAE, we adopted a renewed strategy in 2008 for the management of our distribution companies and are seeking to continue to improve their operational efficiency. In 2008, we reorganized the governance and management of our distribution companies (except Eletrobras Amazonas Energia) so that each company would have the same members in their respective boards of directors and the same CEO. Initially, the new administration focused on improving each company's quality of service and increasing its total income. We standardized our processes and policies in order to make our distribution business more efficient and to centralize the purchase of material and services and negotiations with debtors. Although we have already made substantial progress in terms of efficiency, we intend to continue to improve our policies to further reduce any commercial and technical losses with a view to improving the financial position of these subsidiaries. We believe that we will be able to achieve our operational efficiency goals by 2014. For further information about our distribution companies, please see "Business—Distribution—Distribution Companies."
- ***We seek to maintain high corporate governance standards and to promote sustainability in order to enhance the value of our brand.*** Our common shares are listed on the BM&FBOVESPA's Level 1 segment and on the NYSE. As a result of these listings, we are required to comply with numerous regulations, and we believe that by complying with these regulations we will maintain high corporate governance standards. Our current corporate governance standards are included in the PAE, the audit and administration manuals, the internal regulations of the Board of Directors and Audit Committee and our by-laws. We believe that improving our corporate governance standards will help us to achieve growth, profitability and increased market share as a result of the positive effect these standards have for our brand, both

domestically and internationally. As part of this strategy, we have already begun the process of establishing the controls and procedures required by the Sarbanes Oxley Act of 2002. In addition, we are a signatory to the United Nations Global Compact, the world's largest corporate responsibility initiative, and are a member of the BM&FBOVESPA's ISE Corporate Sustainability Index. We are currently amending our by-laws so that we will be compliant with the BM&FBOVESPA's Level 2 segment, which has stricter corporate governance standards. We are also aiming to obtain membership in the Dow Jones Sustainability Index. We believe that both membership in these initiatives and registration with organizations that are known to have governance standards that are among the most stringent in the world will enable us to significantly raise our global profile. In order to manage and promote all of these initiatives we have developed a ten-year Strategic Corporate Plan (*Plano Corporativo Estratégico*). We strive to continue to be a competitive company that emphasizes social and environmental responsibility and sustainability together with the development and quality of life for our employees. Our goal is to be the largest global enterprise providing clean energy by 2020, while maintaining our competitive rates of return. In order to maintain our present market share, we are continually focused on improving the performance of our investments, including by diversifying our portfolio of equity investments, restructuring our subsidiaries and expanding into international markets.

- ***Selectively identify growth opportunities in certain international markets.*** In accordance with our PAE, we are conducting feasibility studies for investments in neighboring countries, including, Argentina, Colombia, Peru and Uruguay. Our strategic goal is to generate new energy that can be added to the Interconnected Power System and to integrate certain electrical power systems in the Americas. In order to achieve sustained growth, we believe that certain international electricity markets offer opportunities and we plan to selectively identify opportunities in these markets in the future. We may also identify and pursue growth opportunities outside of South America, including renewable energy projects.

General

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

Organizational Structure

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

- *Itaipu*, a plant in which we and a Paraguayan governmental entity (ANDE) each hold a 50.0% interest and which we believe is one of the world's largest hydroelectric plants by volume of energy generated;
- *Eletrobras Eletrosul*, which engages in transmission activities in the States of Santa Catarina, Rio Grande do Sul, Mato Grosso do Sul and Paraná;
- *Eletrobras Distribuição Piauí*, which engages in distribution activities in the State of Piauí;
- *Eletrobras Distribuição Alagoas*, which engages in distribution activities in the State of Alagoas
- *Eletrobras Distribuição Rondônia*, which engages in distribution activities in the State of Rondônia;

- *Eletrobras Eletronorte*, which engages in generation, transmission and limited distribution activities, in the north and part of the midwest regions of Brazil and is the holding company of Eletrobras Distribuição Roraima;
- *Eletrobras Chesf*, which engages in generation, transmission in the northeast region of Brazil;
- *Eletrobras Furnas*, which engages in generation and transmission activities, in the southeast and part of the midwest regions of Brazil;
- *Eletrobras Eletronuclear*, which owns and operates two nuclear plants, Angra I and Angra II and started construction a third;
- *Eletrobras CGTEE*, which owns and operates thermal plants in the south region of Brazil;
- *Eletrobras Distribuição Acre*, which engages in distribution activities in the State of Acre; and
- *Eletrobras Amazonas Energia*, which engages in generation and distribution in the State of Amazonas. Prior to May 31, 2008 it was a subsidiary of Eletrobras Eletronorte but is now directly owned by Eletrobras. Eletrobras Amazonas Energia now also operates in the interior of the State of Amazonas that was, until March, 2008, operated by Ceam, which used to be directly held by Eletrobras, but no longer exists as a standalone operating company.

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

We also hold a majority interest in Eletrobras Eletropar, which is a holding company that holds minority interests in the following five Brazilian distribution companies: (1) AES Eletropaulo Metropolitana de Eletricidade de São Paulo S.A. – AES Eletropaulo; (2) Energias do Brasil S.A. – Energias do Brasil; (3) Companhia de Transmissão de Energia Elétrica Paulista – CTEEP; (4) Empresa Metropolitana de Águas e Energia S.A. – EMAE; and (5) Companhia Piratininga de Força e Luz – CPFL.

On February 22, 2008, we announced that the Board of Directors of our subsidiary Eletrobras Eletrosul resolved to purchase majority shares in Empresa de Transmissão de Energia de Santa Catarina S.A. – SC Energia and Empresa de Transmissão de Energia do Rio Grande do Sul S.A. – RS Energia, each of which is a company that focuses on the transmission of electricity. The acquisitions were approved by ANEEL and, as a result of this acquisition we have improved our transmission capacity in the southern region of Brazil.

Generation

Our principal activity is the generation of electricity. Net revenues (including financial revenues at the holding company level) from generation represented 67.0% and 69.2% of our total net revenues in the years ended December 31, 2010 and 2009, respectively, and they represented 63.5% for the six-month period ended June 30, 2011. Including Itaipu, our power plants generated 44.7%, 51.6% and 49.4% of the total electricity generated in Brazil in 2010, 2009 and 2008, respectively.

Pursuant to Law No. 5,899, of July 5, 1973, and Decree 4,550, of December 27, 2002, Eletrobras must sell all energy produced by Itaipu to distribution companies in the Southern, Southeastern and Midwestern regions in Brazil (see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Principal Factors Affecting our Financial Performance—Itaipu”).

We had an installed capacity of 42,080 MW as of December 31, 2010 (including the 350 MW capacity of Candiota III, which is in operation since January 3, 2011), 39,453 MW as of December 31, 2009 and 39,402 MW as of December 31, 2008. The increase in capacity over these periods reflects continuous growth. Additionally, we have approximately 10,000 MW in planned projects throughout Brazil until 2015, which are currently under construction, and we have begun feasibility studies for an additional approximately 20,000 MW.

Concessions

As of December 31, 2010, we operated under the following concessions/authorizations granted by ANEEL for our generation businesses:

Concessions/Authorizations	State	Type of Plant	Installed Capacity (MW)	End of Concession/ Authorization	Began Service or expect to begin
Eletrobras CGTEE					
São Jerônimo	Rio Grande do Sul	Thermal	20.00	July 7, 2015	April 1953
Presidente Médici	Rio Grande do Sul	Thermal	446.00	July 7, 2015	January 1974
Nutepa	Rio Grande do Sul	Thermal	24.00	July 7, 2015	February 1968
Candiota III	Rio Grande do Sul	Thermal	350.0	January 2024	January 2011
Eletrobras Chesf					
Funil ⁽¹⁾	Bahia	Hydroelectric	30.00	July 7, 2015	March 1962
Pedra ⁽¹⁾	Bahia	Hydroelectric	20.00	July 7, 2015	April 1978
Araras	Ceará	Hydroelectric	4.00	July 7, 2015	February 1967
Curemas	Bahia	Hydroelectric	3.52	November 25, 2024	January 1957
Paulo Afonso Complex and Moxotó (Apolônio Sales)	Bahia	Hydroelectric	4,280.00	October 2, 2015	January 1955
Sobradinho	Bahia	Hydroelectric	1,050.30	February 9, 2022	April 1979
Luiz Gonzaga	Pernambuco	Hydroelectric	1,479.60	October 3, 2015	February 1988
Boa Esperança	Piauí/Maranhão	Hydroelectric	237.30	October 10, 2015	January 1970
Xingó	Sergipe/Alagoas	Hydroelectric	3,162.00	October 2, 2015	April 1994
Piloto	Bahia	Hydroelectric	2.0	July 7, 2015	February 1949
Camaçari	Bahia	Thermal	360.00	August 10, 2027	February 1979
Eletrobras Eletronorte					
Rio Acre	Acre	Thermal	45.49	Indefinite	April 1994
Rio Branco II	Acre	Thermal	32.75	Indefinite	February 1988
Rio Branco I	Acre	Thermal	18.65	Indefinite	February 1988
Electron (TG)	Amazonas	Thermal	60.00	Indefinite	June 2005
Santana	Amapá	Thermal	178.00	Indefinite	January 1993
Rio Madeira	Rondônia	Thermal	119.35	Indefinite	April 1968
Coaracy Nunes	Amapá	Hydroelectric	76.95	July 8, 2015	January 1975
Tucuruí	Pará	Hydroelectric	8,370.00	July 11, 2024	November 1984
Samuel	Rondônia	Hydroelectric	216.75	September 14, 2029	January 1989
Curuá-Una ⁽²⁾	Pará	Hydroelectric	30.30	July 27, 2028	July 1977
Senador Arnon Afonso Farias	Roraima	Thermal	85.92	Indefinite	-
Serra do Navio ⁽⁶⁾	Amapá	Thermal	23.30	May 20, 2037	November 2008
Eletrobras Eletronuclear⁽³⁾					
Angra I	Rio de Janeiro	Nuclear	640.00	Indefinite	January 1985
Angra II	Rio de Janeiro	Nuclear	1,350.00	Indefinite	September 2000
Eletrobras Furnas					
Corumbá I	Goiás	Hydroelectric	375.00	November 29, 2014	April 1997
Serra da Mesa ⁽⁴⁾	Goiás	Hydroelectric	1,275.00	May 7, 2011	April 1998
Eletrobras Furnas	Minas Gerais	Hydroelectric	1,216.00	July 7, 2015	March 1963
Itumbiara	Minas Gerais/Goiás	Hydroelectric	2,082.00	February 26, 2020	February 1980
Marimbondo	São Paulo/Minas Gerais	Hydroelectric	1,440.00	March 7, 2017	April 1975
Peixoto (Mascarenhas de Moraes)	Minas Gerais	Hydroelectric	476.00	October 31, 2023	April 1956
Porto Colômbia	Minas Gerais	Hydroelectric	320.00	March 16, 2017	March 1973
Manso	Mato Grosso	Hydroelectric	212.00	February 9, 2035	October 2000
Funil ⁽¹⁾	Minas Gerais	Hydroelectric	216.00	July 7, 2015	April 1969
Estreito	São Paulo	Hydroelectric	1,050.00	July 7, 2015	January 1969
Campos ⁽⁵⁾	Rio de Janeiro	Thermal	30.00	July 27, 2007	April 1968
Santa Cruz	Rio de Janeiro	Thermal	932.00	July 7, 2015	March 1967
Peixe Angical ⁽⁶⁾	Tocantins	Hydroelectric	452.00	November 6, 2036	June 2006
Baguari ⁽⁶⁾	Minas Gerais	Hydroelectric	140.0	August 2041	November 2009
Retiro Baixo ⁽⁶⁾	Minas Gerais	Hydroelectric	82.0	August 2041	March 2010
Foz do Chapecó ⁽⁶⁾	Rio Grande do Sul	Hydroelectric	855.0	November 2036	August 2010
Serra do Facão ⁽⁶⁾	Goiás	Hydroelectric	212.6	November 2036	October 2010
Itaipu⁽⁷⁾					
Itaipu Binacional	Paraná	Hydroelectric	14,000.00	Not applicable	-

Concessions/Authorizations	State	Type of Plant	Installed Capacity (MW)	End of Concession/ Authorization	Began Service or expect to begin
Eletrobras Amazonas Energia					
Aparecida	Amazonas	Thermal	251.50	Indefinite	February 1984
Mauá	Amazonas	Thermal	711.40	Indefinite	April 1973
Balbina	Amazonas	Hydroelectric	277.50	March 1, 2027	January 1989
UT CO Cidade Nova	Amazonas	Thermal	20.0	Indefinite	August 2008
UT AS São José	Amazonas	Thermal	50.0	Indefinite	February 2008
UT FO Flores	Amazonas	Thermal	80.0	Indefinite	August 2008
UTE Iranduba	Amazonas	Thermal	50.0	Indefinite	November 2010
UTE Distrito	Amazonas	Thermal	40.0	Indefinite	October 2010
Electron (TG)	Amazonas	Thermal	120.0	Indefinite	June 2005
Others	Amazonas	Thermal	597.1	Indefinite	-
Under Construction					
Suitable Plants					
Simplicio	Rio de Janeiro/ Minas Gerais	Hydroelectric	333.70	August 2041	August 2011
Batalha	Minas Gerais/Goiás	Hydroelectric	52.50	August 2041	May 2012
Candiota III	Rio Grande do Sul	Thermal	350.0	January 2024	January 2010
Passo São João	Rio Grande do Sul	Hydroelectric	77.0	August 2041	January 2012
São Domingos	Mato Grosso do Sul	Hydroelectric	48.0	December 2037	February 2012
Barra do Rio Chapéu	Santa Catarina	Small Hydroelectric Central	15.0	December 2035	March 2012
João Borges	Santa Catarina	Small Hydroelectric Central	19.0	December 2035	March 2012
Angra III	Rio de Janeiro	Nuclear	1,405	Indefinite	December 2015
Special Purpose Vehicle					
Dardanelos	Mato Grosso	Hydroelectric	261.0	July 2042	Not yet defined
Jirau	Rondônia	Hydroelectric	3,300.0	August 2043	January 2013
Santo Antônio	Rondônia	Hydroelectric	3,150.0	June 2043	December 2011
Mauá ⁽⁸⁾	Paraná	Hydroelectric	361.0	July 2042	January 2012
Belo Monte	Pará	Hydroelectric	11,233.00	August 2044	February 2015
São Pedro do Lago	Bahia	Wind	28.80	February 2046	January 2013
Pedra Branca	Bahia	Wind	28.80	February 2046	January 2013
Sete Gameleiras	Bahia	Wind	28.80	February 2046	January 2013
Miassaba 3	Rio Grande do Norte	Wind	50.4	August 2045	March 2012
Teles Pires	Mato Grosso/Pará	Hydroelectric	1,820.0	March 2045	January 2015
Rei dos Ventos 1	Rio Grande do Norte	Wind		December 2045	May 2011
Rei dos Ventos 3	Rio Grande do Norte	Wind	48.6	December 2045	November 2011
Cerro Chato I	Rio Grande do Sul	Wind	30.0	August 2045	November 2011
Cerro Chato II	Rio Grande do Sul	Wind	30.0	August 2045	September 2011
Cerro Chato III	Rio Grande do Sul	Wind	30.0	August 2045	May 2011

- (1) Approval for the renovation of the environmental licences of both Funil and Pedra has been requested but the licences have not yet been granted. However, this does not affect the operations at either plant.
- (2) This plant was transferred from Celpa to Eletrobras Eletronorte in December 2005 as payment for outstanding debts owed by Celpa to Eletrobras Eletronorte relating to sales of energy.
- (3) The nuclear plants are authorized to operate for 40 years from the date on which they commenced operations. A few years prior to this due expiration date, each applicable nuclear energy company may request an extension of its respective permit from CNEN. In order to obtain an extension, CNEN may request the replacement of certain equipment. For example, in the case of Angra I, CNEN requested the replacement of a steam generator following our request to extend the permit by 20 years.
- (4) Pending MME's approval.
- (5) This plant is not operational.
- (6) Serra do Navio, Peixe Angical, Baguari, Retiro Baixo, Foz do Chapecó and Serra do Facão are special purpose entities in which we hold an ownership interest of 49.0%, 40.0%, 15.0%, 49.0%, 49.5% and 40.0%, respectively. Figures in this table refer to the total capacity of each plant.
- (7) Itaipu does not operate pursuant to a concession but rather the Itaipu Treaty that expires in 2023. We own 50.0% of Itaipu Binacional.
- (8) This plant is owned by the Cruzeiro do Sul Energetic Consortium, in which Eletrobras Eletrosul holds a 49.0% ownership interest.

Source: internal sources.

Types of Plants

Hydroelectric power plants accounted for 91.0% of our total power generated in 2010, compared to 93.1% in 2009 and 92.1% in 2008.

We also generate electricity through our thermal and nuclear plants. Thermal plants accounted for 2.8% of our total power generated in 2010, compared to 1.6% in 2009 and 1.8% in 2008. Nuclear plants accounted for 6.3% of our total power generated in 2010, compared to 5.4% in 2009 and 6.1% in 2008.

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

	Year Ended December 31,		
	2010 ⁽²⁾	2009	2008
	(MWh)		
Type of plant:			
Hydroelectric ⁽¹⁾	209,030,648	224,511,387	211,485,963
Thermal.....	6,369,683	3,809,229	4,128,403
Nuclear.....	14,543,807	12,975,088	14,003,775
Total	229,944,139	241,295,704	229,618,141

(1) Including Itaipu.

(2) Does not consider energy generated by SPEs in which we hold equity interests.

Hydroelectric Plants

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

As of December 31, 2010, we owned and operated 29 hydroelectric plants; in addition, we hold a 50.0% interest in Itaipu, the other 50.0% of which is owned by a Paraguayan governmental entity and participations in the Peixe Angical (40.0%), Serra do Facão (49.5%), Retiro Baixo (49.0%), Foz do Chapecó (40.0%) and Baguari (31.0%) plants. The ONS is solely responsible for determining, in any year, how much electricity each of our plants should generate. As of December 31, 2010, the total installed capacity of our hydroelectric plants was 35,591 MW (including 50.0% of Itaipu and our participations in the SPEs referred to above). The following tables set out information with respect to hydroelectric plants owned by us as of December 31, 2010 and for the year then ended:

	Installed ⁽¹⁾	Assured Energy ⁽²⁾	Began Service
	Capacity	(MW)	
Hydroelectric plants:			
Curuá-Una ⁽³⁾	30	24	1977
Peixoto (Mascarenhas de Morais).....	476	295	1973
Curemas.....	3,520	1,9	1957
Paulo Afonso complex and Moxotó.....	4,279.6	2,225	1957
Funil (Eletrobras Chesf).....	30	14,73	1962
Eletrobras Furnas.....	1,216	598	1963
Araras.....	4	-	1967
Funil (Eletrobras Furnas).....	216	121	1969
Estreito.....	1,050	495	1969
Boa Esperança.....	237,3	143	1970
Porto Colômbia.....	320	185	1973
Coaracy Nunes ⁽³⁾	76,95	-	1975
Marimbondo.....	1,440	726	1975
Pedra.....	20	6,84	1978
Sobradinho.....	1,050	531	1979
Luiz Gonzaga.....	1,479	959	1979
Itumbiara.....	2,082	1,015	1980
Tucuruí complex.....	8,370	4,238	1984
Samuel ⁽³⁾	216,75	73,54	1989
Balbina ⁽³⁾	277,5	-	1989
Xingó.....	3,162	2,139	1994
Corumbá I.....	375	209	1997
Serra da Mesa ⁽⁴⁾	1,275	671	1998
Manso ⁽⁴⁾	212	92	2000
Peixe Angical ⁽⁵⁾	452	271	2006

	Installed⁽¹⁾ Capacity	Assured Energy⁽²⁾	Began Service
		(MW)	
Piloto	2,0	-	1949
Baguari ⁽⁷⁾	140	80	2009
Retiro Baixo ⁽⁸⁾	82	38,5	2010
Serra do Facão ⁽⁹⁾	212,6	182,4	2010
Foz do Chapecó ⁽¹⁰⁾	855	432,0	2010
Itaipu ⁽⁶⁾	14,000	8,577	1985

- (1) The installed capacity of Itaipu is 14,000 MW. Itaipu is equally owned by Brazil and Paraguay.
- (2) Assured energy is the maximum amount per year that each plant is permitted to sell in auctions/supply to the Interconnected Power System, an amount determined by ONS. Any energy produced in excess of assured energy is sold in the Free Market.
- (3) The Balbina, Curuá-Una, Samuel and Coaracy Nunes plants are part of the isolated system and do not have an assured energy restriction.
- (4) We own 48.46% of the Serra Mesa plant and 70.0% of the Manso plant. Figures in this table refer to the entire capacity/utilization of each plant.
- (5) We own 40.0% of the Peixe Angical plant. Figures in this table refer to the entire capacity/utilization of the plant.
- (6) We own 50.0% of the Itaipu plant. Figures in this table refer to the entire capacity/utilization of the plant.
- (7) We own 15.0% of the Baguari plant. Figures in this table refer to the entire capacity/utilization of the plant.
- (8) We own 49.0% of the Retiro Baixo plant. Figures in this table refer to the entire capacity/utilization of the plant.
- (9) We own 49.5% of the Serra do Facão plant. Figures in this table refer to the entire capacity/utilization of the plant.
- (10) We own 40.0% of the Foz do Chapecó plant. Figures in this table refer to the entire capacity/utilization of the plant.

The following table describes the energy generated by the hydroelectric plants owned by us, the assured energy and the actual operational utilization. We have converted the measurement of the assured energy to MWh so that we can compare it against the energy generated.

	Assured Energy	Generated Energy⁽¹⁾	Actual Operational Utilization
	(MWh)		(%)
Hydroelectric plants:			
Funil (Eletrobras Chesf)	129,034.8	59,159	45.85
Pedra	59,918.4	14,597	24.36
Araras	0	0	0
Curemas	16,644	9,615	57.77
Paulo Afonso complex and Moxotó	19,491,000	15,254,603	78.26
Sobradinho	4,651,560	3,731,236	80.21
Luiz Gonzaga	8,400,840	6,945,757	82.68
Boa Esperança	1,252,680	1,269,022	101.3
Xingó	18,737,640	16,872,824	90.05
Coaracy Nunes ⁽²⁾	-	589,195	0
Tucuruí complex	37,131,099.6	38,070,713	102.53
Samuel	819,410.4	733,170	89.48
Corumbá I	1,830,840	1,581,024	86.36
Curuá-Una ⁽²⁾	217,686	252,350	115.92
Serra da Mesa ⁽³⁾	2,848,459	3,083,610	108.26
Eletrobras Furnas	5,238,480	6,212,664	118.60
Itumbiara	8,891,400	8,362,897	94.06
Marimbondo	6,359,760	7,579,033	119.17
Peixoto (Mascarenhas de Moraes)	2,584,200	3,112,813	120.46
Porto Colômbia	1,620,600	2,075,035	128.04
Manso ⁽³⁾	564,144	475,942	84.37
Funil (Eletrobras Furnas)	1,059,960	1,264,924	119.34
Estreito	4,336,200	4,601,170	106.11
Balbina ⁽²⁾	-	909,290	-
Total	126,241,556	123,060,643	97.5⁽⁵⁾

- (1) Excluding (1) Itaipu, which is owned equally by Brazil and Paraguay; and (2) any energy generated through our participation in SPES.
- (2) The Balbina, Curuá-Una, and Coaracy Nunes plants are part of the isolated system and do not have an assured energy restriction.
- (3) We own 48.46% of the Serra Mesa plant and 70.0% of the Manso plant. Figures in this table refer to our participation only.
- (4) We own 40.0% of the Peixe Angical plant. Figures in this table refer to our participation only.
- (5) This percentage is based on the average operational utilization.

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

Hydroelectric utilities in Brazil are required to pay royalty fees to the Brazilian states and municipalities in which a plant is located or in which land may have been flooded by a plant's reservoir for the use of hydrological resources. Fees are established independently by each state and/or municipality as applicable and are based on the amount of energy generated by each utility and are paid directly to the states and municipalities. Fees for the states and municipalities in which we operate were R\$1,071 million in 2010, compared to R\$1,244 million in 2009 and R\$1,243 million in 2008. These fees are recorded as operating costs in our financial statements.

Our subsidiaries have acquired concessions for the construction of 10 new hydroelectric power plants. Information regarding these new plants is set out in the table below:

	<u>Installed Capacity</u>	<u>Construction began</u>	<u>Service begins⁽¹⁾</u>
	<i>(MW)</i>		
New plants:			
Barra do Rio Chapéu.....	15.0	October 2008	March 2012
Passo São João.....	77.1	November 2007	January 2012
Mauá.....	361.0	July 2008	January 2012
Dardanelos ⁽²⁾	261.0	July 2007	2011
Batalha.....	52.5	June 2008	May 2012
Simplicio.....	337.7	March 2007	August 2011
São Domingos.....	48.0	August 2009	January 2012
Santo Antônio.....	3,150.0	September 2008	December 2012
Jirau.....	3,300.0	February 2009	January 2013
Belo Monte.....	11,233	March 2011	February 2015
João Borges.....	19.0	June 2010	March 2012

(1) Estimated dates based on current timetable.

(2) This plant is complete, however, its operation is pending the completion of a transmission line leading to it.

HPU Simplicio and Paulistas (Batalha) will be operated only by Eletrobras Furnas. Dardanelos will be operated by our subsidiaries Eletrobras Chesf and Eletrobras Eletronorte in association with partners (see “—Lending and Financing Activities—Equity Participation”).

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

On August 19, 2011, IBAMA granted Companhia Hidrelétrica Teles Pires an installation license for the construction of UHE Teles Pires on the Teles Pires river. The plant's dam will be located between the States of Mato Grosso and Pará. Companhia Hidrelétrica Teles Pires is a SPE whose main shareholders are Neoenergia (50.1%), holding company of Grupo Neoenergia, Eletrobras Eletrosul (24.5%), Eletrobras Furnas (24.5%) and Odebrecht Participações e Investimentos (0.9%). These companies form the Teles Pires Energia Eficiente consortium.

Thermal Plants

As of December 31, 2010, we owned and operated 119 thermal plants. In addition, we hold a 49.0% interest in the Serra do Navio plant. Thermal plants include coal and oil power generation units. The total installed capacity of our thermal plants was 4,150 MW as of December 31, 2010, compared to 3,069 MW as of December 31, 2009 and 3,061 MW as of December 31, 2008.

The following table sets out information regarding our thermal plants as of December 31, 2010 and for the year ended:

	Installed Capacity	Generated Energy⁽²⁾	Assured Energy⁽¹⁾
	<i>(MW)</i>	<i>(MWh)</i>	<i>(MWh)</i>
Thermal plants:			
P. Médici (Candiota)	446.00	842,800	2,203,140
S. Jerônimo (Candiota)	20.00	45,399	110,376
Nutepa (Candiota)	24.00	0.0	53,436
Santa Cruz	932.00	3,299	6,421,080
Campos	30.00	0.0	183,960
Camaçari	346.80	5,484	2,013,048
Electron	60	238,585	-
Rio Madeira	119.40	0	-
Santana	178.10	664,206	-
RioBranco I	18.60	0	-
RioBranco II	31.80	0	-
Rio Acre	45.49	13,529	-
Mauá	711.4	2,025,097	-
Senador Arnon Farias de Mello	85.92	0.0	-
Aparecida	251.5	656,215	-
Cidade Nova	20.0	81,504	-
São Jorge	50.0	196,252	-
Flores	80.0	485,767	-
Distrito	40.0	54,093	-
Irاندuba	50.0	8,159	-
Others in the Isolated System	597.1	1,049,294	-
Total	<u>4,138.1</u>	<u>6,369,683</u>	<u>10,985,040</u>

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

(2) Generated Energy does not include energy generated through our participations in SPEs.

In December 2005, our subsidiary Eletrobras CGTEE was granted authorization to begin construction on an extension of the Candiota thermal plant. This extension has increased the installed capacity of the Candiota thermal plant by 350 MW and will require an investment of approximately R\$939 million. Construction on this extension began in July 2006 and commercial operation commenced in January 2011.

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

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

We seek to operate our thermal plants at a consistent, optimal level in order to provide a constant source of electricity production. Our thermal plants are significantly less efficient and have significantly shorter useful lives, than our hydroelectric plants. We incurred gross expenditure for fuel purchased for energy production of R\$744 million for 2010, compared to R\$756 million for 2009, which are reimbursed to us from the CCC Account in accordance with Law No. 12,111.

We have recovered a substantial portion of the thermal plants' excess operating costs, which correspond to the difference between the cost of a thermal plant and the cost of a hydroelectric plant, through reimbursements pursuant to the CCC Account. The Brazilian Government created the CCC Account in 1973 for the purpose of building financial reserves to cover the costs of using fossil fuel thermal power plants, which are more expensive to operate than hydroelectric plants, in the Basic Network and the Interconnected Power System should a power shortage create a need for increased production of thermal power plants. Consumers through electricity distributors in Brazil are required to contribute annually to the CCC Account, which in effect serves as an insurance fund against an extraordinary situation, such as a rainfall shortage, which would require increased use of thermal plants. The

aggregate amount of the annual required contribution is calculated on the basis of the current year's cost of fuel estimates for all thermal plants. Each utility is then allocated a proportional contribution towards the aggregate amount based on such utility's total electricity sales during the previous year. In 1993, the scope of the CCC Account was extended to include a portion of the costs of thermal electricity generation in isolated, non-integrated grids in remote areas of Brazil's northern region.

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

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

	Year Ended December 31,		
	2010	2009	2008
Type of fuel		<i>(R\$ thousands)</i>	
Coal.....	68,435	68,445	58,335
Light oil.....	2,346,923	2,658,571	3,082,049
Heavy oil.....	38,329	21,434	57,898
Gas.....	2,160	3,483	68
Uranium.....	270,842	241,471	239,142
Total	2,726,689	2,993,405	3,437,492

	Year Ended December 31,		
	2010	2009	2008
Type of fuel			
Coal (tons).....	1,142,228	1,227,931	1,221,677
Light oil (litres).....	611,848,980	606,616,506	778,940,810
Heavy oil (tons).....	28,865,267	24,512	35,785
Gas (m ³).....	2,155	4,134,612	82,943
Uranium (quantity of elements).....	100	96	56

Nuclear Plants

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

Through Eletrobras Eletronuclear, we operate two nuclear power plants, Angra I, with an installed capacity of 640 MW, representing approximately 1.52% of our total installed capacity and Angra II, with 1,350 MW, representing approximately 3.21% of our total installed capacity (not considering Itaipu). In addition, Eletrobras Eletronuclear started the construction of a new nuclear plant, called Angra III, during the second half of 2009. The construction is estimated to take between 3 and 5.5 years. On March 5, 2009, IBAMA issued an installation license to Eletrobras Eletronuclear with a validity of 6 years and on March 9, 2009, CNEN issued a partial construction license to Eletrobras Eletronuclear. Once constructed, we estimate that Angra III will have an installed capacity of 1,405 MW and that the cost of its construction will be approximately R\$9.9 billion.

The following table sets out information regarding our nuclear plants as of December 31, 2010 and for the year then ended:

	<u>Installed Capacity</u>	<u>Generated Energy</u>	<u>Assured Energy⁽¹⁾</u>	<u>Began Service⁽²⁾</u>
	<i>(MW)</i>	<i>(MWh)</i>	<i>(MWh)</i>	
Nuclear plant:				
Angra I.....	640	4,263,041	3,215,000	January 1, 1985
Angra II.....	1,350	10,280,767	9,706,000	September 1, 2000
Total.....	<u>1,990</u>	<u>14,543,807</u>	<u>12,921,000</u>	

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

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

The installed capacity of Angra I is 640 MW. We estimate that Angra I will be operating at 85.0% capacity in 2010 in line with industry standards. Accordingly, the assured energy of Angra I will be 4,765 GWh/yr.

With respect to Angra II, its installed capacity is 1,350 MW (nominal power). We also estimate that Angra II will be operating at 85.0% capacity in 2010 in line with industry standards. Accordingly, the assured energy of Angra II will be 10,052 GWh/yr.

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

The electricity generated by Eletrobras Eletronuclear is sold to our subsidiary Eletrobras Furnas at a regulated price determined by the MME. This regulated price reflects Eletrobras Eletronuclear’s production costs. However, in on-selling this electricity to distribution companies, Eletrobras Furnas is required to participate in the public auction process, in which other generation companies in a pool provide bids that reflect the maximum cost of electricity each is willing to supply and the distribution companies pay a price equal to an average of all these bids. As a result of this auction process, the price that Eletrobras Furnas sells in the auction is higher than that it paid to Eletrobras Eletronuclear for the corresponding electricity. Historically, however, the reverse has been true and we recorded consolidated losses in respect of electricity generated by Eletrobras Eletronuclear. We analyzed different measures to reduce these losses if this situation re-occurs, including replacing Eletrobras Furnas in the supply chain described above with Eletrobras itself, which is not required to sell electricity only pursuant to the auction process. Eletrobras Eletronuclear is awaiting the implementation of Law No. 12,111 of December 9, 2009, which will set out the new criteria for the sale of electricity from Angra I and Angra II.

Sales of Electricity Generated

We sold approximately R\$14,573 million of electricity generated (net of electricity purchased for resale and VAT and other taxes) in 2010, compared to R\$13,410 million in 2009. These sales are made only to distribution companies (which constitute the main sources of sales of electricity generated) or free consumers. We own certain distribution companies that operate in the northern and northeastern regions of Brazil and we sell a relatively small portion of the electricity we generate to these distribution companies, which does not give rise to revenues in our generation segment as discussed in “—Distribution.”

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

	Year Ended December 31,			
	2010		2009	
	<i>(R\$ thousands)</i>	<i>(MWh)</i>	<i>(R\$ thousands)</i>	<i>(MWh)</i>
Type of sale:				
Through auctions and initial contracts (energy charge)	7,161,975	117,050,494	7,388,105	103,134,869
Through free market agreements or bilateral contracts (energy charge)	4,356,180	65,792,556	3,540,545	62,965,388
Itaipu.....	8,203,198	85,302,628	6,710,772	91,239,063
Total	19,803,997	254,784,279	17,467,630	257,339,320

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

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

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

Transmission

Transmission of Electricity

Revenues in our transmission segment are fixed by ANEEL, which sets a fixed transmission revenue fee each year. Net revenues (including financial revenues at the holding company level) from transmission represented 22.0% of our total net revenues in 2010, compared to 19.9% in 2009. The electricity that we generate is transported through Brazil’s tension transmission network, with 53,790 km of transmission lines belonging to us above 230 kV as of December 31, 2010, compared to 53,148 km in 2009 and 51,046 km as of December 31, 2008. Including our partnerships with private companies in SPCs/Consortia we have approximately 59,177 Km above 138 KV in operation as of December 31, 2010. For further information, see “—Lending Activities—Equity Participation.” In Brazil, the majority of hydroelectric plants are located a considerable distance from the major load centers and therefore, in order to reach consumers, an extensive transmission system has been developed. Transmission is the bulk transfer of electricity, at very high voltages (from 230 kV to 750 kV), from the generation facilities to the distribution systems at the load centers by means of the transmission grid. There is one Interconnected Power System in Brazil that links the northern and northeastern regions to the south and southeast regions. Coordinating

the transmission systems is necessary to optimize the investments and operating costs and to ensure reliability and adequate load supply conditions throughout the Interconnected Power System.

Transmission Concessions

As of December 31, 2010, our transmission operations were carried out pursuant to the following concessions granted by ANEEL (excluding transmission operations carried out through any SPEs):

	Total length	Voltage Levels	Average years remaining of concession
	(km)	(kV)	
Eletrobras Furnas	19,397.50	69 – 750	5.15
Eletrobras Chesf.....	18,723.42	69 – 500	5.01
Eletrobras Eletrosul	10,005.90	69 – 500	5.76
Eletrobras Eletronorte.....	9,888.02	69 – 500	4.53
Eletrobras Amazonas Energia	588.17	69 – 230	Not applicable

Due to the development of the hydroelectric resources of the Amazon region, which requires the transmission of large amounts of energy, Brazil has developed the Interconnected Power System. A national transmission grid provides generators with access to customers in all regions. Eletrobras Furnas and Eletrobras Eletronorte built the first north-south transmission system linking the northern and southern regions of Brazil, which consists of approximately 1,250 km of 500 kV transmission lines and which began operation in 1998. A second north-south transmission system, the construction of which was funded by the private sector, began operation in 2004. The following table sets forth the length of transmission lines (in km) by subsidiary and by voltage as of December 31, 2010:

	750 kV	600 kV(DC) ⁽¹⁾	525/500 kV	345 kV	230 kV	138 kV	132/25 kV	Total
Company:								
Eletrobras Chesf.....	-	-	5,121.5	-	12,792.5	383.9	425.5	18,723.4
Eletrobras Eletronorte ⁽²⁾	-	-	3,243.3	-	5,482.8	959.1	202.8	9,888.0
Eletrobras Eletrosul.....	-	-	2,945.5	-	5,150.5	1,841.2	68.7	10,005.9
Eletrobras Furnas.....	2,698.0	1,612.0	4,549.0	6,220.5	1,949.0	2,204.0	165	19,397.5
Eletrobras Amazonas Energia.....	-	-	-	-	364.9	-	223.3	588.2
Total	2,698.0	1,612.0	15,859.3	6,220.5	25,739.7	5,388.2	1,085.3	58,603.0

(1) DC means direct current.

(2) The total figure does not include the 13.8kV transmission lines.

(3) This table does not include transmission lines owned by SPEs in which we participate. Had such transmission lines been included, the total would be 59,890 Km.

The following table sets forth, on a consolidated basis, the percentage of the total transmission grid above 230 kV in Brazil that we were responsible for as of December 31, 2010, considering our participations in SPEs:

	750 kV	600 kV (DC) ⁽¹⁾	525/500 kV	400 kV	345 kV	230 kV	Total
Entity:							
Eletrobras.....	100.00	100.00	49.80		63.27	60.62	55.47
Others	0.00	0.00	50.20	100.00	36.73	39.38	44.53
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00

(1) DC means direct current.

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

As of December 31, 2010, we owned approximately 55.5% of all transmission lines in Brazil (230 kV and above) and, as a result, received fees from companies that transmit electricity on these lines. Net operating revenues

from transmission were R\$5,879 million in 2010, compared to R\$4,607 million in 2009. As a generation company, we must also pay a tariff in respect of our transmission of electricity over those transmissions that we do not own. Taking into account all transmission lines in Brazil (230 kV and above), this means we pay a tariff in respect of 46.0% of all transmission lines in Brazil.

Losses of electricity in the transmission system of Eletrobras were, in 2010, approximately 2.25% of all electricity transmitted in the system, compared to approximately 3.0% in the international transmission systems.

We operate as part of an integrated and coordinated national electricity system for Brazil. The Concessions Law authorizes us to begin to charge fees for the use of our transmission system by other electricity companies.

Through Eletrobras Furnas, we charge a tariff (approximately R\$4,003.45 per MW/month as of June 28, 2011) for the transmission of electricity generated by Itaipu and purchased for resale. The transmission charge for the power Itaipu generates is used to compensate Eletrobras Furnas, which owns the applicable transmission line, for making its transmission system available for the exclusive use of plant-connection installations. This system comprises the 765 kV Itaipu / Ivaiporã and the 600 kV DC Itaipu / Ibiúna transmission lines that are not part of the Basic Network.

Expansion of Transmission Activities

Our main transmission companies took part in a planning initiative related to the expansion of the PAE 2009/2012 (*Programa de Ações Estratégicas*) transmission network through the Regional Transmission Study Group (GET), which is responsible for such transmission expansion initiatives at a regional level. In addition, our transmission companies took part in the regional networks and plant integration studies.

PAE initiatives included, among others, studies on the integration of the Belo Monte hydroelectric plant, focusing on alternative means of transmission to allow for the distribution of electric power from the Belo Monte plant to the northern, northeastern and southeastern regions of Brazil.

Additionally, the government has recently announced a new project to install broadband throughout Brazil using existing transmission lines.

Distribution

Distribution of Electricity

Our distribution activities constitute a relatively small proportion of our overall operations. Net revenues (including financial revenues at holding company level), from distribution represented 10.9% of our total net revenues in 2010, compared to 10.8% in 2009.

Distribution Companies

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

- *Eletrobras Eletronorte*, which distributes power directly to industrial consumers through its wholly owned subsidiary known as *Eletrobras Distribuição Roraima*. *Eletrobras Eletronorte's* distribution concession ends on July 7, 2015;
- *Eletrobras Amazonas Energia*, which distributes electricity to the city of Manaus, in the State of Amazonas, pursuant to a concession that ends on July 7, 2015;
- *Eletrobras Distribuição Alagoas*, which distributes electricity in the State of Alagoas pursuant to a concession that ends on July 12, 2015;
- *Eletrobras Distribuição Piauí*, which distributes electricity in the State of Piauí pursuant to a concession that ends on July 12, 2015;

- *Eletrobras Distribuição Rondônia*, which distributes electricity in the State of Rondônia pursuant to a concession that ends on July 12, 2015; and
- *Eletrobras Distribuição Acre*, which distributes electricity in the State of Acre pursuant to a concession that ends on July 12, 2015.
- *Eletrobras Distribuição Roraima* (formally known as *Boa Vista Energia S.A.*), which distributes electricity in the city of Boa Vista, the capital of the State of Roraima, pursuant to a concession that ends on July 7, 2015.

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

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

Management Structure for our Distribution Activities

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

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

Transmission and Distribution System

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

System Performance

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

	Year Ended December 31,		
	2010	2009	2008
Technical losses.....	8.4%	9.1%	9.0%
Commercial losses.....	22.3%	21.6%	22.9%
Total electricity losses	31.1%	30.7%	31.9%
Outages:			
Frequency of outages per customer per year (number of outages).....	33.7	35.0	33.9
Duration of outages per customer per year (in hours).....	37.8	37.2	34.0
Average response time (in minutes).....	204.8	146.7	111.9

Electricity Losses

We experience two types of electricity losses: technical losses and commercial losses. Technical losses are those that occur in the ordinary course of our distribution of electricity. Commercial losses are those that result from illegal connections, fraud or billing errors. Total electricity losses for our distribution business were 31.1% of energy generated and bought in the year ended December 31, 2010 compared to 30.7% of energy generated and bought in the year ended December 31, 2009 and 31.9% of energy generated and bought in the year ended December 31, 2008.

Reducing the level of commercial losses in the distribution companies presents a continuing challenge to us. Commercial losses at these companies have averaged approximately 22.2% of electricity generated and sold over recent periods. We are attempting to address these problems by developing mechanisms that make theft of electricity more difficult and by renegotiating debts that customers of these companies currently owe.

In 2010, our distribution companies experienced a reduction in losses. Particularly, Eletrobras Distribuição Acre and Eletrobras Distribuição Piauí reduced its losses by 8.0% and 6.0%, respectively. In February 2011, we entered into a loan agreement with the World Bank in the amount of U.S.\$495 million. This money will be used in the “Eletrobras Distribution Rehabilitation Project” (the name given by the World Bank to our project “*Projeto Energia +*”), with the main objective of improving the quality of our services and improving the economic and financial condition of our distribution companies. This project is intended to reduce our losses and consequently to strengthen the operational revenues of our distribution companies.

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

Company:	Year Ended December 31,		
	2010	2009	2008
	(percentages)		
Eletrobras Distribuição Alagoas	31.45	31.34	30.00
Eletrobras Distribuição Piauí	33.51	35.47	36.14
Eletrobras Distribuição Rondônia.....	39.08	31.54	43.54
Eletrobras Distribuição Acre.....	24.08	26.20	26.19
Eletrobras Amazonas Energia.....	42.40	42.70	38.70
Eletrobras Distribuição Roraima.....	16.13	17.09	16.52

Power Outages

With respect to the Interconnected Power System, we aim to respond to repair requests within one and a half to two and a half hours, depending on the scale and nature of the problem. Our average response time in the Interconnected Power System in 2010 was 3.1 hours. The following table sets forth our average response time, in hours, to repair requests in the Interconnected Power System:

	Year Ended December 31,	
	2010	2009
Company:		
Eletrobras Distribuição Alagoas	2.18	1.97
Eletrobras Distribuição Piauí	3.97	2.88
Average	3.1	2.43

With respect to distribution operations in the Isolated system, we aim to respond to repair requests within half an hour to two hours, depending on the scale and nature of the problem. Our average response time in the Isolated system in 2010 was 3.58 hours. The following table sets forth our average response time, in hours, to repair requests in the Isolated system:

	Year Ended December 31,	
	2010	2009
Company:		
Eletrobras Distribuição Acre	6.84	4.92
Eletrobras Distribuição Rondônia	3.40	1.54
Eletrobras Amazonas Energia	2.71	2.60
Eletrobras Boa Vista Energia	1.38	0.77
Average	3.58	2.46

Customers

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

	Year Ended December 31,			
	2010		2009	
	(R\$ millions)	(MWh)	(R\$ millions)	(MWh)
Distribution to:				
State utilities	313	1,358,030	300	1,337,877
Industrial	694	2,814,782	610	2,433,128
Residential	1,496	4,574,356	1,284	4,030,471
Commercial	883	2,662,126	782	2,387,589
Other ⁽¹⁾	327	1,373,239	321	1,236,566
Total	3,714	12,781,533	3,298	11,425,631

(1) This figure includes distribution to rural customers and the government.

Tariffs

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

periodic and extraordinary adjustments. For a discussion of the regulatory regime applicable to our tariffs and their adjustment, see “The Brazilian Power Industry.”

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

The capacity charge, expressed in *reais* per MW, is based on the higher of: (1) contracted firm capacity; or (2) power capacity actually used. The energy charge, expressed in *reais* per MWh, is based on the amount of electricity actually consumed. Tariffs charged to Group A customers are lower than those for Group B customers because Group A customers consume electricity at higher voltage ranges, and therefore avoid the costs associated with lowering the electricity voltage as is required for consumption by our Group B customers.

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

Billing Procedures

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

As of December 31, 2010, 2009 and 2008, customers in default represented an average of 15.7%, 13.6% (not including Eletrobras Distribuição Acre) and 20.6% of annual revenues, respectively. These default rates have generally remained stable over recent years and we do not expect to see material changes in these default rates in the foreseeable future.

Purchase of Electricity for Distribution

We purchased 14,285 GWh of electricity for distribution in 2010, compared to 12,942 GWh in 2009 and 12,789 GWh in 2008. Our distribution companies purchase electricity in the public auction process from a pool of generation companies that provide bids setting out the maximum price at which they will supply electricity. After all bids are received, the average price of all bids is calculated and this is the price that we pay for the electricity. The purchase is made from all generation companies that provided bids.

Lending and Financing Activities

Loans Made by Us

Brazilian law allows us to only lend to our subsidiaries. Historically, Brazilian law allowed us to act as lender to our subsidiaries and to public energy utilities under our control. While certain of those subsidiaries are no longer in our group, the majority of our loans are to related parties. Prior to the privatization of the Brazilian electricity industry that began in 1996, this was a particularly widespread part of our operations because most companies in the industry were state-owned, allowing us to engage in lending activities to them. However, as the result of privatization, the number of companies to whom we may lend has diminished and lending is no longer a significant aspect of our business. The total amounts we recorded on our balance sheet: R\$8.9 billion as of June 30, 2011, R\$9.7 billion as of December 31, 2010 and R\$11.8 billion as of December 31, 2009. Of this total amount the following are loans for Itaipu: R\$5.1 billion as of June 30, 2011, R\$5.7 billion as of December 31, 2010 and R\$ 6.5

billion as of December 31, 2009. The loans related to our distribution companies are as follows: R\$3.8 billion as of June 30, 2011, R\$4.0 billion as of December 31, 2010 and R\$5.3 billion as of December 30, 2009.

Sources of Funds

We obtain funding for our lending activities from loans from financial institutions and offerings in the international capital markets. As of December 31, 2010, our consolidated long-term debt was R\$31,270 million, compared to R\$28,393 million as of December 31, 2009 and R\$26,910 million as of December 31, 2008, with the majority of our foreign currency debt (approximately 92.0% over the three-year period) denominated in U.S. dollars. As of June 30, 2011, our consolidated long-term debt was R\$31,294 million. Further details of our borrowings are set out in “—Liquidity and Capital Resources—Cash Flows.”

In addition, we utilize borrowings from the RGR Fund, which we administer, to on-lend to our subsidiaries and other electricity companies. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Principal Factors Affecting our Financial Performance—Our role in administering Brazilian Government Programs.” As of June 30, 2011, December 31, 2010, December 31, 2009 and December 31, 2008, we incur interest at 5.0% in respect of borrowings from the RGR Fund and charge an average administrative fee of up to 2.0% on funds which we on-lend to subsidiaries and other entities.

Equity Participation

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

The current participations that we have are in private sector generation and transmission companies and joint ventures. Participation is determined primarily on merit and profitability criteria based on our managerial controls.

The table below shows an estimate of the total percentage of our participation in transmission and generation companies as of December 31, 2010:

Special Purpose Company/Consortium	Object of investment	Eletrobras Participation
Transmission		
Interligação Elétrica do Madeira S.A.	600 kV transmission line of 2,375 km	Eletrobras Chesf (24.5%) Eletrobras Furnas (24.5%)
	Plus Rectifier and Inverter Station	
Norte Brasil Transmissora de Energia S.A.	600kV Transmission Line of 2,375 km:	Eletrobras Eletronorte (24.5%) Eletrobras Eletrosul (24.5%)
	SE Coletora – Araraquara 2, Porto Velho	
Estação Transmissora de Energia S.A.	500/±600 kV Conversion and Inversion Station 01	Eletrobras Eletronorte (100.0%)
Manaus Transmissora de Energia S.A.	500 kV Transmission Line of 587 km:	Eletrobras Chesf (19.5%) Eletrobras Eletronorte (30.0%)
	Oriximiná/Itacoatiara; 500 kV Transmission Line of 212 km:	
	Itacoatiara/Cariri	
STN – Sistema de Transmissão Nordeste S.A. ⁽²⁾	500 kV Transmission Line of 546 km:	Eletrobras Chesf (49.0%)
	Teresina-Sobral-Fortaleza	
Intesa – Integração de Energia	500 kV Transmission Line of 695 km: Colinas-Miracema-Gurupi-Peixe	Eletrobras Chesf (12.0%),

Special Purpose Company/Consortium	Object of investment	Eletrobras Participation
S.A. ⁽²⁾	Nova-Serra da Mesa 2	Eletrobras Eletronorte (37.0%)
Porto Velho Transmissora de Energia S.A.	230 kV transmission lines of 17 km: 500/230 kV SE Coletora Porto Velho	Eletrobras Eletrosul (100.0%)
Ártemis – Transmissora de Energia S.A. ⁽²⁾	525 kV Transmission Line of 376 km: S. Santiago-Ivaporã-Cascavel	Eletrobras Eletrosul (100.0%)
Transenergia Renovável	230 kV Transmission Line of 125 km: Jataí – Mineiros Mineiros – Morro Velho	Eletrobras Furnas (49.0%)
Brasnorte Transmissora de Energia S.A. ⁽²⁾	230kV Transmission Lines of 402 km: Jauru-Juba-C2; LT Maggi-Nova Mutum	Eletrobras Eletronorte (49.7%)
RS Energia – Empresa de Transmissão de Energia do Rio Grande do Sul S.A. ⁽²⁾	525 kV Transmission Line of 274 km: Campos Novos-Pólo and 230 kV transmission line of 33 km	Eletrobras Eletrosul (100.0%)
Companhia Transleste de Transmissão S.A. ⁽²⁾	345 kV Transmission Line of 139 km: Montes Claros-Irapé	Eletrobras Furnas (24.0%)
Amazônia Eletronorte Transmissora de Energia S.A. – Aete ⁽²⁾	230 kV Transmission Line of 193 km: Coxipó-Cuiabá-Rondonópolis SE Seccionadora Cuiabá	Eletrobras Eletronorte (49.0%)
Etau – Empresa de Transmissão do Alto Uruguai ⁽²⁾ S.A.	240 kV Transmission Line of 174 km: Campos Novos-Barra Grande-Lagoa Vermelha-Santa Marta	Eletrobras Eletrosul (27.4%)
Uirapuru Transmissora de Energia S.A. ⁽²⁾	525 kV Transmission Line of 122 km: Ivaiporã-Londrina	Eletrobras Eletrosul (100.0%)
Companhia Transudeste de Transmissão S.A. ⁽²⁾	345 kV Transmission Line of 144 km: Itutinga-Juiz de Fora	Eletrobras Furnas (25.0%)
Companhia Transirapé de Transmissão S.A. ⁽²⁾	345 kV Transmission Line of 61 km: Irapé-Araçuaí	Eletrobras Furnas (25.0%)
Companhia Centroeste de Minas S.A.	345 kV Transmission Line of 75 km: Eletrobras Furnas-Pimenta II	Eletrobras Furnas (49.0%)
Linha Verde Transmissora de Energia S.A.	230 kV Transmission Line of 987 km: Samuel-Arquielmes-Ji-Paraná-Pimenta Bueno-Vilhena-Jauru	Eletrobras Eletronorte (49.0%)
Rio Branco Transmissora de Energia S.A.	230 kV Transmission Line of 487 km: Porto Velho-Abunã-Rio Branco	Eletrobras Eletronorte (49.0%)
Transmissora Matogrossens de Energia S.A.	500 kV Transmission Line of 348 km: Jauru - Cuiabá	Eletrobras Eletronorte (49.0%)
Transenergia São Paulo S.A.	Itatiba Substation, 500 kV	Eletrobras Furnas (49.0%)
Transenergia Goiás S.A	230 kV Transmission Line of 188 km: Serra da Mesa-Niquelândia-Barro Alto	Eletrobras Furnas (49.0%)
Consórcio Goiás Transmissão	500 kV Transmission Line of 193 Km: Rio Verde Norte –Trindade. and 230 kV Transmission Line of 66 km: Xavantes-Trindade-Carajás and SE Trindade	Eletrobras Furnas (49.0%)
Consórcio MGE Transmissão	500 kV Transmission Line of 248 Km: Mesquita-Viana 2. and 345 kV transmission line of 10 km: Viana – Viana 2 and SE Viana 2	Eletrobras Furnas (49.0%)
TDG Transmissora Delmiro Gouveia SA	230 kV Transmission Line of 96 Km: São Luiz II – São Luiz III and SE Pecém and SE Aquiraz II	Eletrobras Chesf (49.0%)
Consórcio Caldas Novas	SE Corumbá 345/138 kV – 2 x 75 MVA	Eletrobras Furnas (49.9%)

Special Purpose Company/Consortium	Object of investment	Eletrobras Participation
Generation		
Madeira Energia SA	HPU Santo Antonio	Eletrobras Furnas (39.0%)
Energia Sustentável do Brasil	HPU Jirau with 3300 MW	Eletrobras Chesf (20.0%) Eletrobras Eletrosul (20.0%)
Chapecoense Geração S.A. ⁽¹⁾	HPU Foz do Chapecó with 855 MW	Eletrobras Furnas (40.0%)
Enerpeixe S.A. ⁽²⁾	HPU Peixe Angical with 452 MW	Eletrobras Furnas (40.0%)
Consórcio Energético Cruzeiro do Sul S.A.	HPU Mauá with 361 MW	Eletrobras Eletrosul (49.0%)
Serra de Facão Participação S.A.	HPU Serra do Facão with 210 MW	Eletrobras Furnas (49.5%)
Energetica Águas da Pedra S.A.–EAPSA (Aripuanã; Água Das Pedras)	HPU Dardanelos with 261 MW	Eletrobras Chesf (24.5%), Eletrobras Eletronorte (24.5%)
Baguari I Geração de Energia Elétrica S.A. ⁽²⁾	HPU Baguari with 140 MW	Eletrobras Furnas (15.0%)
Retiro Baixo Energética S.A.	HPU Retiro Baixo 49%	Eletrobras Furnas (49.0%)
AMAPARI Energia S.A. ⁽²⁾	TPU Serra do Navio and Small HPU Capivara	Eletrobras Eletronorte (49.0%)
Norte Energia S.A.	HPU Belo Monte	Eletrobras Eletronorte (15.0%) Eletrobras Chesf (15.0%)
Consórcio Brasil dos Ventos	Usinas Eólicas Aratuá 1, Miassaba 3, Rei dos Ventos 1 e 3	Eletrobras Eletronorte (24.5%) Eletrobras Furnas (24.5%)
Companhia Hidrelétrica Teles Pires	HPU Teles Pires	Eletrobras Eletrosul (24.5%) Eletrobras Furnas (24.5%)
Consórcio Coxilha Negra	Parque Eólico Coxilha Negra V, VI and VII with 33 MW	Eletrobras Eletrosul (90.0%)

Brazilian Government Programs

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

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

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

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

Property, Plant and Equipment

Our principal properties consist of hydroelectric generation plants and transmission networks which are located all over Brazil. The book value of our total property, plant and equipment as of June 30, 2011, December 31, 2010 and December 31, 2009 was R\$48,879 million, R\$46,682 million and R\$41,598 million, respectively. As a result of the existing large hydroelectric power capacity still available in Brazil, we believe hydroelectric energy will continue to have a prominent role in providing for the growth in consumption of electrical energy.

Research and Development

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

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

We have a central group survey center that performs scientific studies, measurements, specialist analyses and other tests and analyses that are relevant to our core operations. This center has a certification from the *Instituto Nacional de Metrologia* (the Brazilian National Metrology Institute) that allows it to certify electrical equipment. Cepel also focuses on the development of energy efficiency projects including those relating to the generation of electricity from renewable sources such as solar and wind power. As part of this focus, Cepel's structure includes the following projects: (1) the *Centro de Referência para Energia Solar e Eólica Sérgio de Salvo Brito* (National Reference Center for Solar and Wind Powered Energy of Salvo Brito); (2) the *Casa Solar Eficiente* (Solar Efficient House); and (3) the *Centro de Aplicação de Tecnologias Eficientes* (Center for the Application of Efficient Technologies).

Patents and Licenses

Among others, we have registered “Eletrobras” as a trademark with the *Instituto Nacional de Propriedade Industrial* – INPI. Further, Cepel has twenty-seven patents, Eletrobras Eletronorte thirty-seven patents, Eletrobras Eletrosul has two patents and Eletrobras Furnas has nine patents registered with the INPI relating to equipment and manufacturing processes.

Insurance

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

International Activities

As of June 30, 2011, we did not operate internationally. However, as part of our strategy we continue to explore certain opportunities in international electricity markets and selectively identify opportunities in these markets for the future. Our aim is to generate new energy that can be added to the Interconnected Power System and to integrate certain electrical power systems in the Americas. As part of our internationalization plan, we have established a representative office in Lima, Peru; Panama City, Panama and Montevideo, Uruguay in order to comply with local rules, which provide that concessions may only be granted to companies that maintain a local representative office. These offices will also provide a connection between us and partners in Latin America. We seek to invest in generation projects in other Latin America countries and we have already begun to buy power from other Latin American countries including Venezuela. We also hold equity interests in two specific purpose entities (SPEs), in Peru and in Nicaragua, which are currently undertaking feasibility studies for hydro generation projects. Furthermore, we are in the process of obtaining the necessary licenses for the construction in Brazil of an interconnection line between Brazil and Uruguay, which is scheduled to begin in 2012. As part of the expansion strategy, we may also identify and pursue selected growth opportunities, including renewable energy, outside of South America.

Profit Sharing and Pension Plans

Our collective bargaining agreement establishes a profit-sharing plan based on the achievement of targets. Such targets are established annually in May of each year following negotiation with the labor unions and the approval of the Brazilian Government. For the years ended December 31, 2010, 2009 and 2008, we paid R\$296 million, R\$285 million and R\$177 million, respectively, to our employees by way of profit-sharing (at the holding company level only, we paid R\$35 million in 2010, compared to R\$27 million in 2009 and R\$23 million in 2008).

Environmental

General

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

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

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

As of June 30, 2011, our subsidiary Eletrobras Eletronuclear operated two nuclear power plants in the State of Rio de Janeiro, Angra I and Angra II. Because Eletrobras Eletronuclear initiated its activities before the enactment of an environmental legislation, Angra I was licensed by CNEN under the nuclear and environmental regulations in effect at that time. A study group formed by the Federal Public Attorney's Office, CNEN, the *Instituto Brasileiro do Meio Ambiente e Recursos Naturais Renováveis* (or IBAMA), the *Fundação Estadual de Engenharia do Meio Ambiente* (or FEEMA), Eletrobras Eletronuclear and Eletrobras was established to prepare a *Termo de Ajustamento de Conduta* (a Term of Adjustment or TAC) according to which the guidelines for the environmental licensing update procedure should be established. Angra II has obtained all the environmental licenses necessary for its operations, but the Federal Public Attorney's Office challenged its renewal, which it conditioned upon the compliance with a TAC and according to which Eletrobras Eletronuclear should implement a program in order to improve emergency plans, environmental monitoring programs and effluents treatment systems. Until these obligations are accomplished IBAMA, ANEEL and CNEN should abstain from issuing any definitive licenses or authorizations for the operation of Angra II. An assessment comprising the accomplishments of the TAC was issued by IBAMA to the Public Attorney in June 2006. Eletrobras Eletronuclear is strictly liable for nuclear accidents as an operator of nuclear plants in Brazil. See “Risk Factors—Risks Relating to Our Company—We may be liable if there is a nuclear accident involving our subsidiary Eletrobras Eletronuclear.”

Energy Conservation

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

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

Alternative Electricity Sources

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

Employees

As of December 31, 2010, we had a total of 28,105 employees compared to 27,610 and 27,075 employees as of December 31, 2009 and 2008, respectively. Eletrobras itself, excluding Itaipu and other subsidiaries, had 1,096 employees as of December 31, 2010. For the past five years we have not experienced any strikes or other form of work stoppage that have affected our operations or had a significant impact on our results.

As a mixed capital company, we cannot hire employees without a public contest. A public contest involves us placing advertisements in the Brazilian press for open positions and inviting applicants to sit an examination. The last public contest took place in 2010, as a result of which we hired approximately 35 new employees. The average tenure of our employees is 42 years.

The following table sets out the number of employees by tenure:

Composition of Employees by Tenure

As of	Up to 5	6 to 10	11 to 15	16 to 20	21 to 25	Over 25	Total
December 31, 2010	7,761	3,363	1,386	622	6,447	8,526	28,105
December 31, 2009	8,209	2,321	1,193	2,034	5,701	8,153	27,611

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

Department	Number of Employees as of December 31,	
	2010	2009
Field	17,422	16,440
Administrative	10,683	11,171
Total	28,105	27,611

Although we are not allowed to hire outsourced employees, our subsidiaries Eletrobras Eletronorte, Eletrobras Eletronuclear and Eletrobras Furnas employ 2,139 outsourced employees in order to comply with the rules established by the Brazilian Government during the national privatization plan.

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

Subsidiary	Number of Outsourced Employees as of December 31,	
	2010	2009
Eletrobras Eletronorte	548	653
Eletrobras Furnas	1,591	1,676
Total	2,139	2,329

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

Litigation

We are currently party to numerous legal proceedings relating to civil, administrative, environmental, labor and tax claims filed against us. These claims involve substantial amounts of money and other remedies. Several individual disputes account for a significant part of the total amount of claims against us. We have established provisions for all amounts in dispute that represent a probable loss in the view of our legal advisors and in relation to those disputes that are covered by laws, administrative decrees, decrees or our court rulings that have proven to be unfavorable. As of December 31, 2010, we provisioned a total aggregate amount of approximately R\$4,159 million in respect of our legal proceedings, of which R\$282 million related to tax claims, R\$2,982 million related to civil claims and R\$895 million related to labor claims.

Environmental Proceedings

We are currently involved in judicial and administrative proceedings regarding infractions of environmental legislation, damage to wildlife or the operation of power plants without environmental licenses. The most significant cases are the proceedings involving the Eletrobras Furnas generation plants of Simplicio-Queda Unica and Batalha. The penalties applied total approximately R\$8 million without considering daily fines. Eletrobras Furnas presented a defense challenging such penalties and is currently awaiting a decision from the environmental authorities. No provision has been made for these proceedings as of December 31, 2010.

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

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

In 2002 and 2003, two associations of the community of Cabeço brought independent class actions regarding environmental damages caused by Eletrobras Chesf. The Cabeço community is located in a river island in the estuary of the São Francisco River. Both associations alleged that the hydroelectric plants disturbed the normal flow of the river and resulted in a decline in fishing activity and the gradual disappearance of the river island. The court held that any motion filed for an interlocutory appeal must be postponed until a final judgment is rendered. On August 9, 2010, we lodged a motion requesting the clarification of this decision. This motion was rejected in September 2010. We subsequently filed a request for reconsideration of the decision that the interlocutory appeal be postponed, which was also rejected by the judge on October 18, 2010. The monetary compensation requested is R\$100 million in each case. We have not made any provision in respect of this litigation as we consider the risk of an unfavorable decision on this lawsuit to be possible.

Labor Proceedings

We are party to a number of labor proceedings brought by our employees, former employees and employees of some of our service providers against us. As of December 31, 2010, these proceedings involved a total amount of R\$112 million. Most of those proceedings relate to overtime compensation and its indirect effects, salary equalization, pension payments and payment of rescisory amounts. Although we are a party to a significant number of labor proceedings, we believe that none of those proceedings, when considered individually, could materially adversely affect our results of operations or financial condition.

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

in lawsuits brought before labor courts by labor unions or individual employees seeking compensation for lost wages resulting from the implementation of the Brazilian Government's anti-inflationary plans, in particular: (1) the plan implemented in 1987 by the then Minister of Finance, Luiz Carlos Bresser Pereira (the Bresser Plan); (2) the plan implemented in early 1989 (the Summer Plan); and (3) the plan implemented in 1990 by the then President, Fernando Collor de Melo (the Collor Plan). Some of the collective lawsuits brought against us in respect to such plans have been definitively decided by the Federal Supreme Court in our favor. There are still individual lawsuits in process pending judgment, which, however, we do not view as material. We are party to a few material labor contingencies, and the probability of loss with respect to most of these lawsuits is considered possible by our legal advisors.

Compulsory Loans

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

We made available to eligible customers upon the first and second conversion of credits from the compulsory loan approximately 42.5 billion class "B" preferred shares and upon the third conversion of credits from the compulsory loan, about 27.2 billion class "B" preferred shares. In addition, our shareholders approved on April 30, 2008 the issuance of additional preferred shares to eligible customers at book value in repayment of our remaining compulsory loans. If additional shares are issued in the future and the book value of such shares is less than their market value, the value of existing shareholders' shares may be subject to dilution. On December 31, 2008, we recorded approximately R\$215 million for debts for compulsory loans that had not yet been converted, which, at any time, by decision of our shareholders, may be refunded to industrial consumers, through issuing class "B" preferred shares, in accordance with the proceedings described above.

As of December 31, 2010, consumers have filed 4,968 lawsuits against us questioning the monetary adjustments, understated inflation and interest calculations related to the repayment of the compulsory loans. Of those lawsuits, 659 have been decided against us and are currently at the execution phase. The total amount involved in these lawsuits is unadjusted for monetary correction and required expert assessment to be estimated with accuracy. The lawsuits already decided against us amount to approximately R\$1.4 billion. In the course of execution proceedings, we have been required to pledge some of our assets, consisting mainly of preferred shares held by us in other electricity sector companies. We have provisioned R\$1.4 billion to cover losses arising from unfavorable decisions on these lawsuits as of December 31, 2010.

We are also involved in approximately 3,377 lawsuits related to the repayment of the compulsory loans, in which consumers seek to exercise the option to convert their credits presented by bonds payable to the bearer. These bonds are called "obrigações da Eletrobras." However, we believe we have no further liability in respect of these bonds because they have an expiration date for presentation and this date has now passed.

Tax Proceedings

Eletrobras Furnas/COFINS – PASEP – FINSOCIAL

In 2001, we received notifications of infringement related to FINSOCIAL, COFINS and PASEP taxes as a result of the exclusion from the calculation basis of certain onlendings and transport of energy from Itaipu, over a period of ten years. The amount of the claims was R\$1,099 million (adjusted for inflation from an original figure of R\$792 million). On June 12, 2008, with the issuance of precedent No. 8 by the Federal Supreme Court, the period to challenge the payment of such taxes were reduced from ten to five years and, consequently, the amount of the claims decreased to R\$241.4 million not provisioned due to the evaluation of the risk as possible.

We have made a provision of R\$89.3 million as of December 31, 2010, following the recommendations of our legal advisors. The remaining balance was not provisioned because we consider the chances of a decision favorable to us possible.

Eletrobras Eletronorte/ ICMS

Eletrobras Eletronorte is a defendant in a number of tax administrative proceedings brought mainly by the tax authorities of the State of Rondônia (*Secretaria de Estado de Finanças de Rondônia*) as Eletrobras Eletronorte has recorded ICMS credits for the purchase of fuel for the operation of its thermal plants. The tax authorities have applied a fine of 200.0% over the amount of tax credits recorded by Eletrobras Eletronorte. Eletrobras Eletronorte has challenged the administrative proceedings in the courts based on the advice of its legal advisers. Eletrobras Eletronorte believes that it acted correctly in recording these ICMS credits. The total amount of the claim as of December 31, 2010, is approximately R\$872 million. We have not made any provision in respect of this amount because we consider the risk of a favorable decision to be possible.

Eletrobras Chesf/ PIS/PASEP – COFINS

The Federal Supreme Court – STF declared the unconstitutionality of paragraph 1 of Article 3 of Law No. 9718/98, which increased the calculation basis of PIS/PASEP and COFINS taxes and created, at that time, a new concept of invoicing, which covers the total revenues earned by the legal entity, regardless the type of activity and the accounting classification adopted. This provision lacked constitutional grounds, and it was later added to the Constitution. This declaration by the Federal Supreme Court – STF only benefits companies that are parties to previously judged extraordinary appeals.

Based on the Brazilian Tax Code, we are seeking recognition of our tax credits and the refund of any overpaid amounts as a result of the unconstitutional increase in the calculation basis of these contributions. As of December 31, 2010, no final decision was reached on this issue. If decided in our favor, we would have tax credits of R\$23.9 million as of December 31, 2010.

Civil Proceedings

Arbitration – EPE – Empresa Produtora de Energia Ltda.

On November 26, 2007, Empresa Produtora de Energia Ltda. (or EPE) started an arbitration procedure against Eletrobras Furnas at the *Câmara de Mediação e Arbitragem de São Paulo* (the Mediation and Arbitration Tribunal of São Paulo) as a result of the termination by Eletrobras Furnas of an energy purchase agreement, due to the inability of EPE to deliver the volume of electricity contracted. It is not possible to precisely determine the amount of the claim since it will depend on the evaluation of an expert to be appointed by an arbitration panel. A final decision is still pending. We have not made any provision in respect of this amount because we consider the risk of a favorable decision to be possible.

Expropriation of Lands

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

In northern Brazil, Eletrobras Eletronorte is involved in several proceedings related to the expropriation of lands for the construction of the hydroelectric plants of Balbina, in the State of Amazonas, and Tucuruí, in the State of Pará. The 26 lawsuits related to the Balbina expropriation involve the value to be paid for the expropriated land and the legality of the ownership of the affected land claimed by alleged landowners. The total amount involved, which is fully provisioned, was approximately R\$190 million. Recently, however, the *Ministério Público Federal* presented new evidence that the lands belonged to the Federal Republic, not to the State of Amazonas, which strengthened the plaintiff's main argument, and, as a result, Eletrobras Eletronorte's external legal counsel changed the likelihood of loss from possible to probable. Accordingly, we have provisioned an additional R\$120 million as a

contingency. The Brazilian Government has joined Eletrobras Eletronorte in the proceedings involving the Balbina hydroelectric plant.

From the 232 original lawsuits related to the Tucuruí expropriation, only 21 were still active as of December 31, 2010. Eletrobras Eletronorte has been awarded the other 211 lawsuits and expects the same result to the proceedings still in course. We have not established any provision in connection with the remaining lawsuits.

Mendes Jr.

As of December 31, 2010, Eletrobras Chesf was involved in significant litigation proceedings with Mendes Jr., a Brazilian construction contractor. Eletrobras Chesf and Mendes Jr. entered into an agreement in 1981 providing for certain construction work to be performed by Mendes Jr. The agreement, as amended, provided that, in the event of delays in payments due by Eletrobras Chesf to Mendes Jr., Mendes Jr. would be entitled to default interest at the rate of 1.0% per month, plus indexation to take account of inflation. During the performance of the work, payments by Eletrobras Chesf were delayed and Eletrobras Chesf subsequently paid default interest at the rate of 1.0%, plus indexation, on such delayed payments. Mendes Jr. alleged that as it had been required to fund itself in the market in order not to interrupt the construction work, it was entitled to be reimbursed in respect of such funding at market interest rates, which were much higher than the contractual default interest rate.

The lower court judge dismissed Mendes Jr.'s claims and Mendes Jr. appealed to the Appellate Court of the State of Pernambuco (or the Appellate Court). The Appellate Court reinstated Mendes Jr.'s claims and ultimately declared Eletrobras Chesf liable to reimburse Mendes Jr.'s funding costs in respect of the delayed payments at market rates, plus legal fees of 20.0% of the amount of the dispute, with the total being indexed at market rates until the actual payment date. Eletrobras Chesf's appeal from the Appellate Court's order to the Federal Superior Court (or STJ) was dismissed on jurisdictional grounds. Mendes Jr. then filed a second lawsuit in a State court in Pernambuco to order Eletrobras Chesf to pay for the actual losses incurred by Mendes Jr., and to determine the amount payable. In the enforcement proceedings, the lower court ruled in favor of Mendes Jr., but the Appellate Court ruled in favor of Eletrobras Chesf, annulling the lower court's judgment in the enforcement proceedings. Mendes Jr. appealed this ruling of the Appellate Court to the STJ and to the Federal Supreme Court, which were rejected. At the same time, the Brazilian government also requested the STJ to permit the Government to participate in the proceedings as Eletrobras Chesf's assistant. In December 1997, the STJ decided that: (1) the second proceedings should be recommenced from the trial court phase; (2) the Brazilian government should participate in the proceedings as Eletrobras Chesf's assistant; and (3) the second proceedings should be heard before Brazilian federal courts instead of the state courts to which it was originally submitted. The second proceedings recommenced in Brazilian federal courts to determine the final amount to be paid by Eletrobras Chesf to Mendes Jr. An expert was called to determine the amount of the claim, and had his finding challenged by Eletrobras Chesf. As a consequence, the court decided to reject the expert's opinion but fixed the criteria which should be applied to determine the amount due. Mendes Jr. has appealed, requesting that the court require Eletrobras Chesf to pay the amount determined by the expert. Eletrobras Chesf and the Brazilian government have also appealed, requesting that the lawsuit should be terminated since there is no evidence Mendes Jr. obtained loans to conclude the construction. On October 25, 2010, the Regional Federal Court of the 5th Region held the appeals filed by Eletrobras Chesf and the Brazilian government and ruled the lawsuit had no merit. As of December 2010 Mendes Jr. had not appealed this decision. The initial amount pleaded by the plaintiffs was of approximately R\$7 billion (not considering inflation). As of December 31, 2010, we had no provisions related to this matter. Considering the decision of the Regional Federal Court of the 5th Region, the risk of loss of such litigation has been assessed as remote. For additional information relating to this dispute see Note 32 of our financial statements included elsewhere.

Xingó Plant "K Factor" Litigation

As of December 31, 2010, Eletrobras Chesf was also involved in litigation with the consortium responsible for building the Xingó plant (or the Xingó Consortium). In connection with building the Xingó plant, Eletrobras Chesf and the Xingó Consortium entered into a construction agreement that was amended in 1988 to provide that an additional inflation adjustment (referred to as the "K factor") be added to certain monetary correction payments required to be made by Eletrobras Chesf to the Xingó Consortium under the agreement. This amendment resulted in payments by Eletrobras Chesf to the Xingó Consortium that were higher than the payments that the original Request For Proposal (or RFP) for this project indicated would be paid to the successful bidder.

In 1994, Eletrobras Chesf unilaterally ceased applying the K factor to its payments to the Xingó Consortium (and consequently reduced its payments to the Xingó Consortium to the amount that Eletrobras Chesf would have had to pay if the K factor had not been applied to such payments) and filed a lawsuit against the Xingó Consortium seeking reimbursement for the additional amounts paid pursuant to the K factor adjustment, claiming that the use of an indexation system more favorable to the Xingó Consortium than the one originally provided for by the RFP was illegal under public bidding rules. The Xingó Consortium also filed a lawsuit against Eletrobras Chesf requiring full payment of the amounts due applying the K factor. Eletrobras Chesf's lawsuit was rejected and Xingó Consortium's lawsuit was decided favorably to the plaintiff, ordering Eletrobras Chesf to pay the amounts corresponding to the application of the K factor. Eletrobras Chesf and the Brazilian government, which is acting as the first's assistant on the lawsuit, have appealed to the STJ. In August 2010, the STJ upheld Eletrobras Chesf's appeal to reduce the amount of the claim. STJ also denied the other special appeals presented by Eletrobras Chesf and upheld the decision of the TJPE which dismissed the declaratory action filed by Eletrobras Chesf and upheld the counterclaim filed by the defendants. On June 30, 2011, the parties had not been notified of such STJ decision, which was still subject to appeal. If the final ruling is against Eletrobras Chesf, it will be subject to the final execution of the judgment. Eletrobras Chesf has provisioned R\$427 million in relation to this proceeding as of June 30, 2011 as it considers the risk of an unfavorable decision probable.

Eletrobras Chesf filed a lawsuit against Companhia Brasileira de Projetos e Obras (CBPO) and Construções e Comércio and Mended Júnior Engenharia S.A. (CONSTRAN), claiming the partial invalidity of a turn-key agreement entered into between the parties regarding Xingó, a hydroelectric power plant, and seeking the return of amounts paid thereunder, of approximately R\$350 million.

The Federal Regional Court ruled that the Pernambuco State Court was the proper forum to hear this claim. The court found that Eletrobras Chesf's claim did not have any legal basis. Subsequently, the defendants filed a counterclaim and obtained a favorable judgment in the Civil Court of Recife which has been upheld on appeal by the 2nd Civil Chamber of the Pernambuco Court of Justice.

Eletrobras Chesf – Fazenda Aldeia Litigation

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). A lower court determined that there were grounds for the request and sentenced Eletrobras Chesf to pay R\$50 million, corresponding to the principal amount plus interest and monetary restatement. In December 2008, Eletrobras Chesf filed an appeal with Court of Justice of the State of Bahia. On March 2009, this lawsuit was transferred to federal courts requiring that all decision-making acts are nullified and that a new procedure be initiated in federal court. On September 30, 2009 Eletrobras Chesf had not been notified of this redistribution. The appeal was partially assessed by the 1st Region Federal Court, which was suspended due to one of the judges asking for more time to analyze the case. On December 31, 2010, we were awaiting judgment of the appeal. Eletrobras Chesf has provisioned R\$50 million in relation to this proceeding as the risk of an unfavorable decision has been assessed as probable.

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

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

Eletrobras Furnas

FURNAS – CENTRAIS ELÉTRICAS S.A. is a generation and transmission company operating in the Central and Southeast regions of Brazil. Its registered office is at Rua Real Grandeza, 219, Botafogo, Rio de Janeiro, 22281-900, Rio de Janeiro. We hold 99.54% of Eletrobras Furnas' share capital. As of June 30, 2011, the aggregate amount of Eletrobras Furnas' outstanding capital stock was R\$6.0 billion, consisting of 50,827,935,141 outstanding common shares and 14,326,036,621 outstanding preferred shares. As of June 30, 2011, Eletrobras Furnas' share capital was fully paid-up and the aggregate amount of reserves was R\$7.5 billion. Eletrobras Furnas' net income was R\$636 million and R\$33 million as of and for the year ended December 31, 2010 and the six-month period ended June 30, 2011, respectively. In 2011, we will receive R\$71.3 million as dividends paid by Eletrobras Furnas in relation to their 2010 results.

Eletrobras Chesf

COMPANHIA HIDRO ELETRICA DO SAO FRANCISCO is a generation and transmission company operating in the Northeast region of Brazil. Its registered office is at Rua Delmiro Gouveia, 333, Bonji, Recife, 50761-901, Pernambuco. We hold 99.55% of Eletrobras Chesf's share capital. The aggregate amount of Eletrobras Chesf's outstanding capital stock is R\$7.7 billion, consisting of 50,094,606 outstanding common shares and 1,470,228 outstanding preferred shares. As of June 30, 2011, Eletrobras Chesf's share capital was fully paid-up and the aggregate amount of reserves was R\$8.4 billion. Eletrobras Chesf's net income was R\$2,177 million and R\$787 million as of and for the year ended December 31, 2010 and the six-month period ended June 30, 2011, respectively. On June 17, 2011, we received R\$619.8 million as dividends paid by Eletrobras Chesf in relation to their 2010 results.

Itaipu

Itaipu Binacional is a generation company operating in Paraguay and Brazil. Its registered office is at Rua Comendador Araújo, 551, 4th floor, Curitiba, 80420-000, Paraná. We hold 50.0% of Itaipu's share capital and ANDE hold the remaining 50.0%. As of June 30, 2011, the aggregate amount of Itaipu's outstanding capital stock was U.S.\$100 million. As of June 30, 2011, Itaipu's share capital was fully paid-up and Itaipu had no reserves. Itaipu's net income was U.S.\$467 million and U.S.\$318 million as of and for the year ended December 31, 2010 and the six-month period ended June 30, 2011, respectively.

Eletrobras Eletronorte

Centrais Elétricas do Norte do Brasil S.A. – Eletronorte, is a generation, transmission and distribution company operating in the north and part of the Midwest regions of Brazil. Its registered office is at SCN, Quadra 06, Conjunto A, Blocos B e C, Norte 2, Asa Norte, Brasília, 70716-9001, Federal District. We hold 99.41% of Eletrobras Eletronorte's share capital. As of June 30, 2011, the aggregate amount of Eletrobras Eletronorte's outstanding capital stock was R\$8.2 billion, consisting of 135,889,074 outstanding common shares. As of June 30, 2011, Eletrobras Eletronorte's capital was fully paid-up and the aggregate amount of reserves was R\$2.03 billion. Eletrobras Eletronorte's net income was R\$140 million and R\$158 million as of and for the year ended December 31, 2011 and the six-month period ended June 30, 2011, respectively. On June 20, 2011, we received R\$138.1 million as dividends paid by Eletrobras Eletronorte in relation to their 2010 results.

THE BRAZILIAN POWER INDUSTRY

General

According to Regulation No. 937, dated November 24, 2010, MME approved a ten-year expansion plan (*Plano Decenal de Expansão de Energia Elétrica* or PDE 2010-2019), which provides guidance to the Brazilian government and to all agents in the Brazilian energy industry in order to ensure that there is a sustainable supply of energy in Brazil, including electricity, taking into consideration environmental needs, the Brazilian economy and a business' technical capabilities.

The studies carried out in the PDE include a plan for the next ten years and are subject to annual reviews which take into account, among other aspects, changes in the forecast for the growth of electricity consumption and the re-evaluations of the economical and operational feasibility of the generation projects, as well as the estimations regarding the expansion of transmission lines.

According to ANEEL, in December 2010, when taking into account the SIN generating units, the power generators installed in the isolated systems and in the generators owned by individuals, Brazil had a total installed capacity of 113,314 MW.

Currently, the SIN is divided into four electric sub-systems: South-East/Center-West, South, North-East and North. One of the goals of the PDE is to complete the integration of the isolated systems of Manaus-Macapá, into the North sub-systems by November 2012.

In addition to the SIN, there are also the isolated systems, i.e., those systems that do not make part of the SIN, are generally located in the Northern and North-Eastern regions of Brazil, have as sole source of energy the electricity generated by coal-fired and oil-fuelled thermal plants which are extremely pollutants and have a generation cost three to four times higher than, for instance, a hydro-electric power station. The CCC account was introduced by article 13, III of Law No 5899, of July 5, 1973, as amended, with the purpose of generating financial reserves payable to distribution companies and to some generation companies (all of which must make annual contributions to the CCC Account) in order to cover some of the costs of the operation of thermoelectric plants in the event of adverse hydrological conditions, and also of subsidizing the electricity generated by the "isolated systems" in order to allow consumers of the isolated systems to bear charges for electricity equivalent to the charges borne by consumers served by hydraulic generation. There is currently a significant discrepancy between charges paid by consumers in the Northern and Northeastern regions when compared to what is charged from the Southern/South-Eastern Region consumers. Therefore, interconnecting the isolated systems to the SIN would enable consumers from these regions to have access to hydroelectric energy sources, which results in reduced production costs and a convergence of prices in these regions to other regions of the country.

With the purpose of promoting a significant reduction of the CCC account of the isolated systems, the PDE further intends to integrate the isolated systems to the SIN. Such integration would be carried out through the construction of the transmission lines of Jauru/Vilhena (230kV), Tucuruí/Manaus (Cariri) (500kV) and Jurapari/Macapá (230kV), within the shortest term possible, given that the preliminary analysis for implementing the integration project has already been concluded.

In addition to the integration of the isolated systems, the PDE also provides for the expansion of electricity generation through the improvement of the generation capacity, defined by the PDE as the execution of a set of works aimed at enhancing the capacity and efficiency while modernizing the already existing power plants, which should not represent a lot in terms of ensured power but would contribute to meet the increase in the highest level expected of electricity demand.

According to ANEEL, the total installed electricity generation capacity in Brazil in June 2011 was 114,229,226 KW. With 128 ventures currently under construction and another 531 with permits granted, an additional generation capacity of 51,156,835 KW is expected in the coming years.

In December 2010, according to ANEEL, the total installed electricity generation capacity in Brazil was 113,314,170 MW. Pursuant to the EPE 10 Year Plan, Brazil's total installed power generation capacity is projected

to increase to 171.1 GW by 2020, of which 115.1 GW (67.27%) is projected to be hydroelectric and 56.0 GW (32.7%) to be thermoelectric and from other sources.

We currently control approximately 37.0% of the installed power generating capacity within Brazil and are responsible for approximately 55.5% of the installed transmission capacity above 230 kV. In addition, some Brazilian states control entities involved in the generation, transmission and distribution of electricity. In 2010, non Eletrobras system companies had approximately 63.0% and 95.0% of the market for generation and distribution activities, in terms of total capacity and consumer units, respectively, and approximately 44.5% of the transmission market, in terms of length of transmission lines. The remainder of the market is held by several companies including Cemig, Copel, Tractebel, CPFL, Duke and Brasil Energia. Certain of these companies have entered into joint venture arrangements in the past.

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

In 2010, according to the *Empresa de Pesquisa Energética* (the Energetic Research Company or EPE), the electricity consumption in Brazil reached 419,016 GWh, exceeding total consumption in 2009 by 7.8%. The electricity consumption in Brazil in 2009 was 388,688 GWh according to EPE, which represented a 1.0% decrease compared to the total consumption of 392,688 GWh in 2008.

Historical Background

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

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

- The Brazilian Constitution was amended in 1995 by Constitutional Amendment No. 6 to allow foreign companies to invest in Brazilian companies that hold power generation concessions. Prior to this amendment, all generation concessions were held either by a Brazilian individual or an entity controlled by Brazilian individuals or by the Brazilian Government;
- The Brazilian Government enacted Law No. 8,987 on February 13, 1995 as amended by Law No. 11,196 of November 21, 2005 and Law No. 11,445 of January 5, 2007 (or the Concessions Law) and Law No. 9,074 on July 7, 1995, as amended (or the Power Concessions Law), that together: (1) required that all concessions for the provision of energy related services be granted through public bidding processes; (2) gradually allowed certain electricity consumers with significant demand, designated “free consumers,” to purchase electricity directly from suppliers holding a concession, permission or authorization; (3) provided for the creation of generation entities (or Independent Power Producers) which, by means of a concession, permission or authorization, may generate and sell, for their own account and at their own risk, all or part of their electricity to free consumers, distribution concessionaires and trading agents, among others; (4) granted free consumers and electricity suppliers open access to all distribution and transmission systems; and (5) eliminated the need for a concession to construct and operate power projects with capacity from 1 MW to 30 MW (the so called *Pequenas Centrais Hidrelétricas* – PCHs) although an authorization or permission from ANEEL or MME is required, as the case may be;
- Beginning in 1995, a portion of the controlling interests held by us and various states in certain generation and distribution companies were sold to private investors. At the same time, certain state governments also sold their stakes in major distribution companies;

- In 1998, the Brazilian Government enacted Law No. 9,648 (or the Power Industry Law) to overhaul the basic structure of the electricity industry. The Power Industry Law provided for the following:
 - the establishment of a self-regulated body responsible for coordinating the purchase and sale of electric energy available in the Interconnected System (*Mercado Atacadista de Energia Elétrica – MAE*), or the Wholesale Energy Market - MAE, an entity which replaced the prior system of regulated generation prices and supply contracts. The Wholesale Energy Market – MAE was later replaced by the CCEE;
 - a requirement that distribution and generation companies enter into initial energy supply agreements (or the Initial Supply Contracts) generally “take or pay” commitments, at prices and volumes approved by ANEEL. The main purpose of the Initial Supply Contracts was to ensure distribution companies access to a stable electricity supply at prices that guaranteed a fixed rate of return for the electricity generation companies during the transition period leading to the establishment of a free and competitive electricity market;
 - the creation of the National Electricity System Operator (*Operador Nacional do Sistema Elétrico*), or ONS, a non-profit, private entity responsible for the operational management of the generation and transmission activities of the Interconnected Power System; and
 - the establishment of public bidding processes for concessions for the construction and operation of power plants and transmission facilities.
- In 2001, Brazil faced a serious energy crisis that lasted until the end of February 2002. As a result, the Brazilian Government implemented measures that included:
 - a program for the rationing of electricity consumption in the most adversely affected regions, namely the southeast, central-west and northeast regions of Brazil; and
 - the creation of the CGE, which passed a series of emergency measures that provided for reduced electricity consumption targets for residential, commercial and industrial consumers in the affected regions by introducing special tariff regimes that encouraged the reduction of electricity consumption.
- In March 2002, the CGE suspended the emergency measures and electricity rationing as a result of large increases in supply (due to a significant rise in reservoir levels) and a moderate reduction in demand, and accordingly, the Brazilian Government enacted new measures in April 2002 that, among other things, stipulated an extraordinary tariff readjustment to compensate financial losses incurred by the electricity suppliers as a result of the mandatory electricity rationing; and
- On March 15, 2004, the Brazilian Government enacted the Law No. 10,848 and on July 30, 2004, the Decree No. 5.163, or the Electricity Regulatory Law, in an effort to further restructure the power industry with the ultimate goal of providing consumers with secure electricity supplies combined with low tariffs, which law was regulated by a number of decrees enacted by the Brazilian Government in July and August of 2004, and is still subject to further regulation to be issued in the future. See “Challenges to the Constitutionality of the Electricity Regulatory Law.”

Concessions

The companies or consortia that wish to build or operate facilities for generation, transmission or distribution of electricity in Brazil must apply to MME or to ANEEL, as representatives of the Brazilian Government, for a concession, permission or authorization, as the case may be. Concessions grant rights to generate, transmit or distribute electricity in the relevant concession area for a specified period, though a concession

may be revoked at any time at the discretion of the MME, following consultation with ANEEL. This period is usually 35 years for new generation concessions, and 30 years for new transmission or distribution concessions. An existing concession may be renewed at the granting authority's discretion. Accordingly, we cannot provide any assurances that the concessions will be extended.

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

- *Adequate service.* The concessionaire must render adequate service equally with respect to regularity, continuity, efficiency, safety, and accessibility.
- *Use of land.* The concessionaire may use public land or request the granting authority to expropriate necessary private land for the benefit of the concessionaire. In that case, the concessionaire must compensate the private landowners affected.
- *Strict liability.* The concessionaire is strictly liable for all damages arising from the provision of its services.
- *Changes in controlling interest.* The granting authority must approve any direct or indirect change in the concessionaire's controlling interest.
- *Intervention by the granting authority.* The granting authority may intervene in the concession, by means of an administrative proceeding, to ensure the adequate performance of services, as well as full compliance with applicable contractual and regulatory provisions.
- *Termination of the concession.* The termination of the concession agreement may be accelerated by means of expropriation and/or forfeiture. Expropriation is the early termination of a concession for reasons related to the public interest that must be expressly declared by law. Forfeiture must be declared by the granting authority after a final administrative ruling that the concessionaire, among other things: (1) has failed to render adequate service or to comply with applicable law or regulation; (2) no longer has the technical, financial or economic capacity to provide adequate service; or (3) has not complied with penalties assessed by the granting authority. The concessionaire may contest any expropriation or forfeiture in the courts. The concessionaire is entitled to indemnification for its investments in expropriated assets that have not been fully amortized or depreciated, after deduction of any amounts for fines and damages due by the concessionaire.
- *Expiration.* When the concession expires, all assets, rights and privileges that are materially related to the rendering of the electricity services revert to the Brazilian Government. Following the expiration, the concessionaire is entitled to indemnification for its investments in assets that have not been fully amortized or depreciated at the time of expiration.

Penalties

Law No. 9,427 of December 26, 1996, as amended, enacted by the Brazilian Government and supplemented by ANEEL's regulation govern the imposition of sanctions against the agents of the electricity sector and classify the appropriate penalties based on the nature and importance of the breach (including warnings, fines, temporary suspension from the right to participate in bidding procedures for new concessions, licenses or authorizations and forfeiture). For each breach, the fines can be up to 2.0% of the revenue of the concessionaire in the 12-month period preceding any assessment notice or, for independent producers or self producers, the estimated amount of energy produced in the same period. Some infractions that may result in fines relate to the failure of the agent to request ANEEL's approval, including the following (pursuant to ANEEL Resolution No. 63/2004):

- entering into certain related party transactions;

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

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

Principal Authorities

Ministry of Mines and Energy

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

ANEEL

The Brazilian power industry is regulated by ANEEL, an independent federal regulatory agency. ANEEL's primary responsibility is to regulate and supervise the power industry in line with the policy dictated by the MME and to respond to matters which are delegated to it by the Brazilian Government and by the MME. ANEEL's current responsibilities include, among others: (1) administering concessions for electricity generation, transmission and distribution activities, including the approval of electricity tariffs; (2) enacting regulations for the electricity industry; (3) implementing and regulating the exploitation of energy sources, including the use of hydroelectric energy; (4) promoting the public bidding process for new concessions; (5) settling administrative disputes among electricity generation entities and electricity purchasers; and (6) defining the criteria and methodology for the determination of transmission tariffs.

National Energy Policy Council

On August 6, 1997, pursuant to Article 2 of Law No. 9,478, the *Conselho Nacional de Política Energética* (the National Energy Policy Council or CNPE) was created to advise the Brazilian president with respect to the development and creation of national energy policy. The CNPE is presided over by the Minister of Mines and Energy, and the majority of its members are ministers of the Brazilian Government. The CNPE was created to optimize the use of Brazil's energy resources, to assure the supply of electricity to the country and to periodically review the use of regular and alternative energy to determine whether the nation is properly using a variety of sources of energy and is not heavily dependent on a particular source.

National Electricity System Operator

The ONS was created in 1998 by Law No. 9.648 dated May 27, 1998. The ONS is a non-profit private entity comprised of concessionaires, other legal entities holding permissions or authorizations in the electrical energy market, and consumers connected to the interconnected system. The Electricity Regulatory Law granted the Brazilian Government the power to nominate three executive officers to ONS's board of executive officers. The primary role of the ONS is to coordinate and control the generation and transmission operations in the Interconnected Power System, subject to ANEEL's regulation and supervision. The objectives and principal responsibilities of the ONS include: operational planning for the generation industry, organizing the use of the domestic Interconnected Power System and international interconnections, guaranteeing that all parties in the industry have access to the transmission network in a non-discriminatory manner, assisting in the expansion of the energy system, proposing plans to the MME for extensions of the Basic Network (which proposals must be taken into account in planning expansion of the transmission system) and submitting rules for the operation of the

transmission system for ANEEL's approval. Generators must declare their availability to ONS, which then attempts to establish an optimal electricity dispatch program.

Energy Trading Chamber

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

One of the principal roles of the CCEE is to conduct public auctions on the Regulated Market, see “—The Regulated Market.” In addition, the CCEE is responsible, among other things, for: (1) registering all the energy purchase agreements in the *Contratos de Comercialização de Energia no Ambiente Regulado* (Regulated Market or CCEAR), and the agreements resulting from six-month period and the volume of electricity contracted in the Free Market, see “—The Free Market;” and (2) accounting and clearing of short-term transactions.

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

The MME determines the maximum price of the energy sold in the regulated market through auctions, as specified under Decree No. 5,163 of 2004

Energy Research Company

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

Energy Industry Monitoring Committee

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

Electric Power Transmission in Brazil

Transportation of large volumes of electricity over long distances is made by way of a grid of transmissions lines and substations with high voltages (from 230 kV to 750 kV), known as the Basic Network. Any electric power market agent that produces or consumes power is entitled to use the Basic Network.

Transmission lines in Brazil are usually very long, since most hydroelectric plants are usually located away from the large centers of power consumption. Today, the country's system is almost entirely interconnected. Only the states of Amazonas, Roraima, Amapá, Rondônia and a part of Pará are still not linked up to the Interconnected Power System. In these states, supply is made by small thermal plants or hydroelectric plants located close to their respective capital cities.

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

We operated approximately 55.5% of the high-voltage transmission networks in Brazil, as of December 31, 2010.

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

Our transmission system, which consists of a set of transmission lines interconnected to substations, is comprised of approximately 53,000 kilometers of transmission lines, corresponding to around 55.5% of the total lines in Brazil with a voltage higher or equal to 230 KV.

Besides operating and maintaining this system in accordance with the standards of performance and quality required by ANEEL, we have actively participated in the expansion of transmission lines through concessions in auctions conducted by ANEEL, alone or through consortiums, as well as through permits for reinforcements of the current system.

The major transmission projects under development are: (1) LT 230 kV Ji-Paraná – Pimenta Bueno – Vilhena C1 (RO); (2) LT 230 kV Funil – Itapebi C3 (BA); (3) LT 230 kV Ibicoara – Brumado II (BA); (4) LT 230 kV Picos – Tauá II (PI/CE); (5) LT 345 kV Tijuco Preto – Itapeti – Nordeste (SP); (6) LT 500 kV Oriximiná – Itacoatiara – Cariri (PA/AM); (7) LT 600 kV Porto Velho – Araraquara (RO/SP); (8) LT 230 kV Eunapólis – Teixeira de Freitas II C2 (BA); and (9) LT 500 kV Bom Despacho 3 – Ouro Preto 2 (MG).

Brazil has a total of six medium and large interconnections with other countries in South America, four of them operated by us, as set forth below:

- with Paraguay, through four 500 kV transmission lines connecting Usina de Itaipu to *Margem Direita* (Paraguay) substation and the Foz do Iguaçu in Brazil substation. Itaipu's 50 Hz energy sector is then transported to the Ibiúna substation in São Paulo through a direct current transmission system with a capacity of 6,300 MW;
- with Uruguay, through Rivera's frequency converter station in Uruguay, with a capacity of 70 MW and a 230 kV transmission line connecting it to the Livramento substation in Brazil;
- with Argentina, through Uruguaiana's frequency converter station in Brazil, with a capacity of 50 MW and a 132 kV transmission line connecting it to Paso de los Libres in Argentina; and
- with Venezuela, through a 230 kV transmission line with a capacity of 200 MW, which connects the city of Boa Vista, in the State of Roraima, to the city of Santa Elena in Venezuela.

In the transitional environment (2002-2005), there was a gradual decline in the amounts of power contracted under Initial Supply Contracts, the generating companies paid for the use of the transmission line grid, whereas distributors were required to pay two types of transmission tariffs: (1) nodal tariffs, associated with each connection point from where these distributors demand voltage; and (2) the transmission tariff, associated with the Initial Supply Contracts, which was applied to part of the demand contracted in that environment. Once the amounts under the Initial Supply Contracts dropped to zero, the power generating, distributing and selling companies and free consumers had free access agreements governing their use of transmission lines on equivalent terms with those of agents that entered the market after free access became compulsory. In this free market environment, transmission tariffs are determined based on the effective use that each party that accesses the Basic Network makes of it.

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

The Electricity Regulatory Law introduced material changes to the regulation of the power industry with a view to: (1) remedying the deficiencies in the Brazilian electric system and (2) creating incentives to ensure growth in the electrical energy sector to support Brazilian economic and social development. Through this law, legislators attempted to protect the distribution concessionaires' captive consumers and to make low cost electrical energy

continuity, which has a minimal environmental impact, available. The key features of the Electricity Regulatory Law included:

- Creation of: (1) the Regulated Market, in which the purchase and sale of electrical energy must follow rules imposed by the ANEEL and must occur through the CCEE; and (2) a market specifically addressed to certain participants (e.g., free consumers and commercialization companies), that will permit a certain degree of competition with respect to the Regulated Market, called the *Ambiente de Contratação Livre*, or the Free Market, in which parties are free to negotiate the terms and conditions of their purchase and sale agreements;
- Restrictions on certain activities of distributors, so as to ensure that they focus only on their core business to guarantee more efficient and reliable services to captive consumers;
- Elimination of self-dealing, to provide an incentive to distributors to purchase electricity at the lowest available prices rather than buying electricity from related parties; and
- Respect for contracts executed prior to the Electricity Regulatory Law, in order to provide stability to transactions carried out before its enactment.

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

Challenges to the Constitutionality of the Electricity Regulatory Law

The Electricity Regulatory Law is being challenged in the Brazilian Supreme Court in Lawsuits No. 3090 and 3100. The provisional requests of both lawsuits were denied by the Brazilian Supreme Court in a decision published on October 26, 2007. A final decision on this matter is subject to majority vote of the 11 judges, *provided* that a quorum of at least eight justices must be present. To date, the Brazilian Supreme Court has not reached a final decision and we do not know when such a decision may be reached. The Brazilian Supreme Court ruled by six votes to four to deny the provisional measure requested to suspend the effects of the Electricity Regulatory Law until the final decision on the case has been made; however, a final decision remains pending. Therefore, the Electricity Regulatory Law was in force as of December 31, 2010. Regardless of the Supreme Court's final decision, certain portions of the Electricity Regulatory Law relating to restrictions on distribution companies performing activities unrelated to the distribution of electricity, including sales of energy by distribution companies to free consumers and the elimination of self-dealing are expected to remain in full force and effect.

If all or a relevant portion of the Electricity Regulatory Law is determined unconstitutional by the Brazilian Supreme Court, the regulatory scheme introduced by the Electricity Regulatory Law may lose its effectiveness, generating uncertainty as to how the Brazilian Government will define the rules for the electrical energy sector. Considering that we have already purchased virtually all of our electricity needs through 2011 and that the pass through to tariffs of such electricity is expected to continue to be regulated by the regime predating the Electricity Regulatory Law, irrespective of the outcome of the Supreme Court's decision, we believe that in the short term, the effects of any such decision on our activities should be relatively limited. The exact effect of an unfavorable outcome of the legal proceedings on us and the electricity industry as a whole is difficult to predict, but it could have an adverse impact on our business and results of operations even in the short term (see "Risk Factors—Risks Relating to the Brazilian Power Industry").

Markets for the Trading of Electricity

Under the Electricity Regulatory Law, electricity purchase and sale transactions may be carried out in two different market segments: (1) the Regulated Market, which contemplates the purchase by distribution companies through public bids of all electricity necessary to supply their captive consumers; and (2) the Free Market, which encompasses purchase of electricity by non-regulated entities (such as free consumers and energy traders).

Nevertheless, electricity generated by plants qualified under the Proinfa, nuclear power plants and Itaipu are governed by a special regimen for commercialization and, therefore, are not subject to either the Regulated or the Free Market. The electricity generated by Itaipu, the most relevant among energy sources governed by separate regimes including Decree 4,550 of December 27, 2002, is sold to us and sold to distribution concessionaires in the south and center-south-eastern power markets in proportion to their market share in those markets. The rates at which Itaipu-generated electricity is traded are denominated in U.S. dollars and established pursuant to a treaty between Brazil and Paraguay. As a consequence, Itaipu rates rise or fall in accordance with the variation of the U.S. dollar/*real* exchange rate. Changes in the price of Itaipu-generated electricity are, however, subject to full pass-through to distribution tariffs.

The Regulated Market

Distribution companies must meet market demand by supplying electricity primarily purchased in public auctions in the Regulated Market. Distribution companies, however, may purchase electricity from: (1) generation companies that are connected directly to such distribution company, except for hydro generation companies with capacity higher than 30 MW and certain thermo generation companies; (2) electricity generation projects participating in the initial phase of the Proinfa; and certain power distribution companies in the south and center-south-eastern power markets, and (3) the Itaipu hydroelectric plant.

Electricity public auctions for new generation projects in process are held: (1) five years before the initial delivery date (referred to as “A-5” auctions); and (2) three years before the estimated initial delivery date (referred to as “A-3” auctions). Electricity auctions from existing power generation facilities are held one year before the estimated initial delivery date (referred to as “A-1” auctions). Electricity public auctions for electrical energy from alternative sources are held between A-1 and A-5 auctions. Additionally, the Brazilian Government, directly or indirectly through ANEEL, carries out public auctions for the sale of electrical energy to energy distributors to allow distributors to adjust their volume of electrical energy as necessary to meet their customers’ demands, or Market Adjustments.

The public auctions are prepared by ANEEL in compliance with guidelines established by the MME, including the requirement to use the lowest bid as the criteria to determine the winner of the auction.

Each generation company that participates in the auction must execute a contract for purchase and sale of electricity with each distribution company in proportion to the distribution companies’ respective estimated demand for electricity. The CCEARs for both “A-5” and “A-3” auctions have a term of between 15 and 30 years, and the CCEARs for “A-1” auctions have a term between three and 15 years. The CCEARS for alternative energy sources are between 10 and 30 years. The only exception to these rules relates to the market adjustment auction, in which the generation and the distribution companies will enter into two-year bilateral agreements that must be registered with the ANEEL and the CCEE.

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

The Annual Reference Value creates an incentive for distribution companies to contract for their expected electricity demand in the “A-5” auctions, where the prices are expected to be lower than in “A-3” auctions. ANEEL allows companies to pass on their electrical energy acquisition costs to final consumers pursuant to the following criteria: (1) in the A-5 auctions, companies are permitted to pass on all costs to consumers, subject to the limitations referred to below; (2) in the A-3 auctions companies are permitted to: (a) pass all acquisition costs for energy acquired in A-5 auctions up to 2% of the difference between the energy acquired in A-3 auctions during the year and the distributor’s energy requirements; and (b) whichever of the following is less – the A-5 auctions and in the A-3 auctions; (3) in the A-1 auctions, companies are permitted to pass on all costs to consumer; (4) in the Market Adjustments auctions and in the acquisitions of energy directly from a generation plant connected to the distributors’ electric system (except as set forth in law), companies are permitted to pass on all costs up to the Annual Reference Value to consumer; and (5) in the alternative energy source auctions and others determined by the Brazilian government, companies are permitted to pass on all costs to consumer.

ANEEL maintains the economic value of the Annual Reference Value by adjusting the Annual Reference Value pursuant to the monetary adjustment index agreed upon in the CCEARs.

The Electricity Regulatory Law establishes the following limitations on the ability of distribution companies to pass through costs to consumers:

- No pass-through of costs for electricity purchases that exceed 103.0% of actual demand;
- The pass-through of electricity acquisition costs from new electricity generation projects equal to the difference between the minimum purchase threshold (96% of repossessed energy contracted pursuant to the Electricity Regulatory Law) and the energy purchased in the A-1 auctions will be limited to the weighted average amount (in *reais*/MWh) of the acquisition prices in the A-1 auctions, except that this limit is applicable solely: (1) in the first three years following A-1 auctions in which the minimum purchase threshold was not reached; (2) to the CCEARs relating to portion of energy acquired in A-3 and A-5 auctions with the highest price;
- The MME will establish the maximum acquisition price for electricity generated by existing projects; and
- If distribution companies do not comply with the obligation to fully contract their demand, the pass-through of the costs from energy acquired in the CCEE short-term market will be the lower of the Price of Liquidation of Differences (PLD) and the Annual Reference Value.

Auctions in the Regulated Market, subject to the conditions set forth in the respective requests for proposals, may originate two types of CCEARs: (1) *Contratos de Quantidade de Energia* (Energy Agreements); and (2) *Contratos de Disponibilidade de Energia* (Capacity Agreements).

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

The Electricity Regulatory Law sets forth that all electricity generation, distribution and trading companies, independent power producers and free consumers must inform MME, by the first of August of each year, of their estimated electricity demand or estimated electricity generation, as the case may be, for each of the subsequent five years. To encourage power distribution companies to make accurate estimations and to enter into power purchase agreements accordingly, pass-through tariffs, as mentioned above, are permitted provided that the purchased power stays within 103.0% of the distribution company's actual power demand. Surpluses and shortages of power distribution companies concerning power acquisitions in the Regulated Market may be offset against each other by means of an offsetting mechanism managed by CCEE. According to the Electricity Regulatory Law, electricity distribution entities are entitled to pass on to their customers the costs related to electricity purchased through public auctions as well as any taxes and industry charges related to public bids, subject to certain limitations related to the inability of distribution companies to accurately forecast demand.

Electrical Energy Trading Convention

ANEEL Resolutions No. 109, of October 26, 2004 and No. 210, of February 24, 2006, govern the *Convenção de Comercialização de Energia Elétrica* (the Electrical Energy Trading Convention) which regulates the organization and functioning of the CCEE and the electrical energy trading conditions and defines, among others: (1) the rights and obligations of CCEE Agents; (2) the penalties to be imposed on defaulting agents; (3) the means of

dispute resolution; (4) trading rules in the Regulated and Free Markets; and (5) the accounting and clearing process for short-term transactions.

CCEE is a non-profit organization whose members are all agents of the Brazilian power sector (certain agents are not mandatory members of CCEE and may be represented by other members) and subject to ANEEL's authorization, supervision and regulation. CCEE is responsible for (1) registering the conditions concerning power amounts and terms set forth in all power purchase agreements, whether entered into in the Regulated Market or the Free Market; and (2) the accounting and liquidation of the power market, including the power surpluses and shortages spot market, among other attributions. CCEE is governed by a board of directors comprised of five members, four being nominated by the referred agents while its president is nominated by the MME.

The Free Market

The Free Market covers freely negotiated electricity sales between generation concessionaires, Independent Power Producers, self-generators, energy traders, importers of energy and free consumers. The Free Market also includes bilateral contracts between generators and distribution companies executed before the enactment of the Electricity Regulatory Law, until they expire. Upon expiration, new contracts must be entered into in accordance with the Electricity Regulatory Law guidelines. Most of our existing contracts have now expired although Eletrobras CGTEE is a party to a small number of contracts that continue until 2012.

Such an extended period of notice seeks to assure that, if necessary, the construction of cost-efficient new generation could be finalized in order to supply the re-entry of free consumers into the Regulated Market. State-owned generators may sell electricity to free consumers, but as opposed to private generators, they are obligated to do so through a public process that guarantees transparency and equal access for all interested parties.

Free Consumers

According to the Electricity Regulatory Law, a free consumer may elect to: (1) continue to procure power from a local distribution company; (2) buy power directly from an independent producer or from self-producers with surplus power; or (3) buy power from a power trade agent.

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

The Electricity Regulatory Law further establishes that the option to become a free consumer is subject to the prior expiration or termination of its power purchase agreement with the power distribution company. In the event that the power purchase agreement has an indefinite term, the migration to the Free Market is permitted only in the year following receipt of a migration notice by the power distribution company, provided that this notice is presented by July 15 of such year. Once a consumer has migrated to the Free Market, it may only return to the Regulated Market once it has given the relevant distribution company five years' notice, although the distribution company may reduce that term at its discretion.

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

The law assures suppliers and their respective consumers free access to the grid subject to the payment of tariffs for the use of the electric power grids and connection costs. All regulatory charges to which captive consumers are subject are added to these tariffs in order to assure fair and equal treatment between captive and free consumers.

The regulations above are intended (1) to avoid arbitrage between captive and free markets by Free Consumers, prohibiting opportunistic migrations, as well as (2) to protect power distribution companies by making the captive market more predictable. Further, ANEEL must regulate the migration to the Free Market without increasing captive market tariffs.

Restricted Activities of Distributors

Distribution companies are not permitted to, except as otherwise provided by Law 9,074/1995: (1) develop activities related to the generation or transmission of electricity; (2) sell electricity to free consumers, except for those in their concession area and under the same conditions and tariffs maintained with respect to captive customers in the Regulated Market; (3) hold, directly or indirectly, any interest in any other company, corporation or partnership; or (4) develop commercial activities that are unrelated to their respective concessions, except for those permitted by law or in the relevant concession agreement. Generators are not allowed to hold equity interests in excess of 10.0% in distribution companies or to hold a controlling shareholding interest in distribution companies.

Elimination of Self-Dealing

Since the purchase of electricity for captive consumers will be performed through the Regulated Market, so-called self-dealing is no longer permitted, except in the context of agreements that were duly approved by ANEEL before the enactment of the Electricity Regulatory Law. Distribution companies may, however, enter into power purchase agreements with related parties, provided that such agreements are the result of power auctions conducted in the Regulated Market. Before the Electricity Regulatory Law, such companies were permitted to meet up to 30.0% of their electricity needs through electricity that was acquired from affiliated companies.

Contracts Executed Prior to the Electricity Regulatory Law

The Electricity Regulatory Law provides that the contracts executed by distribution companies and approved by ANEEL before the enactment of the Electricity Regulatory Law will not be amended to reflect any extension in their terms or modification in prices or volumes of electricity already contracted, with the exception of agreements entered into by generators and consumers effective on August 26, 2002, which could have been amended in order to be extended up to December 31, 2010.

Ownership Limitations

In 2000, ANEEL established limits on the concentration of certain services and activities within the power industry. Under such limits, with the exception of companies participating in the National Privatization Program (which needed only comply with such limits once their final corporate restructuring is accomplished) no power company (including both its controlling and controlled companies) could: (1) own more than 20.0% of Brazil's installed capacity, 25.0% of the installed capacity of the southern/southeastern/mid-western region of Brazil or 35.0% of the installed capacity of the northern/northeastern region of Brazil, except if such percentage corresponded to the installed capacity of a single generation plant; (2) own more than 20.0% of Brazil's distribution market, 25.0% of the southern/southeastern/mid-western distribution market or 35.0% of the northern/northeastern distribution market, except in the event of an increase in the distribution of electricity exceeding the national or regional growth rates; or (3) own more than 20.0% of Brazil's trading market with final consumers, 20.0% of Brazil's trading market with non-final consumers or 25.0% of the sum of the above percentages.

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

On November 10, 2009, ANEEL issued Resolution No. 378, which revoked and replaced Resolution No. 278/2000 and established that ANEEL, upon identifying an act that may result in unfair competition or in significant control of the generation, transmission and distribution markets, must notify the Secretary of Economic Law (*Secretaria de Direito Econômico*, or SDE) of the Ministry of Justice, pursuant to art. 54 of Law No. 8,884 of June 11, 1994. After notification, the SDE must inform the antitrust authority, the Administrative Counsel of Economic Defense (*Conselho Administrativo de Defesa Econômica*), or CADE. If necessary, the SDE will require ANEEL to analyze potential infractions under Resolution No. 378, while CADE must determine any applicable punishment, which may vary from pecuniary penalties to the dissolution of the company, pursuant to articles 23 and 24 of the abovementioned law.

Tariffs for the Use of the Distribution and Transmission Systems

ANEEL oversees tariff regulations that govern access to the distribution and transmission systems and establish tariffs for the use of and access to said systems. The tariffs are: (1) network usage charges, which are charges for the use of the proprietary local grid of distribution companies (or TUSD); and (2) a tariff for the use of the transmission system, which is the Basic Network and its ancillary facilities (or TUST). Additionally, distribution companies in the Southern/Southeastern Interconnected Power System pay specific charges for the transmission of electricity generated at Itaipu and for access to the transmission system.

TUSD

The TUSD is paid by generators, free consumers and special consumers for the use of the distribution system of the distribution company to which the relevant generator or free consumer is connected and are revised annually according to an inflation index. The amount to be paid is based on a formula set forth and consolidated by ANEEL Resolution No. 166/2005, as amended, by ANEEL Resolution No. 399/2010, and may vary pursuant to a number of different factors, including, for instance, costs of the network, operating costs and energy losses, among others. Our distribution companies receive the TUSD paid by free consumers in their concession areas and by some other distribution companies which are connected to our distribution system.

TUST

The TUST is paid by distribution companies and users, including generators, free consumers and special consumers, for the use of the Basic Network. The amount to be paid is based on a formula set by ANEEL Resolution No. 67/2004, as amended by ANEEL Resolution No. 442/2011, and it may vary pursuant to a number of different factors. According to criteria established by ANEEL, owners of the different parts of the transmission grid have transferred the coordination of their facilities to the ONS in return for receiving regulated payments from users of the transmission system. Network users, including generation companies, distribution companies and free consumers, have signed contracts with the ONS entitling them to use the transmission grid in return for the payment of published tariffs. Other parts of the grid that are owned by transmission companies but which are not considered part of the transmission grid are made available directly to the interested users who pay a specified fee to the relevant transmission company.

Contract for Access to the Intermediary Connection System – Access Charge

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

Itaipu Transportation Charge

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

Distribution Tariffs

Distribution tariff rates are subject to review by ANEEL, which has the authority to adjust and review tariffs in response to changes in electricity purchase costs and market conditions. When adjusting distribution tariffs ANEEL divides the costs of distribution companies between: (1) costs that are beyond the control of the distributor (or Parcel A costs); and (2) costs that are under the control of distributors (or Parcel B costs). The readjustment of tariffs is based on a formula that takes into account the division of costs between the two categories.

Parcel A costs include, among others, the following:

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

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

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

Electricity distribution companies are also entitled to *revisão periódica* (revisions) every four or five years. These revisions are aimed at: (1) assuring revenues are sufficient to cover Parcel B operating costs and that adequate compensation for essential investments for the services within the scope of each such company's concession; and (2) determining the "X factor," which is based on three components: (a) expected gains of productivity from increase in scale; (b) evaluations by consumers (verified by ANEEL); and (c) labor costs.

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

The pass-through of electricity purchase costs under supply agreements negotiated before the enactment of the Electricity Regulatory Law is subject to a ceiling based on a value established by ANEEL for each different source of energy (such as hydroelectric, thermoelectric and alternative sources of energy). This ceiling is adjusted annually in order to reflect increases in costs incurred by generators. That adjustment takes into account: (1) inflation; (2) costs incurred in hard currency; and (3) fuel related costs (such supply of natural gas). Costs incurred correspond to at least 25.0% of all costs incurred by generators.

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

Incentive Programs for Alternative Sources of Electricity

Thermoelectric Priority Program

In 2000, a federal decree created the *Programa Prioritário de Termoeletricidade* (the Thermoelectric Priority Program or PPT), for purposes of diversifying the Brazilian energy matrix and decreasing its strong dependency on hydroelectric plants. The benefits granted to thermoelectric plants under the PPT include: (1) guaranteed gas supply for 20 years; (2) assurance that costs related to the acquisition of the electricity produced by thermoelectric plants will be transferred to tariffs up to a normative value determined by ANEEL; and (3) guaranteed access to a BNDES special financing program for the power industry.

Proinfa

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

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

In its second phase, which will start after the 3,300 MW limit is reached, the Proinfa program is intended, in a period of up to 20 years, to have contracted capacity equivalent to 10.0% of the annual domestic consumption of electricity. The energy production that will be commercialized under the Proinfa program will not be provided by generation concessionaires nor by independent power producers. Such production may only be provided by an autonomous independent producer, which may not be controlled by or affiliated with a generation concessionaire or an independent power producer or controlled by or affiliated with their controlling entities.

Research and Development – R & D

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

Regulatory Charges

Global Reversion Reserve Fund

In certain circumstances, power companies are compensated for assets used in connection with a concession if the concession is eventually revoked or is not renewed. In 1971, the Brazilian Congress created a *Reserva Global de Reversão* (a Global Reversion Reserve Fund or RGR Fund) designed to provide funds for such compensation. In February 1999, ANEEL revised the assessment of a fee requiring all distributors and certain generators operating under public service regimes to make monthly contributions to the RGR Fund at an annual rate equal to 2.5% of the company's fixed assets in service, but not to exceed 3.0% of total operating revenues in any year. In recent years, no concessions have been revoked or have failed to be renewed, and in recent years the RGR Fund has been used principally to finance generation and distribution projects. With the introduction of MP No. 517/2010, the RGR Fund is scheduled to be phased out by 2035, and ANEEL is required to revise the tariff so that the consumer will receive some benefit from the termination of the RGR Fund.

Public Use Fund

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

Fuel Consumption Account

Distribution companies, and generation companies that sell directly to final consumers, must contribute to the *Conta de Consumo de Combustível* (the Fuel Consumption Account or CCC Account). The CCC Account was created in 1973 to generate financial reserves to cover elevated costs associated with the increased use of thermoelectric energy plants, in the event of a rainfall shortage, given the higher marginal operating costs of thermoelectric energy plants compared to hydroelectric energy plants. In February 1998, the Brazilian Government provided for the phasing out of the CCC Account. Subsidies from the CCC Account have been phased out over a three-year period beginning in 2003 for thermoelectric energy plants constructed prior to February 1998 and belonging to the Interconnected Power System. Thermoelectric plants constructed after that date will not be entitled to subsidies from the CCC Account. In April 2002, the Brazilian Government established that subsidies from the CCC Account would continue to be paid to those thermoelectric plants located in isolated regions for a period of 20 years in order to promote generation of electricity in those regions.

Law No. 12,111 amended the formula for calculation of the CCC Account relating to the Isolated System. The amount of the reimbursement through the CCC Account is equal to the total cost of generation minus the total amount of energy utilized by the agent at the average unitary energy price determined at auctions of the Interconnected system. The total cost of generation includes the cost of fuel, the cost of energy purchased and associated power, operation and maintenance costs for distribution, asset depreciation, return on investment, energy sector fees, goods circulation tax (provided it is not compensated by the distribution company) and other costs associated with the rendering of services in remote regions. Our subsidiaries who produce energy in the North of Brazil are being reimbursed for their production costs through the CCC Account. The CCC Account's regulatory agency established thresholds for costs associated with the generation of energy, and costs above these thresholds are not reimbursed.

Financial Compensation for the Use of Hydrological Resources

Holders of concessions and authorizations for the exploration of hydroelectric resources in Brazil must pay fees to Brazilian states and municipalities for the use of hydrological resources. Such amounts are based on the amount of electricity generated by each utility and are paid to the states and municipalities where the plant or the plant's reservoir is located pursuant to Resolution 67 of February 23, 2001.

ANEEL Inspection Fee

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

Energy Development Account

In 2002, the Brazilian Government instituted the *Conta de Desenvolvimento Energético* (Energy Development Account or CDE Account), which is funded through annual payments made by concessionaires for the use of public assets, penalties and fines imposed by ANEEL and, since 2003, the annual fees to be paid by agents offering electricity to final consumers, by means of a charge to be added to the tariffs for the use of the transmission and distribution systems. These fees are adjusted annually. The CDE Account was created to support the: (1) development of electricity production throughout the country; (2) production of electricity by alternative energy sources; and (3) universalization of energy services throughout Brazil. The CDE Account will be in effect for 25 years and is regulated by ANEEL and managed by us.

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

Electricity Reallocation Mechanism

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

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

Reimbursement of the generation costs of the relocated electricity is provided to compensate generators that relocate electricity to the system in excess of their assured electricity. Generators are reimbursed for their variable operational costs (except fuel) and costs for the use of water. The total costs of the relocated electricity (from all generators that provided electricity to the energy reallocation mechanism) are then combined and paid by the generators that receive electricity from the mechanism.

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

Electric Power Services Supervision Fee – TFSEE

ANEEL also charges a supervision fee from electric power services agents and concessionaires. This fee is called the Electric Power Services Supervision Fee (or TFSEE) and was created under Law No. 9,427 of December 26, 1996, as amended by Law No. 12,111 of December 9, 2009, and is charged at the rate of 0.5% of the annual economic benefit posted by the agent or concessionaire. The economic benefit is determined based on the installed capacity of authorized generating and transmitting concessionaires or on annual sales income posted by distribution concessionaires.

Financial Compensation For Use Of Water Resources (CFURH)

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

Emergency Capacity Charge (ECE)

ECE was created as provided for in Article 1 of Law No. 10,438 of April 26, 2002, as amended by Law No. 12,212 of January 20, 2010. It is assessed proportionally to the final individual total consumption of all consumers served by the Interconnected Power System and classified as a specific tariff charge. ANEEL ruled that its basis would be the cost of contracting generating capacity or voltage estimated by *Comercializadora Brasileira de Energia Emergencial* (or CBEE) in any given year.

Rationing

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

The Effects of the New Bankruptcy Law on Us

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

Judicial Recovery

In order to request judicial recovery, a debtor must fulfill the following requirements: (1) conduct its business in a regular manner for more than two years; (2) not be bankrupt (or, in the event that the debtor was bankrupt in the past, then all obligations arising therefrom must have been declared extinguished by a judgment not subject to appeal); (3) not have been granted a judicial recovery or special judicial recovery in the five or eight years prior to its request, respectively; and (4) not have been convicted of (or not have a controlling partner or manager who has been convicted of) a bankruptcy crime. All claims in existence at the time of the request for judicial recovery are subject to such procedure (including potential claims), except for claims of tax authorities, creditors acting as fiduciary owners of real or personal properties, lessors, owners or committed sellers of real estate, including for real estate developments, or owners under sale agreements with a title retention clause (paragraph 3 of Article 49 of the New Bankruptcy Law). The judicial recovery can be implemented by means of one or more of the following transactions, amongst others (1) the granting of special terms and conditions for the payment of the debtor's obligations; (2) spin-off, merger, transformation of the company, incorporation of a wholly-owned subsidiary or the assignment of quotas or shares; (3) transfer of corporate control; (4) partial or total replacement of the debtor's management, as well as the granting to its creditors the right to independently appoint management and the power of veto; (5) capital increase; (6) leasing of its premises; (7) reduction in wages, compensation of hours and reduction of the workday, by means of collective bargaining; (8) payment in kind or the renewal of the debtor's debts; (9) creation of a company composed of creditors; (10) partial sale of assets; (11) equalization of the debtor's financial charges; (12) constitution of an *usufruct* on the company; (13) shared management of the company; (14) issuance of securities; and (15) creation of a special purpose company for purposes of receiving the debtor's assets.

Extrajudicial Recovery

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

Liquidation

The New Bankruptcy Law changed the order in which claims are classified in the context of liquidation proceedings to the following order, which is set out in order of priority: (1) labor claims in general (limited to a maximum amount of 150 times the minimum monthly Brazilian wage per creditor) and labor claims related to indemnification for workplace accidents; (2) claims of secured creditors (limited to the amount of the guarantee); (3) tax claims (except for tax fines); (4) personal claims enjoying special privileges (as defined in other statutes); (5) personal claims enjoying general privileges (among others, unsecured creditors who have provided goods or services to the debtor during its judicial recovery and creditors who are so defined in other statutes); (6) unsecured debts (creditors not provided for in the preceding items, labor creditors whose claims exceed the 150-minimum monthly wages limitation, and creditors whose claims exceed the amount of their respective guarantees); (7) contractual fines and monetary fines arising from the disobedience of statutes; and (8) subordinated debts (as provided for by law or in an agreement, and creditors who are partners or managers of the debtor company but not in the context of a labor relationship). The New Bankruptcy Law establishes that only a creditor claiming for an amount in excess of 40 times the minimum monthly Brazilian wage can commence liquidation proceedings. However, it is permitted for creditors to commence a class action in order to comply with the minimum amount mentioned above. The New Bankruptcy Law also extended (1) the time period in which a debtor must present its defense in connection with a request for its bankruptcy from 24 hours to ten days, and (2) the suspension period during which no assets may be sold or liquidated from 60 to 90 days (from either the date of filing the bankruptcy petition, the request for judicial recovery or from the date of the first protest of a note due to its non-payment by the company).

MANAGEMENT

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

Board of Directors

The members of our Board of Directors are elected at the general shareholders meeting for a renewable term of three years. However, on April 28, 2005, our shareholders approved an amendment to our by-laws pursuant to which the term of office of each member of our Board of Directors will decrease from three years to one year. In accordance with Law No. 3,890 – A of April 25, 1961, this amendment is subject to approval in the form of a Presidential decree, which is pending as of the date of this offering circular. Pursuant to Brazilian corporate law, the members of our Board of Directors must be shareholders of the company. As our majority shareholder, the Brazilian Government has the right to appoint eight members of our Board of Directors, of which seven are appointed by the MME and one by the *Ministério do Estado do Planejamento, Orçamento e Gestão* (the Planning, Budget and Management Ministry). The minority shareholders have the right to elect one member, and the holders of preferred shares without voting rights representing at least ten percent of our total capital have the right to elect one member. Currently, our Board of Directors is composed of nine members. We elected Beto Ferreira Martins Vasconcelos as a Director on August 1, 2011, but he will not join the Board until April 30, 2012. One of the members of the Board of Directors is appointed as Chairman. The address of our Board of Directors is Av. Presidente Vargas, 409 13º andar – Rio de Janeiro.

Our Board of Directors ordinarily meets once a month and when called by a majority of the directors or the Chairman. Among other duties, our Board of Directors is responsible for: (1) establishing our business guidelines; (2) determining the corporate organization of our subsidiaries or any equity participation by us in other legal entities; (3) approving our entering into any loan agreement and determining our financing policy; and (4) approving any guarantee in favor of any of our subsidiaries in connection with any financial agreement.

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

Name	Position
Márcio Pereira Zimmermann	Chairman
Maurício Muniz Barreto de Carvalho	Director
Virginia Parente de Barros	Director
Lindemberg de Lima Bezerra	Director
Wagner Bittencourt de Oliveira	Director
José Antonio Corrêa Coimbra	Director
Arlindo Magno de Oliveira	Director
José de Costa Carvalho Neto	Director
Beto Ferreira Martins Vasconcelos ¹	Director

(1) Elected to our Board of Directors on August 11, 2011. Mr. Vasconcelos will not be seated until April 30, 2012.

Márcio Pereira Zimmermann – Chairman and Board Member: Mr. Zimmermann joined our Board of Directors and was immediately appointed as Chairman on April 30, 2010. He was appointed as Chairman for a second term on June 16, 2011. He was also the Minister of Brazil's Ministry of Mines and Energy from April through December 2010, and since December 2010, he has served as the Executive Secretary of the same ministry. Mr. Zimmermann was previously the Engineering Director of Eletrobras from October 2001 through January 2003, and he was Research and Development Director of Eletrobras Cepel from 2003 to 2004. Mr. Zimmermann has a degree in Electrical Engineering from the Universidade Católica of the State of Rio Grande do Sul, a post graduate degree in Electrical Systems Engineering from Escola Federal de Engenharia de Itajubá and a masters degree in Electrical Engineering from the Pontifícia Universidade Católica of Rio de Janeiro.

Maurício Muniz Barreto de Carvalho – Board Member: Mr. Carvalho joined our Board of Directors on June 16, 2011. He currently holds the position of Brazil's Secretary of the Growth Acceleration Program (*Programa de Aceleração do Crescimento – PAC*) having been appointed to that office in May 2011. Mr. Carvalho previously served as Principal of the *Escola Nacional de Administração Pública* (ENAP) in the areas of (1) Administration and Finance and (2) Managers and Servers Development from 1999 to 2002. In 2003, he was appointed as head of the Monitoring, Evaluation, Audit and Capacitation Board of the Ministry of Education, and afterwards of the Educational Inclusion Programs Board. Mr. Carvalho served as Special Advisor for the Presidency from 2003 to 2004, when he was nominated Deputy Assistant Chief of Articulation and Monitoring of the Civil House of the Presidency, responsible for articulating government action and monitoring strategic projects, particularly the PAC. Mr. Carvalho has a Masters degree in Public Administration and Urban Planning and a Bachelors degree in Public Administration, both from *Fundação Getúlio Vargas* (FGV).

Virginia Parente de Barros – Board Member: Ms. Barros joined our Board of Directors on June 16, 2011. She has over 12 years of experience as an executive working for investment banks, both foreign and domestic, such as Chemical Bank (the predecessor of J.P. Morgan Chase), BankBoston, Unibanco and Banco Votorantim, among others. As a Professor at USP, she has been involved in lecturing, researching and continued education, including consulting in the areas of finance, economics, public administration, and regulation in energy, environment, and security. Ms. Barros is the President of the Strategic Energy Committee of the Brazil-United States Chamber of Commerce (*Comite Estratégico de Energia da Câmara de Comércio Brasil-Estados Unidos*) (AMCHAM) and a Member of the Executive Board of the Brazilian Society for Energy Planning (*Sociedade Brasileira de Planejamento Energético*) (SBPE), which consists of several universities and energy research centers. Ms. Barros holds a Post-PhD in Energy with a focus on regulation from the *Universidade de São Paulo – USP*; a PhD in Finance and Economics from *Fundação Getúlio Vargas de São Paulo*, a masters degree in Business Administration from *Universidade Federal da Bahia*; and a bachelors degree in Economics from *Universidade de Brasília*.

Lindemberg de Lima Bezerra – Board Member: Mr. Bezerra joined our Board of Directors on June 16, 2011. Mr. Bezerra has held the position of Chief of Staff of the Secretary of the Brazilian National Treasury since July 2007. From 1997 to June 2007, Mr. Bezerra was a tax and economics assistant at the National Treasury. Mr. Bezerra holds a degree in economics from *Universidade Federal do Rio Grande do Sul* with a masters degree in economics from *Universidade de São Paulo*.

Wagner Bittencourt de Oliveira – Board Member: Mr. Oliveira has been a member of our Board of Directors since April 2007. In 1975, he undertook a public contest and was admitted to the *Banco Nacional de Desenvolvimento Social – BNDES* (National Bank of Social and Economical Development). Throughout his career at BNDES he has acted in many positions: Head of Division, Head of Department, Superintendent and, since December 2004, he has been Superintendent of Basic Supplies, which includes mining, metallurgy, cement, paper and cellulose, chemicals, petrochemicals and fertilizers. Mr. Oliveira has accumulated 20 years of executive experience having been the Secretary of the Ministry of National Integration (2001), Superintendent of SUDENE (2000 to 2001), CEO of *Companhia Ferroviária do Nordeste* (1998 to 2000) and Superintendent of the Industrial Area (1996 to 1998). Member of the Board of several companies, such as Usiminas Mecânica and CADAM. Mr. Oliveira is a metallurgical engineer with a degree from PUC-RJ, and has completed a specialized coursework in finance and capital markets.

José Antonio Corrêa Coimbra – Board Member: Mr. Coimbra has been a member of our Board of Directors since April 2009. Mr. Coimbra is currently Head of Office of the Brazil Ministry of Mines and Energy and has published several papers in Brazil and abroad. Within Eletrobras, Mr. Coimbra was previously Director of Engineering of Eletrobras Eletronorte, having worked at that company from 1977 until 2005. Mr. Coimbra is also a member of the Board of Directors of Eletrobras Eletronorte and holds the same position in Eletrobras Cepel. Mr. Coimbra holds a degree in Civil Engineering from *Universidade Federal do Pará* with a Master Degree in Production Engineering from *Universidade Federal de Santa Catarina*.

Arlindo Magno de Oliveira – Board Member: Mr. Oliveira joined our Board of Directors on June 16, 2011. Mr. Oliveira began his professional career as a manager at Banco do Brasil. He also worked as Director of the Pension Fund of Banco do Brasil – Previ. Mr. Oliveira is presently retired but has extensive experience as a member of the board of directors in several important Brazilian companies such as Companhia Vale do Rio Doce and Valepar S.A., as well as companies in the Brazilian electricity sector — Coelba, Cosern and CPFL. Mr. Oliveira

holds a degree in economics from *Universidade Federal Fluminense* and has completed several specialized courses in finance and capital markets.

José da Costa Carvalho Neto – Board Member: Mr. Neto joined our Board of Directors on June 16, 2011. He was previously a Power Plants Professor at Pontifical Catholic University-MG, from 1970 to 1977. Subsequently he was the Deputy Secretary of Mines and Energy of Minas Gerais, appointed in 1987. Mr. Neto held the position of Chief Distribution Officer at Cemig from 1991 to 1997, and held the offices of Superintendent, Department and Division Manager as well as the role of Chairman of Cemig between July 1998 and January 1999. He has also held the offices of CEO of Arcadis Logos Energia, Member of the Board of Directors of Logos Engenharia and Enerconsult and Director of Orteng Equipamentos e Sistemas. Mr. Neto holds a degree in Electrical Engineering with a Masters Degree in Electrical Engineering from *Universidade Federal de Minas Gerais*.

Beto Ferreira Martins Vasconcelos – Board Member: Elected to our Board of Directors on August 11, 2011, Mr. Vasconcelos will not be seated until April 30, 2012. Mr. Vasconcelos holds a bachelor’s degree in law from the University of São Paulo and postgraduate degrees in environmental law from the University of São Paulo and Biosafety from the Federal University of Santa Catarina. He practiced private law in São Paulo from 2000 to 2003, before entering the federal government, where he held positions as Deputy Secretary for Technology Policy (2003-2004), Advisor to the Minister of Justice (2004-2005), Deputy Chief Advisor for Legal Affairs of the Presidency of the Republic (2005-2006), Executive Secretary of the National Biosafety Council (2006-July 2010) and Chief Advisor for Legal Affairs of the Presidency and President of the Center for Legal Studies of the Presidency (2007-December 2010). Since January 2011, he has served as the Deputy Chief of Staff of the Presidency.

Board of Executive Officers

Our Board of Executive Officers is currently made up of six members appointed by our Board of Directors for an indefinite term. Our Board of Executive Officers ordinarily meets every week, or when called by a majority of the officers or by the President. Our Board of Executive Officers determines our general business policy, is responsible for all matters related to our day-to-day management and operations and is the highest controlling body with regards to the execution of our guidelines. We have no control over appointments of our chief executive and chief financial officers because all such appointments are made by our controlling shareholder, which is the Brazilian Government. Our chief administrative officer is responsible for coordinating the general management of our business including supplies, employment-related issues, training insurance policies and management of our assets. The address of our Board of Executive Officers is Av. Presidente Vargas, 409 13º andar – Rio de Janeiro.

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

Name	Position
José da Costa Carvalho Neto	Chief Executive Officer
Armando Casado de Araújo	Chief Financial and Investor Relations Officer
Valter Luiz Cardeal de Souza	Chief Generation Officer
Miguel Colasuonno	Chief Administrative Officer
Marcos Aurélio Madureira da Silva	Chief Distribution Officer
José Antonio Muniz Lopes	Chief Transmission Officer

Mr. José da Costa Carvalho Neto – Chief Executive Officer: See “—Board of Directors.”

Mr. Armando Casado de Araújo – Chief Financial Officer and Investor Relations Officer: Mr. Araújo has over 30 years of experience in the domestic electric power sector. He worked for Eletrobras Eletronorte as Budget Superintendent from 1977. He was then appointed President of the *Integração Transmissão de Energia S.A.* He has worked at Eletrobras since June 2008 when he became the assistant to and substitute of the Chief Financial Officer. He was appointed as Chief Financial Officer and Investor Relations Officer on March 30, 2010. Mr. Araújo holds a degree in Business Administration from *Faculdade de Ciências Exatas, Administrativas e Sociais de Brasília*, and has completed several post-graduate courses in Finance.

Mr. Valter Luiz Cardeal de Souza – Generation Officer: Mr. Souza has been Engineering Director of Eletrobras since January 14, 2003. He has been active in the electricity sector for over thirty-two years as an

employee of *Companhia Estadual de Energia Elétrica S.A.* (CEEE) where, since 1971, he has undertaken important technical and management functions as director in the areas of generation, transmission and distribution. At the *Departamento Nacional de Águas e Energia Elétrica* (DNAEE), he was Assistant Executive to the General Manager, Coordinator for the Department of Construction and Application of Electrical Energy and Coordinator and Substitute Director for the Department of Finance and Economics. Mr. Souza also holds the position of President of the board of directors of Eletrobras Eletronorte and Eletrobras CGTEE. Mr. Souza is an electrical and electronic engineer, with a degree from the *Pontifícia Universidade Católica* of Rio Grande do Sul, specializing in energy engineering as well as in production engineering.

Mr. Miguel Colasuonno – Chief Administrative Officer: Mr. Colasuonno was appointed as Administrative Officer on March 6, 2008 and became Chief Administrative Officer on April 26, 2009. Mr. Colasuonno was mayor of São Paulo from 1973 to 1975, president of the *Empresa Brasileira de Turismo— Embratur* from 1980 to 1985, and president of the *Sindicato dos Economistas do Estado de São Paulo* from 1986 to 1995. He also acted as a São Paulo councilman from 1992 to 2001, where he was appointed council president. Mr. Colasuonno has been a professor at the University of São Paulo for the past seven years. Mr. Colasuonno has a PhD in International Relations from Vanderbilt University and has a post-graduate degree in economics, specializing in International Trade and Exchange, from the *Universidade de São Paulo*.

Mr. Marcos Aurélio Madureira da Silva – Distribution Officer: Mr. da Silva was appointed as Distribution Officer on May 12, 2011. He was previously an employee of *Companhia Energética de Minas Gerais S.A. – CEMIG*, where he was a Distribution Officer from 1998 to 2010. He has also acted as an Operations and Commercial Officer of Energisa Soluções and as a Director of the *Operador Nacional do Sistema Elétrico* (ONS). Mr. da Silva holds a degree in electrical engineering and has completed post-graduate courses in business administration and economics engineering.

Mr. José Antonio Muniz Lopes – Transmission Officer: Mr. Lopes was appointed Chief Executive Officer of Eletrobras on March 6, 2008. On March 4, 2008 at the Extraordinary General Stockholders Meeting he was elected a member of our Board of Directors. Mr. Lopes has held several executive positions in companies in the Eletrobras group, such as Chief Executive Officer and Director of Planning and Engineering at Eletrobras Eletronorte from 1996 to 2003, Chief Executive Officer, Managing Director and Chief Financial Officer at Eletrobras Chesf from 1992 to 1993 and Chief Executive Officer at Eletrobras from March 2008 to February 2011. Mr. Lopes was also Deputy Director of the National Department of Energy Development – DNDE of the Ministry of Mines and Energy, where he also served as the Executive Secretary. Mr. Lopes holds a degree in Electrical Engineering from the *Universidade Federal de Pernambuco*. He is an expert in the Brazilian electricity sector in which he has worked for more than 30 years.

Compensation

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

For 2010, 2009 and 2008 the aggregate compensation paid to our Directors, Officers and members of the Fiscal Council (including that paid by our subsidiaries and Itaipu, except for the distribution companies) was R\$18,417,084.63, R\$18,045,473.42 and R\$17,790,523.59, respectively. The total aggregate amount of profit-sharing paid to our officers (including that paid by our subsidiaries and Itaipu) was R\$2,647,443.82 for 2010, R\$2,146,930.79 for 2009 and R\$1,693,096.97 for 2008. The Board of Executive Officers is responsible for apportioning the compensation among its members, the members of the Board of Directors and the Fiscal Council. We have not set aside or accrued any amounts to provide pension, retirement or similar benefits.

Board Practices

Service Contracts

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

Fiscal Council

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

The current members of our Fiscal Council, set out in the table below, and respective alternates were elected during the general shareholders meeting held on June 16, 2011 and in which we only elected four members to the Fiscal Council. Their terms of office are due to end at the ordinary shareholder meeting scheduled for April 2012.

Member	Alternate
Jarbas Raimundo de Aldano Matos	Jairez Elói de Souza Paulista
Danilo de Jesus Vieira Furtado	Ricardo de Paula Monteiro
Charles Carvalho Guedes	Leila Przytyk
Ana Lucia de Paiva Lorena Freitas	Rodrigo Magela Pereira

PRINCIPAL SHAREHOLDERS

As of December 31, 2010, the aggregate amount of our outstanding capital stock was R\$26,156,567, consisting of 905,023,527 outstanding common shares, together with 146,920 outstanding class “A” preferred shares and 227,186,643 outstanding class “B” preferred shares. This represented 79.9%, 0.1% and 20.0% of our aggregate outstanding capital stock respectively. This reflects the 500:1 reverse stock split we effected on August 20, 2007.

As of June 30, 2011, we had 61,860 beneficial and 7 registered holders of ADSs representing common shares and 24,024 beneficial and 6 registered holders of ADSs representing preferred shares.

The following tables show information relating to beneficial ownership in our common and preferred shares as of June 30, 2011 and December 31, 2010:

As of June 30, 2011

Shareholder	Common Shares		Class A Preferred Shares		Class B Preferred Shares		Total	
	(number)	%	(number)	%	(number)	%	(number)	%
Brazilian Government	552,968,382	50.87%			832	0.00%	552,969,214	40.88%
BNDES Participações S.A.	180,757,950	16.63%			18,691,102	7.04%	199,449,052	14.75%
BNDES	76,338,832	7.02%			18,262,671	6.88%	94,601,503	6.99%
FND	45,621,589	4.20%					45,621,589	3.37%
FGHAB	1,000,000	0.09%					1,000,000	0.07%
CEF	8,701,564	0.80%					8,701,564	0.64%
FGI					8,750,000	3.30%	8,750,000	0.65%
FGO					468,600	0.18%	468,600	0.03%
Others	221,662,506	20.39%	146,920	100.00%	219,263,678	82.60%	441,072,052	32.61%
Under CBLC Custody	221,469,241	20.37%	84,997	57.85%	194,121,410	73.13%	415,675,648	30.73%
Resident	61,562,657	5.66%	84,996	57.85%	49,798,262	18.76%	111,445,915	8.24%
Non Resident	83,800,998	7.71%	1	0.00%	109,175,267	41.13%	192,976,266	14.27%
J.P. Morgan Chase Bank	76,105,586	7.00%			35,147,881	13.24%	111,253,467	8.22%
Others	192,213	0.02%	61,923	42.15%	25,142,268	9.47%	25,396,404	1.88%
Resident	152,973	0.01%	61,896	42.13%	25,138,266	9.47%	25,353,135	1.87%
Non Resident	39,240	0.01%	27	0.02%	4,002	0.00%	43,269	0.01%
Total	1,087,050,297		146,920		265,436,883		1,352,634,100	

As of December 31, 2010

Shareholder	Common Shares		Class A Preferred Shares		Class B Preferred Shares		Total	
	(number)	%	(number)	%	(number)	%	(number)	%
Brazilian Government	470,656,241	52.00%			712	0.00%	470,656,953	41.56%
BNDES Participações S.A.	190,757,950	21.08%			18,691,102	8.23%	209,449,052	18.50%
FND	45,621,589	5.04%					45,621,589	4.03%
FGHAB	1,000,000	0.11%					1,000,000	0.09%
FGI					8,750,000	3.85%	8,750,000	0.77%
FGO					1,008,500	0.44%	1,008,500	0.09%
Treasury shares	196,987,747	21.77%	146,920	100.00%	198,736,329	87.48%	395,870,996	34.96%
Others	470,656,241	52.00%			712	0.00%	470,656,953	41.56%
Cleared through CBLC	195,809,462	21.64%	84,870	57.77%	160,511,450	70.65%	356,405,782	31.47%
Resident	61,461,579	6.79%	84,869	57.77%	38,969,201	17.15%	100,515,649	8.88%
Non Resident	62,385,693	6.89%	1	0.00%	88,568,342	38.98%	150,954,036	13.33%
J.P. Morgan Chase Bank	71,962,190	7.95%			32,973,907	14.51%	104,936,097	9.27%
Others	1,178,285	0.13%	62,050	42.23%	38,224,879	16.82%	39,465,214	3.49%
Resident	1,150,556	0.13%	62,023	42.22%	38,220,877	16.82%	39,433,456	3.48%
Non Resident	27,729	0.00%	27	0.01%	4,002	0.00%	31,758	0.01%
Total	905,023,527		146,920		227,186,643		1,132,357,090	

RELATED PARTY TRANSACTIONS

We administer certain funds, including the RGR fund, CCC Account and CDE Account, on behalf of the Brazilian Government, our controlling shareholder.

We sometimes act together with other Brazilian state-owned companies or governmental entities. These activities are mainly in the areas of technical cooperation and research and development. In 2000 our Board of Directors approved the execution of a Technical and Financial Cooperation Agreement between ourselves and the MME, for us to perform feasibility studies in relation to the Brazilian hydrographic base, with the purpose of identifying potential sites for the future construction of hydroelectric plants. The estimate value of this contract is R\$25 million, to be paid to us by the MME.

We have entered into a joint venture agreement with Petrobrás Energia S.A., which is also partly owned by the Brazilian Government, for the construction of a thermoelectric plant in Manaus. We have also entered into a framework agreement to establish the basis and the conditions for the development of energy commercialization contracts to be executed between ourselves and Petrobrás in the future.

In addition, we have also made a number of loans to our subsidiaries and public energy utilities previously under our control, details of which are set out in the table below:

	As of June 30, 2011				As of December 31, 2010			
	Current Charges		Principal Amount		Current Charges		Principal Amount	
	Average Interest Rate	Value	Current	Non Current	Average Interest Rate	Value	Current	Non Current
<i>(R\$ thousands, except percentages)</i>								
ITAIPU	7.09%	-	869,590	9,347,415	7.09%	-	897,087	10,446,168
CEMIG	6.44%	2,671	81,002	314,841	6.44%	2,140	74,962	340,569
COPEL	7.40%	1,779	48,452	236,431	7.40%	1,882	47,497	258,771
CEEE	6.44%	796	13,276	108,996	6.44%	736	8,130	99,471
AES ELETROPAULO	10.38%	305,426	108,840	2,262	10.38%	299,218	108,840	2,639
TRACTBEL	12.00%	313	-	-	12.00%	-	10,796	-
CELPE	6.10%	331	14,600	47,947	6.10%	1,070	16,976	53,350
CEMAR	5.85%	2,151	48,391	405,227	5.85%	1,654	48,214	367,187
CESP	9.38%	263	39,117	168,135	9.38%	958	33,406	185,709
OUTRAS	6.36%	137,456	408,297	1,547,421	6.36%	120,849	358,851	1,752,129
(-) PCLD		(126,258)	(156,064)	-		(101,123)	(127,341)	(2,254,000)
		<u>324,928</u>	<u>605,911</u>	<u>2,831,260</u>		<u>327,384</u>	<u>580,331</u>	<u>3,057,571</u>
TOTAL		<u>376,235</u>	<u>2,467,027</u>	<u>21,371,976</u>		<u>368,999</u>	<u>2,275,140</u>	<u>22,117,783</u>

For further details please see the description in “Business—Overview—Lending and Financing Activities—Loans Made by Us.”

There are also certain contractual arrangements in place between Eletrobras Eletronuclear and Eletrobras Furnas for the sale and purchase of energy produced by Eletrobras Eletronuclear, which are more closely described in “Business—Overview—Nuclear Plants.”

We believe our transactions with related parties are conducted on market terms.

TERMS AND CONDITIONS OF THE NOTES

The following (subject to completion and amendment) is the text of the Terms and Conditions of the Notes, which (except for the text in italics) will appear on the reverse of each of the Definitive Notes representing the notes:

The issue of the notes was authorised by a resolution of the Board of Directors of the Issuer passed August 19, 2011. The notes are constituted by a Trust Deed (as amended from time to time, the "Trust Deed") dated October 27, 2011 between the Issuer and Deutsche Bank Trust Company Americas (the "Trustee," which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined in Condition 1(b)). These Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the definitive notes. Copies of the Trust Deed, and of the Agency Agreement (as amended from time to time, the "Agency Agreement") dated October 27, 2011 relating to the notes between the Issuer, the Trustee and the Agents (as defined below), are available for inspection during usual business hours at the registered office of the Trustee (presently at 60 Wall Street, MS NYC60-2710, New York, New York 10005) and at the specified offices of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (the "Principal Paying Agent"), Deutsche Bank Trust Company Americas (the "New York Paying Agent"), Deutsche Bank Luxembourg S.A. (the "Luxembourg Paying Agent" and together with the New York Paying Agent, the "Paying Agents"), Deutsche Bank Trust Company Americas (the "Registrar"), and Deutsche Bank Trust Company Americas and Deutsche Bank Luxembourg S.A. (collectively, the "Transfer Agents" and together with the "Principal Paying Agent," the "New York Paying Agent," the "Luxembourg Paying Agent" and the "Registrar," the "Agents") for the time being. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those applicable to them of the Agency Agreement.

1. Form, Denomination and Title

(a) *Form and Denomination:* The notes are in registered form in amounts of U.S.\$200,000 and higher integral multiples of U.S.\$1,000 (each an "Authorised Denomination"). The notes will initially be represented by a permanent global note or notes in fully registered form without interest coupons and will be registered in the name of a nominee of The Depository Trust Company ("DTC") and deposited with a custodian for DTC. Interests in the permanent global note or notes shall be exchangeable, in accordance with their terms and the Agency Agreement, for definitive notes. A definitive note (each a "Definitive Note") will be issued to each Noteholder in respect of its registered holding or holdings of notes. Each Definitive Note will be numbered serially with an identifying number which will be recorded in the register (the "Register") which the Issuer shall procure to be kept by the Registrar.

(b) *Title:* Title to the notes passes by and upon registration in the Register. In these Conditions, "Noteholder" and "holder" means the person in whose name a note is registered in the Register. The holder of any note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or theft or loss of, the Definitive Note issued in respect of it) and no person will be liable for so treating the holder.

2. Transfers of Notes and Issue of Definitive Notes

(a) *Transfer, Issue and Delivery:* A note may be transferred in whole or in part in an Authorised Denomination upon the surrender of the Definitive Note issued in respect of that note, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar or any Transfer Agent; provided that the principal amount of the balance of the notes are Authorized Denominations. In the case of a transfer of part only of a note which is an Authorised Denomination, a new Definitive Note in respect of the balance not transferred will be issued to the transferor within three Business Days (as defined in the Agency Agreement) of receipt of such form of transfer, by uninsured post (airmail if overseas) at the risk and request of the holder to the address of the holder appearing in the Register. Each new Definitive Note to be issued upon a transfer of notes will, within three Business Days (as defined in the Agency Agreement) of receipt of such form of transfer, be sent by uninsured post (airmail if overseas) at the risk and request of the holder entitled to the note in respect of which the relevant Definitive Note is issued to such address as may be specified in such form of transfer.

(b) *Transfer Free of Charge*: Registration of transfer of notes will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require) in respect of any tax or other governmental charges which may be imposed in relation to it.

(c) *Closed Periods*: No Noteholder may require the transfer of a note to be registered (1) during the period of 15 days ending on the due date for any payment of principal on that note or (2) after any such note has been called for redemption pursuant to Condition 6.

(d) *Regulations*: All transfers of notes and entries on the Register will be made subject to the detailed regulations concerning transfer of notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

3. Status

The notes constitute (subject to Condition 4) direct, unconditional, unsecured and unsubordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equal in right of payment with all its other present and future unsecured and unsubordinated obligations.

4. Negative Pledge and Covenants

(a) *Negative Pledge*: So long as any note remains outstanding (as defined in the Trust Deed):

- (i) the Issuer will not create or permit to subsist any Security, except for Permitted Security, upon the whole or any part of its undertaking, assets or revenues present or future to secure (x) any of its Indebtedness, (y) any of its Guarantees or (z) the Indebtedness or Guarantees of any other person; and
- (ii) the Issuer will procure that none of its Material Subsidiaries creates or permits to subsist any Security, except for Permitted Security, upon the whole or any part of such Material Subsidiary's undertaking, assets or revenues, present or future (including any uncalled capital), to secure (x) any of the Issuer's Indebtedness or Guarantees, (y) any of its own Indebtedness or Guarantees or (z) the Indebtedness or Guarantees of any other person;

unless, at the same time or prior thereto, the Issuer's obligations under the notes and the Trust Deed (x) are secured at least equally and rateably therewith to the satisfaction of the Trustee, or (y) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders or (z) in the case of any statutory lien created on any of the assets or income of the Issuer or any Material Subsidiary as security for any Indebtedness, are secured by at least an equivalent lien.

(b) *Covenants*: So long as any note remains outstanding:

- (i) the Issuer will not permit any Material Subsidiary to create or permit to exist any contractual or other restriction on the ability of that Material Subsidiary to pay dividends or make any other distributions on its capital stock (except as may be required as a matter of law);
- (ii) the Issuer will, and will cause each of its Material Subsidiaries to, maintain insurance with financially sound and reputable insurance companies in such amounts and covering such risks as is usually carried by Brazilian companies engaged in similar businesses and

owning and/or operating properties or facilities similar to those owned and/or operated by the Issuer or such Material Subsidiary, as the case may be;

- (iii) the Issuer will, and will cause each of its Subsidiaries to, (x) maintain in effect its corporate existence and all registrations necessary therefor, (y) take all actions to maintain until the expiration date set forth in or pursuant to the terms thereof (and renew, if permitted by applicable law, and thereafter maintain until the expiration date set forth in or pursuant to the terms thereof) all rights, privileges, titles to property, franchises, concessions and the like necessary in the normal conduct of their respective businesses, activities or operations and (z) keep their respective property in reasonably good working order or condition; provided, however, that this covenant shall not require the Issuer to maintain any such right, privilege, title to property, franchise or concession or to preserve the corporate existence of any Subsidiary if the Board of Directors of the Issuer shall determine that the maintenance or preservation thereof is unnecessary to the business of the Issuer, determined on a consolidated basis, as conducted as of the date of determination; provided further that, to the extent the Issuer or any of its Subsidiaries is unable to renew any concession due to restrictions imposed by applicable law, the Issuer will, and will cause each of its Subsidiaries to use all reasonable commercial efforts to participate in any new bidding process for any such concession;
- (iv) the Issuer will not merge, consolidate or otherwise combine with any other person or dispose of substantially all of its undertaking, assets or revenues, present or future, determined on a consolidated basis whether by a series of transactions completed during the period since the date of the Trust Deed or otherwise unless (x) the corporation (if other than the Issuer) formed by or resulting from any such consolidation or merger or the corporation or corporations which shall have received such undertaking, assets or revenues shall be a corporation or corporations organised and existing under the laws of Brazil and shall assume (jointly and severally with the Issuer unless the Issuer shall have ceased to exist as part of the merger, consolidation or combination), on terms and subject to conditions previously approved in writing by the Trustee, payment of the principal of and interest on the notes and the performance and observance of all of the covenants and conditions of the Trust Deed to be performed and observed by the Issuer and (y) the Issuer or such successor corporation or corporations, as the case may be, shall not immediately thereafter be in default under the notes or the Trust Deed; and
- (v) the Issuer will not dispose of any material part of its undertaking, assets or revenues, present or future, determined on a consolidated basis, unless such disposal is made on arm's length terms and there is, as a result of such disposal, no substantial change in the nature of the business of the Issuer, determined on a consolidated basis.

The Trustee shall be entitled to call for and rely on certificates of two Directors of the Issuer with respect to the non-maintenance of any right, privilege, title to property, franchise or concession or the non-preservation of the corporate existence of any Subsidiary as referred to in Condition 4(b)(iii), as to whether the maintenance or preservation thereof is necessary to the business of the Issuer, determined on a consolidated basis, as conducted as of the date of determination.

(c) *Definitions:* For the purposes of these Conditions:

- (i) "Guarantee" means any obligation of a person to pay the Indebtedness of another person including, without limitation: —
 - (a) an obligation to pay or purchase such Indebtedness;
 - (b) an obligation to lend money or to purchase or subscribe for shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

- (c) an indemnity against the consequences of a default in the payment of such Indebtedness; or
 - (d) any other agreement to be responsible for such Indebtedness;
- (ii) “Indebtedness” means any obligation (whether present or future, actual or contingent) for the payment or repayment of money which has been borrowed or raised (including money raised by acceptances and leasing if such leasing, according to Brazilian generally accepted accounting principles, would be classified as a capital lease obligation);
- (iii) “Material Subsidiary” means any Subsidiary of the Issuer which at the time of determination either (1) had assets which, as of the date of the Issuer’s most recent quarterly consolidated balance sheet, constituted at least 5.0% of the Issuer’s total assets on a consolidated basis as of such date, or (2) had operating revenues for the 12-month period ending on the date of the Issuer’s most recent quarterly consolidated statement of income which constituted at least 5.0% of the Issuer’s total operating revenues on a consolidated basis for such period;
- (iv) “Permitted Security” means:
 - (a) Security granted in respect of Indebtedness which is exchangeable into shares of the Issuer or any of its Material Subsidiaries, provided that Security is only granted over the shares into which such Indebtedness is exchangeable;
 - (b) Security granted by the pledge or assignment of current or future accounts receivable due to the Issuer or any of its Material Subsidiaries and created to secure Indebtedness incurred, in the ordinary course of business, by the Issuer or any of its Material Subsidiaries;
 - (c) Security over all or part of any property, assets (without limitation, equity interests) or revenues to secure Indebtedness incurred solely for purposes of financing the acquisition, construction or installation thereof incurred concurrently with or within 120 days after the completion of such acquisition, construction or installation, or Security on any property, assets (including without limitation, equity interests) or revenues existing on the day of acquisition thereof;
 - (d) Security granted in respect of a project and securing Indebtedness incurred in connection with the project financing of such project by the Issuer, any of the Issuer’s Material Subsidiaries or any consortium or other venture in which the Issuer or any Material Subsidiary of the Issuer has any ownership or other similar interest, provided that the Security for such Indebtedness consists principally of the assets and/or revenues directly connected to such project;
 - (e) Any extension, renewal or replacement, in whole or in part, of any Security described in Condition 4(c) (iv) (a), (b), (c) or (d) above, provided that (x) such extension, renewal or replacement does not extend to any property other than that originally subject to the Security being extended, renewed and replaced and (y) the principal amount of the Indebtedness secured by such Security is not increased;
 - (f) Security granted in respect of Indebtedness owed to the Federal Government of Brazil, Banco Nacional de Desenvolvimento Econômico e Social – BNDES or any official developmental bank or official developmental government agency, in each case, of (x) Brazil or of any state or region thereof, or (y) any other

country (or political subdivision thereof) in which the Issuer or any of its Material Subsidiaries is then operating;

- (g) Security securing repayment or indemnification obligations of the Issuer or any of its Material Subsidiaries to the Federal Government of Brazil in respect of any Guarantees the Federal Government of Brazil may provide of Indebtedness of the Issuer or any of its Material Subsidiaries to any multilateral organisation or international development bank or similar agency;
 - (h) Security arising by operation of law and in the ordinary course of business of the Issuer or any of its Material Subsidiaries in connection with any Indebtedness, provided that such Security does not arise by exercise of rights of the holder or beneficiary as a result of any default or omission under such Indebtedness by the Issuer or any Material Subsidiary;
 - (i) Security existing on the Issue Date; or
 - (h) Security in respect of Indebtedness the principal amount of which in the aggregate, together with all Security not otherwise qualifying as Permitted Security pursuant to another part of this definition, does not exceed 7.5% of the Issuer's shareholders' equity;
- (v) "person" means any individual, company, corporation, firm, partnership, joint venture or organisation, state or agency of a state, or other entity, whether or not having a separate legal identity;
 - (vi) A "project financing" of any project means the incurrence of Indebtedness relating to the development, expansion, renovation, upgrade or other modification or construction of such project;
 - (vii) "Security" means any mortgage, pledge, lien, hypothecation, security interest or other charge or encumbrance including, without limitation, any equivalent created or arising under the laws of Brazil;
 - (viii) "Subsidiary" means, at any particular time, any person over which the Issuer has direct or indirect control (as defined in the Trust Deed), whether by ownership of share capital or by shareholders' agreement, provided that any person whose accounts either the Brazilian Securities and Exchange Commission (*Comissão de Valores Mobiliários*, the CVM) or Brazilian accounting principles do not require to be consolidated with those of the Issuer shall be excluded from this definition and for the purpose of certifying which companies are or are not Subsidiaries, the Trustee may rely without liability on a certificate signed by any two Directors of the Issuer.

5. Interest

Each note bears interest from October 27, 2011 (the "Issue Date") at the rate of 5.750 per cent. per annum (the "Rate of Interest"), payable semi-annually in arrears on April 27 and October 27 in each year (each, an "Interest Payment Date"), commencing on April 27, 2012, subject as provided in Condition 7. Each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "Interest Period."

Each note will cease to bear interest from the due date for redemption unless, after surrender of the Definitive Note, payment of principal is improperly withheld or refused. In such event interest will continue to accrue at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such note up to that day are received by or on behalf of the relevant holder and (b) the

day seven days after the Trustee, the Principal Paying Agent or any Paying Agent has notified Noteholders of receipt of all sums due in respect of all the notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

The amount of interest payable in respect of each note for any Interest Period shall be calculated by applying the Rate of Interest to the principal amount of such note, dividing the product by two and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

If interest is required to be calculated for any period other than an Interest Period, it will be calculated on the basis of a 360 day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

6. Redemption and Purchase

(a) *Final Redemption:* Unless previously redeemed, or purchased and cancelled, the notes will be redeemed at their principal amount on October 27, 2021. The notes may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

(b) *Redemption for Taxation Reasons:* Subject to sub-clause 6.11 of the Trust Deed, the notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to Noteholders (which notice shall be irrevocable) in accordance with Condition 16, at their principal amount (together with interest accrued to the date fixed for redemption), if (1) the Issuer satisfies the Trustee immediately prior to the giving of such notice that it has or will become obliged to pay additional amounts as provided or referred to in Condition 8 in excess of the additional amounts the Issuer would be obliged to pay if payments were subject to withholding or deduction at a rate of 15 per cent. (or at a rate of 25 per cent. in the event that the holder of notes is resident in a tax haven jurisdiction, i.e., countries which do not impose it at a maximum rate lower than 20 per cent. or where the laws impose restrictions on the disclosure of ownership composition or securities ownership) (the "Withholding Level") as a result of any change in, or amendment to, the laws or regulations of Brazil or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, provided that any such change, amendment or change in application or official interpretation is applicable to all public sector and private sector issuers in Brazil generally, in either case which change or amendment becomes effective on or after October 27, 2011 and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(b), the Issuer shall deliver to the Trustee an officer's certificate stating that the obligation referred to in (1) above cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (2) above in which event it shall be conclusive and binding on the Noteholders. The Issuer shall not have the right to redeem the notes in the event it is or becomes obliged to pay additional amounts which are less than the additional amounts payable at the Withholding Level.

(c) *Purchase:* The Issuer and any of its Subsidiaries may at any time purchase notes in the open market or otherwise at any price.

(d) *Cancellation:* All notes so redeemed or purchased by the Issuer will be cancelled and may not be re-issued or resold.

7. Payments

(a) *Payment to Principal Paying Agent or Paying Agent:* The Issuer will by 10:00 a.m. (New York City time) on the Business Day (as defined in the Agency Agreement) prior to each date on which any payment in respect of the notes becomes due, transfer to the Principal Paying Agent such amount as may be required for the purposes of such payment. Upon the receipt of such amount, the Principal Paying Agent will transfer, on the

date on which any payment in respect of the notes becomes due, such amount to the applicable Paying Agent for payment in respect of the Notes in order that such amount is received by the applicable Paying Agent by no later than 10:00 a.m. (New York City time) on such date. The Issuer will procure that the bank through which such payment is to be made will supply to the Principal Paying Agent or the relevant Paying Agent by 10:00 a.m. (New York City time) on the date that is two Business Days (as defined in the Agency Agreement) prior to the due date for any such payment an irrevocable confirmation (by facsimile transmission or authenticated Swift MT 100 Message or electronic mail) of its intention to make such payment.

(b) *Method of Payment to Noteholders:* Payments of principal and interest in respect of notes will be made or procured to be made by the Principal Paying Agent or any Paying Agent to the person shown on the Register at the close of business on the fifteenth DTC business day before the due date for payment thereof (the "Record Date") by U.S. dollar cheque drawn on, or by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City. Payments of principal in respect of such notes will be made conditional upon surrender of the relevant Definitive Note at the specified office of any Transfer Agent. Payments will be made by U.S. dollar cheque drawn on a bank in New York City and mailed to the holder (or to the first-named of joint holders) of such note at its, his or her address appearing in the Register. Upon application by the holder to the specified office of any Transfer Agent not later than the Record Date preceding the due date for any payment in respect of a note, such payment may be made by transfer to a U.S. dollar account maintained by the payee with a bank in New York City. Details of the account to which a holder's payments will be made should be notified by the holder to the specified office of the Principal Paying Agent or any Paying Agent before the Record Date preceding the relevant date for payment. For the purposes of this Condition 7 (b), "DTC business day" means any day on which DTC is open for business.

(c) *Payments Subject to Law, etc.:* All payments are subject in all cases to any applicable laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) *Payment Initiation:* Where payment is to be made by transfer to a U.S. dollar account, payment instructions (for value on the due date, or if that is not a business day, for value the first following day which is a business day) will be initiated on, and, where payment is to be made by cheque, the cheque will be mailed on, the due date for payment or, in the case of payments of principal, if later, on the business day on which the relevant Definitive Note is surrendered at the specified office of any Transfer Agent. For the purposes of this Condition 7, "business day" means a day on which commercial banks in London and New York City and, in the case of a surrender of a Definitive Note, in the place the Definitive Note is surrendered, are open.

(e) *Delay in Payment:* Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due as a result of the due date not being a business day, if the Noteholder is late in surrendering or cannot surrender its Definitive Note (if required to do so) or if a cheque mailed in accordance with this Condition 7 arrives after the due date for payment.

(f) *Payment not Made in Full:* If the amount of principal or interest which is due on the notes is not paid in full, the Registrar will annotate the Register with a record of the amount of principal or interest, if any, in fact paid and will (if so requested by the Issuer or a Noteholder) issue a new Definitive Note with a principal amount equal to the remaining unpaid principal amount.

(g) *Agents:* The initial Agents and their initial specified offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and appoint additional or other Agents, provided that the Issuer will at all times maintain (1) a Principal Paying Agent, (2) the Paying Agents, (3) a Registrar maintaining the Register in New York City, (4) a Transfer Agent having a specified office in New York City, and (5) a Transfer Agent having a specified office in a European city, which, so long as the notes are listed on the Luxembourg Stock Exchange shall be in Luxembourg. Notice of any change in the Agents or their specified offices will promptly be given by the Issuer to the Noteholders in accordance with Condition 16.

(h) *Payments to Principal Paying Agent and Paying Agents:* Every payment of any sum due in respect of the notes made to the Principal Paying Agent or any Paying Agent as provided in the Agency Agreement shall, to such extent, be a good discharge to the Issuer. The Issuer will indemnify each Noteholder against any

failure on the part of the Principal Paying Agent or any Paying Agent to pay any sum due in respect of the notes and will pay such sum to the Trustee on demand. The Trustee will hold the benefit of such indemnity on trust for the Noteholders. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by the Trustee and/or any Noteholder and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under any note or any judgment or order.

8. Taxation

Gross up: All payments of principal and interest in respect of the notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for any taxes, duties, assessments or governmental charges (together, "Taxes") of whatsoever nature imposed, levied, collected, withheld or assessed by or within Brazil, Japan, Luxembourg, the United States or the United Kingdom or any political subdivision thereof or taxing authority therein, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any note:

(a) to a holder (or to a third party on behalf of a holder) who is liable to such Taxes in respect of such note by reason of his having some connection with Brazil, Japan, Luxembourg, the United States or the United Kingdom other than the mere holding of the note or the receipt of the relevant payment in respect thereof; or

(b) the Definitive Note in respect of which is surrendered (where required to be surrendered) more than 30 days after the Relevant Date, except to the extent that the holder of it would have been entitled to such additional amounts on surrender of such Definitive Note for payment on the last day of such period of 30 days; or

(c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) where (in the case of a payment of principal or interest on redemption) the relevant Definitive Note is surrendered for payment by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by surrendering the relevant Definitive Note to another Paying Agent or Transfer Agent in a Member State of the European Union.

If the Issuer becomes subject at any time to any taxing jurisdiction other than Brazil on a net income basis, references in this Condition 8 to Brazil shall be construed as references to Brazil and/or such other jurisdiction.

"Relevant Date" means whichever is the later of (1) the date on which such payment first becomes due and (2) if the full amount payable has not been received in New York City by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Noteholders in accordance with Condition 16. Any reference in these Conditions to principal and/or interest shall be deemed to include any additional amounts which may be payable under this Condition 8 or any undertaking given in addition to or in substitution for it under the Trust Deed.

The Issuer shall pay any present or future stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies which are payable in Brazil, Japan, Luxembourg, the United States and the United Kingdom in respect of the execution, delivery, registration or the making of payments in respect of the notes.

9. Events of Default

If any of the following events occurs and is continuing the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. in principal amount of the notes then outstanding or if so directed by an Extraordinary Resolution shall, in each case, if indemnified and/or secured to its satisfaction, give written notice to the Issuer that the notes are, and they shall immediately become, due and payable at their principal amount together with accrued interest:

(a) *Non-Payment*: the Issuer fails to pay the principal of or any interest on any of the notes when due and such failure continues for a period of five days in the case of principal and 30 days in the case of interest; or

(b) *Breach of Other Obligations*: the Issuer does not perform or comply with any one or more of its other obligations in the notes or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 60 days after notice of such default shall have been given to the Issuer by the Trustee; or

(c) *Cross-Default*: (1) any other present or future Indebtedness or Guarantee of the Issuer or any of its Material Subsidiaries becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer or such Material Subsidiary, as the case may be, or (2) any such Indebtedness or Guarantee is not paid when due after taking into account any applicable grace period; provided that the aggregate amount of the relevant Indebtedness and Guarantees in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred equals or exceeds U.S.\$100,000,000 or its equivalent in other currencies; or

(d) *Binding Nature*: the Trust Deed or any note shall for any reason cease to be binding on and enforceable against the Issuer in accordance with its terms, or the binding effect or enforceability thereof shall be contested by the Issuer or the Issuer shall deny that it has any further liability or obligation under the Trust Deed or any notes; or

(e) *Enforcement Proceedings*: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or any of its Subsidiaries and is not discharged or stayed within 60 days; or

(f) *Insolvency*: the Issuer or any of its Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any of its Subsidiaries; or

(g) *Winding-up*: an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any of its Material Subsidiaries, or the Issuer ceases or threatens to cease to carry on all or a material part of its business or operations except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (1) on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders, or (2) in the case of a Material Subsidiary, whereby the undertaking and assets of the Subsidiary are transferred to or otherwise vested in the Issuer or another of its Subsidiaries; or

(h) *Authorisation and Consents*: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (1) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the notes and the Trust Deed or (2) to ensure that those obligations are legally binding and enforceable is not taken, fulfilled or done or once any such

authorisation or consent has been given, is removed, withdrawn, modified, withheld or otherwise fails to remain valid and subsisting in full force and effect; or

(i) *Ownership*: the Issuer ceases to be owned, directly or indirectly, as to at least 51 per cent. of the voting share capital by the Federal Government of Brazil; or

(j) *Illegality*: it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the notes or the Trust Deed; or

(k) *Analogous Events*: any event occurs which under the laws of Brazil has an analogous effect to any of the events referred to in any of the foregoing Conditions 9(e), (f) and (g);

provided that in the case of Conditions 9(b), (e) and (k) the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Noteholders.

10. Prescription

Claims in respect of principal and interest shall be prescribed unless made within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date.

11. Replacement of Definitive Notes

If any Definitive Note is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of any Transfer Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the taxes and expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer and such Transfer Agent may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Definitive Notes must be surrendered before replacements will be issued.

12. Meetings of Noteholders, Modification and Waiver

(a) *Meetings of Noteholders*: The Trust Deed contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in principal amount of the notes for the time being outstanding. The quorum for any meeting to consider an Extraordinary Resolution will be two or more persons holding or representing a clear majority in principal amount of the notes for the time being outstanding, or at any adjourned meeting two or more persons holding notes or representing Noteholders whatever the principal amount of the notes held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (1) to modify the maturity or other redemption date of the notes or the dates on which interest is payable in respect of the notes, (2) to reduce or cancel the principal amount or other redemption amount (if any) of the notes, (3) to reduce the rate of interest in respect of the notes or to vary the method or basis of calculating the rate or amount of interest, (4) to change the currency of payment of the notes or (5) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in principal amount of the notes for the time being outstanding. An Extraordinary Resolution is defined in the Trust Deed to mean a resolution passed at a duly convened meeting of Noteholders held in accordance with the Trust Deed by a majority of at least 75 per cent. of the votes cast. A written resolution of holders of not less than 90 per cent. in principal amount of the notes for the time being outstanding shall take effect as an Extraordinary Resolution for all purposes. Any Extraordinary Resolution duly passed shall be binding on all holders of notes (whether or not they were present or represented at the meeting at which such resolution was passed).

(b) *Modification and Waiver*: The Trustee and the Issuer may, without the consent of the Noteholders, agree to (1) any modification of any of the provisions of the Trust Deed which is in its opinion of a formal,

minor or technical nature or is made to correct a manifest error and (2) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed and the Trustee may, without the consent of the Noteholders, subject as provided in the Trust Deed, determine that any Event of Default or Potential Event of Default (as defined in the Trust Deed) will not be treated as such, provided that any such modification referred to in (2) above or any waiver or determination is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and, if the Trustee so requires, such modification shall be notified to the Noteholders in accordance with Condition 16 as soon as practicable.

(c) *Entitlement of the Trustee:* In connection with the exercise of its functions (including but not limited to those referred to in this Condition 12) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

13. Enforcement

At any time after the notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed and the notes, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least 25 per cent. in principal amount of the notes outstanding and (b) it shall have been indemnified and/or secured to its satisfaction. No Noteholder may institute proceedings directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

14. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee and its subsidiaries and affiliates are entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

15. Further Issues

The Issuer may from time to time without the consent of the Noteholders create and issue further securities having the same terms and conditions as the notes in all respects (or in all respects except for the first payment of interest on them) so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the notes). References in these Conditions to the notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition 15 and forming a single series with the notes. Any further securities forming a single series with the outstanding securities of any series (including the notes) constituted under the Trust Deed or any deed supplemental to it shall be constituted under a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

16. Notices

Except as otherwise provided herein, all notices to Noteholders shall be in English, in writing and shall be deemed given upon receipt by hand delivery, mail or overnight delivery at their respective addresses in the Register, or by fax or other electronic means. Notices to Noteholders shall be published by the Trustee at the expense of the Issuer, for so long as the notes are admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange and the rules of such exchange so require, on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, if, in the opinion of the Trustee, such publication is not practicable, in a leading English language daily newspaper of general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made.

[So long as any of the notes are represented by the Regulation S Global Notes, notices required to be published in accordance with Condition 16 may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the relevant accountholders, provided: (1) that such notice is also delivered to the Luxembourg Stock Exchange; and (2) so long as the notes are admitted to trading on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, publication will also be made by the Trustee at the expense of the Issuer in a leading daily newspaper having general circulation in Luxembourg (which is expected to be the Luxemburger Wort) or on the website of the Luxembourg Stock Exchange (www.bourse.lu).]

[So long as any of the notes are represented by the Restricted Global Notes, notices required to be published in accordance with Condition 16 may be given by delivery of the relevant notice to DTC for communication to the relevant accountholders, provided: (1) that such notice is also delivered to the Luxembourg Stock Exchange; and (2) so long as the notes are admitted to trading on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, publication will also be made by the Trustee at the expense of the Issuer in a leading daily newspaper having general circulation in Luxembourg (which is expected to be the Luxemburger Wort) or on the website of the Luxembourg Stock Exchange (www.bourse.lu).]

17. Currency Indemnity

The Trust Deed provides that if any sum due from the Issuer in respect of the notes or any order or judgment given or made in relation thereto has to be converted from the currency (the “first currency”) in which the same is payable under these Conditions or such order or judgment into another currency (the “second currency”) for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the notes, the Issuer shall indemnify the Trustee and each Noteholder, as applicable, on the written demand of the Trustee or such Noteholder addressed to the Issuer and delivered to the Issuer or to the specified office of the Registrar or any Paying or Transfer Agent at its specified office against any loss suffered as a result of any discrepancy between (1) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (2) the rate or rates of exchange at which the Trustee or such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof. This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

18. Agents

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any holder.

19. Contracts (Rights of Third Parties) Act 1999

The notes confer no rights under the Contracts (Rights of Third Parties) Act 1999.

20. Governing Law

(a) *Governing Law:* The Trust Deed and the notes, including any non-contractual obligations arising out of or in connection with the notes, are governed by and shall be construed in accordance with English law.

(b) *Jurisdiction:* The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the notes and accordingly any (1) legal action or proceedings arising out of or in connection with the Trust Deed or the notes or (2) non-contractual obligations arising out of or in connection with the Trust Deed or the notes (“Proceedings”) may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

(c) *Agent for Service of Process:* The Issuer has in the Trust Deed appointed an agent in England to receive service of process in any Proceedings in England. If for any reason the Issuer does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Noteholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(d) *Waiver of Immunity:* The Issuer irrevocably agrees that, should any Proceedings be taken anywhere (whether for an injunction, specific performance, damages or otherwise), no immunity (to the extent that it may at any time exist, whether on the grounds of sovereignty or otherwise) from those Proceedings, from attachment (whether in aid of execution, before judgment or otherwise) of its assets or from execution of judgment shall be claimed by it or on its behalf or with respect to its assets, any such immunity being irrevocably waived. The Issuer irrevocably agrees that it and its assets are, and shall be, subject to such Proceedings, attachment or execution in respect of its obligations under these Conditions; *provided, however*, that: (1) any assets of the Issuer that may be considered necessary for the continuance of the public services it renders may not be subject to attachment or foreclosure; (2) the shares held by the Issuer in its subsidiaries, which are concessionaires of public services and which represent the controlling interest in such subsidiaries, may not be transferred without the prior authorization of the National Agency for Electric Energy (*Agência Nacional de Energia Elétrica - ANEEL*); (3) due to the provisions of Article 177(v) of the Federal Constitution of Brazil and Decree No. 4,899, dated November 26, 2003 as amended by Decree No. 6,283 dated December 4, 2007 (which established the monopoly of the Federal Government of Brazil in relation to nuclear activities), the Federal Government of Brazil must always hold directly or indirectly at least 51% of the voting shares of Eletrobrás Termonuclear S.A. - Eletronuclear; and (4) in accordance with Article 6 of the By-laws of Itaipu Binacional (“Itaipu”), as approved by Decree No. 72,707, dated August 28, 1973, which promulgated the treaty between Brazil and Paraguay in respect of the construction and operation of Itaipu power plant, dated April 26, 1973, all capital of Itaipu held by the Issuer cannot be transferred.

(e) *Consent to Enforcement:* The Issuer irrevocably and generally consents, to the fullest extent permitted by Brazilian law, in respect of any Proceedings anywhere to the giving of any relief or the issue of any process in connection with those Proceedings including, without limitation, the making, enforcement or execution against any assets whatsoever (irrespective of their use or intended use) of any order or judgment which may be made or given in those Proceedings.

FORM OF THE NOTES

Notes sold in offshore transactions in reliance on Regulation S will be represented by a permanent global note or notes in fully registered form without interest coupons (or the Regulation S Global Notes) and will be registered in the name of a nominee of DTC and deposited with a custodian for DTC. Notes sold in reliance on Rule 144A will be represented by a permanent global note or notes in fully registered form without interest coupons (or the Restricted Global Notes and, together with the Regulation S Global Notes, the global notes) and will be deposited with a custodian for DTC and registered in the name of a nominee of DTC.

The notes will be subject to certain restrictions on transfer as described in “Transfer Restrictions.” On or prior to the 40th day after the later of the commencement of the offering and the closing date of this offering, a beneficial interest in the Regulation S Global Notes may be transferred to a person who takes delivery in the form of an interest in the Restricted Global Notes only upon receipt by the principal paying agent of a written certification from the transferor (in the form provided in the trust deed) to the effect that such transfer is being made to a person whom the transferor reasonably believes to be a “*qualified institutional buyer*” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction (or a Restricted Global Note Certificate). After such 40th day, this certification requirement will no longer apply to such transfers. Beneficial interests in the Restricted Global Notes may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Notes, whether before, on or after such 40th day, only upon receipt by the principal paying agent of a written certification from the transferor (in the form provided in the trust deed) to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S or Rule 144A under the Securities Act (or a Regulation S Global Note Certificate). Any beneficial interest in one of the global notes that is transferred to a person who takes delivery in the form of an interest in the other global note will, upon transfer, cease to be an interest in such global note and become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other global note for as long as it remains an interest.

Except in the limited circumstances described under “— Global Notes,” owners of the beneficial interests in global notes will not be entitled to receive physical delivery of individual definitive notes. The notes are not issuable in bearer form.

Global Notes

Upon the issuance of the Regulation S Global Notes and the Restricted Global Notes, DTC will credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such global note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the initial purchasers. Ownership of beneficial interests in a global note will be limited to persons who have accounts with DTC (or DTC Participants) or persons who hold interests through DTC Participants. Ownership of beneficial interests in the global notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC Participants) and the records of DTC Participants (with respect to interests of persons other than DTC Participants).

So long as DTC, or its nominee, is the registered owner or holder of a global note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the notes represented by such global note for all purposes under the trust deed and the notes. Unless DTC notifies us that it is unwilling or unable to continue as depositary for a global note, or ceases to be a “*clearing agency*” registered under the Exchange Act, or any of the notes becomes immediately due and payable in accordance with “Terms and Conditions of the Notes — Events of Default,” owners of beneficial interests in a global note will not be entitled to have any portions of such global note registered in their names, will not receive or be entitled to receive physical delivery of notes in individual definitive form and will not be considered the owners or holders of the global note (or any notes represented thereby) under the trust deed or the notes. In addition, no beneficial owner of an interest in a global note will be able to transfer that interest except in accordance with DTC’s applicable procedures (in addition to those under the trust deed referred to herein and, if applicable, those of Euroclear and Clearstream, Luxembourg).

DTC has advised that it will take any action permitted to be taken by holder of notes (including the presentation of notes for exchange as described below) only at the direction of one or more DTC Participants to

whose account or accounts with DTC interests in the global notes are credited and only in respect of such portion of the aggregate principal amount of the notes as to which such DTC Participant or DTC Participants has or have given such direction. However, in the limited circumstances described below, DTC will exchange the global notes for individual definitive notes (in the case of notes represented by the Restricted Global Notes, bearing a restrictive legend), which will be distributed to its participants. Holders of indirect interests in the global notes through DTC Participants have no direct rights to enforce such interests while the notes are in global form.

The giving of notices and other communications by DTC to DTC Participants, by DTC Participants to persons who hold accounts with them and by such persons to holders of beneficial interests in a global note will be governed by arrangements between them, subject to any statutory or regulatory requirements as may exist from time to time.

DTC has advised as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the Uniform Commercial Code and a “Clearing Agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for DTC Participants and to facilitate the clearance and settlement of securities transactions between DTC Participants through electronic book-entry changes in accounts of DTC Participants, thereby eliminating the need for physical movement of certificates. DTC Participants include security brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (or indirect participants).

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of interests in the Regulation S Global Notes and in the Restricted Global Notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither we nor the trustee will have any responsibility for the performance of DTC, Euroclear or Clearstream, Luxembourg or their respective participants, indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

Individual Definitive Notes

If (1) DTC or any successor to DTC is at any time unwilling or unable to continue as a depository and a successor depository is not appointed by us within 90 days or (2) any of the notes has become immediately due and payable in accordance with “Terms and Conditions of the Notes — Events of Default,” we will issue individual definitive notes in registered form in exchange for the Regulation S Global Notes and the Restricted Global Notes, as the case may be. Upon receipt of such notice from DTC or the paying agent, as the case may be, we will use its best efforts to make arrangements with DTC for the exchange of interests in the global notes for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the registrar for delivery to holders. Persons exchanging interests in a global note for individual definitive notes will be required to provide the registrar with (a) written instruction and other information required by us and the registrar to complete, execute and deliver such individual definitive notes and (b) in the case of an exchange of an interest in a Restricted Global Note, certification that such interest is not being transferred or is being transferred only in compliance with Rule 144A under the Securities Act. In all cases, individual definitive notes delivered in exchange for any global note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by DTC.

In the case of individual definitive notes issued in exchange for the Restricted Global Notes, such individual definitive notes will bear, and be subject to, the legend described in “Transfer Restrictions” (unless we determine otherwise in accordance with applicable law). The holder of a restricted individual definitive note may transfer such note, subject to compliance with the provisions of such legend, as provided in “Terms and Conditions of the Notes.” Upon the transfer, exchange or replacement of notes bearing the legend, or upon specific request for removal of the legend on a note, we will deliver only notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to us such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by us that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act. Before any individual definitive

note may be transferred to a person who takes delivery in the form of an interest in any global note, the transferor will be required to provide the principal paying agent with a Restricted Global Note Certificate or a Regulation S Global Note Certificate, as the case may be.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear, Clearstream, Luxembourg or DTC.

TAXATION

The following discussion, subject to the limitations set forth below, describes material Brazilian, United States and European Union tax considerations relating to your ownership and disposition of notes. This discussion does not purport to be a complete analysis of all tax considerations in Brazil, the United States or the European Union and does not address tax treatment of holders of notes under the laws of other countries or taxing jurisdictions. All investors are urged to consult with their own tax advisors as to which countries' tax laws could be relevant to them.

Material Brazilian Tax Considerations

The following is a general summary of the Brazilian tax considerations relating to an investment in the notes by a non-Brazilian resident. It is based on the tax laws of Brazil as in effect on the date hereof, is subject to any change in Brazilian law that may come into effect after such date, and is applicable to us. The information set forth below is intended to be a general description only and does not address all possible tax consequences relating to an investment in the notes.

PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISERS AS TO THE CONSEQUENCES OF PURCHASING THE NOTES, INCLUDING, WITHOUT LIMITATION, THE CONSEQUENCES OF THE RECEIPT OF INTEREST AND THE SALE, REDEMPTION OR REPAYMENT OF THE NOTES OR COUPONS.

Individuals domiciled in Brazil and Brazilian companies, entities, trusts or organizations are taxed in Brazil on the basis of their worldwide income (which includes earnings of Brazilian companies' foreign subsidiaries, branches and affiliates). The earnings of non-Brazilian residents in general are taxed in Brazil when derived from Brazilian sources.

Interest, fees, commissions and any other income (which for the purposes of this paragraph includes any deemed income on the difference between the issue price of the notes and the price at which the notes are redeemed (original discount) payable by Brazilian obligor to an individual, company, entity, trust or organization domiciled outside Brazil in respect of debt obligations derived from the issuance by a Brazilian issuer of international debt securities previously registered with the Central Bank, such as the notes, are currently subject to income tax withheld at source. Brazilian tax laws expressly oblige the payer to pay the income or earnings net of taxes and, therefore, to withhold the applicable tax. In case the foreign beneficiary intends to receive the entire original amount net of such withholding taxation, the corresponding calculation basis should be grossed up, thus increasing the effective tax burden. The withholding tax rate with respect to such debt obligations is: (1) generally 15.0%, as provided for in Section 10 of the Normative Act No. 252 of December 3, 2002 issued by the Brazilian Federal Revenue Service (or Normative Act. No. 252); (2) arguably 25.0% in cases where the holder of the notes is resident or domiciled in a 'tax haven' jurisdiction (that is deemed to be a jurisdiction which does not impose any tax on income or which imposes such tax at a maximum effective rate lower than 20.0%, or where the laws establish secrecy or impose restrictions on the disclosure of legal entities' equity holdings or ownership), as there is a dispute whether the rate could be 15.0% as a result on Normative Act. No. 252; or (3) a lower rate is provided for in an applicable tax treaty between Brazil and the other country where the beneficiary is domiciled. We believe and intend to take the position for Brazilian tax purposes that as long as the principal paying agent is organized under the laws of Japan and payment to the principal paying agent discharges our obligations to make payments under the notes, interest (including original discount) with respect to the notes will be subject to Brazilian withholding tax at a rate of 12.5% under the tax treaty in effect between Brazil and Japan. For such purpose, the paying agent must be granted powers and be authorized to receive the payment on behalf of the holders of the notes, in which case the Brazilian debtor is released from the payment.

Generally, any capital gains generated outside Brazil as a result of a transaction between a non-Brazilian, other than a branch, subsidiary or an affiliated company of a Brazilian resident as defined under Brazilian tax law, to another non-Brazilian resident would not be subject to taxation in Brazil. However, according to Law No.10,833, as of February 1, 2004, capital gains realized on the disposal of assets located in Brazil by non-residents, whether or not to non-residents or whether such disposal is made outside or within Brazil, are subject to Brazilian withholding income tax. Although the scope of Law No. 10,833 is unclear, we do not believe that the notes will fall under this

provision. However, Brazilian tax authorities may understand otherwise; i.e. that the gains accrued abroad on the sale or disposal of such notes should be taxable in Brazil.

Any gains obtained by a non-Brazilian resident from the sale or other disposition/alienation of the notes to a Brazilian resident is subject to income tax in Brazil at a rate of 15.0%, or 25.0% if such non-Brazilian resident is located in a tax haven jurisdiction.

Pursuant to Decree No. 6,306 of December 14, 2007 conversion into Brazilian currency (*reais*) of proceeds received in foreign currency by a Brazilian entity, as well as the conversion into foreign currency of proceeds received in *reais*, are subject to the Tax on Financial Transactions (IOF) levied on foreign exchange transactions (or IOF/Câmbio). Currently, the rate of the IOF/Câmbio is reduced to zero for foreign-sourced loans carried out through the commercial rate foreign exchange market that have a term greater than 720 days. In case of loans with a minimum average term of less than 720 days, the IOF is levied at a rate equal to 6.0% of the proceeds received. The Brazilian Federal Government is permitted to increase the rate at any time up to 25.0%. Any such increase, although immediately applicable, would only affect future transactions (would not be retroactive).

Generally, there are no stamp, transfer or other similar taxes in Brazil with respect to the transfer, assignment or sale of the notes outside Brazil, nor any inheritance, gift or succession tax applicable to the ownership, transfer or disposition of the notes, except for gift and inheritance taxes imposed in some States of Brazil on gifts and bequests by individuals or entities not domiciled or residing in Brazil to individuals or entities domiciled or residing within such Brazilian States.

Certain U.S. Federal Income Tax Considerations

The discussion of U.S. tax matters set forth in this offering circular was written in connection with the promotion or marketing of the transactions described herein and was not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties under U.S. federal, state or local tax law. Each taxpayer should seek advice based on its particular circumstances from an independent tax advisor.

The following summary discusses the principal U.S. federal income tax consequences of the acquisition, ownership and disposition of the notes. Except as specifically noted below, this discussion applies only to:

- notes purchased on original issuance at their “issue price” (as defined below);
- notes held as capital assets for U.S. federal income tax purposes (generally, property held for investment); and
- U.S. Holders (as defined below).

This discussion does not describe all of the tax consequences that may be relevant in light of a U.S. Holder’s particular circumstances or to U.S. Holders subject to special rules, such as:

- financial institutions;
- insurance companies;
- dealers in securities or foreign currencies;
- persons holding notes as part of a hedging transaction, “straddle,” conversion transaction or other integrated transaction;
- certain former citizens and residents of the United States;
- U.S. Holders whose functional currency is not the U.S. dollar; or

- partnerships or other entities classified as partnerships for U.S. federal income tax purposes.

This summary is based on the Internal Revenue Code of 1986, as amended to the date hereof (the “Code”), administrative pronouncements, judicial decisions and final, temporary and proposed U.S. Treasury Regulations, changes to any of which subsequent to the date of this offering circular may affect the tax consequences described below, possibly on a retroactive basis. Persons considering the purchase of the notes should consult their own tax advisers with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

As used herein, the term “U.S. Holder” means a beneficial owner of a note that is for United States federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation created or organized in or under the laws of the United States or of any political subdivision thereof;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

If an entity that is classified as a partnership for U.S. federal income tax purposes invests in notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and upon the activities of the partnership. Partnerships investing in notes should consult their own tax advisers regarding the tax consequences of their investment.

Payments of Interest

Interest on a note, including additional amounts, will be taxable to a U.S. Holder as foreign source ordinary income at the time it is received or accrued, depending on the holder’s method of accounting for U.S. federal income tax purposes. U.S. Holders will be treated as having received the amount of any Brazilian taxes withheld by the issuer with respect to a note (see “Material Brazilian Tax Considerations”), and as then having paid over the withheld taxes to the Brazilian taxing authorities. As a result of this treatment, the amount of interest income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of interest would be greater than the amount of cash actually received by the U.S. Holder from the issuer with respect to the payment.

If the issue price (as defined in this section) of the notes is less than their principal amount by more than a *de minimis* amount, U.S. Holders will be subject to special U.S. federal income tax rules with respect to this original issue discount (“OID”). OID will be considered to be *de minimis* if it is less than .25.0% of the principal amount multiplied by the number of complete years to maturity. U.S. Holders will be required to include any OID in income for U.S. federal tax purposes as it accrues in accordance with a constant yield method based on a compounding of interest, even though the cash attributable to this income is will not be received until the notes are sold, exchanged or retired. U.S. Holders should consult their own tax adviser concerning how to account for any OID that may accrue on the notes.

Subject to certain limitations, a U.S. Holder will generally be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for Brazilian income taxes withheld by the issuer. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. As the relevant rules are very complex, U.S. Holders should consult their own tax adviser concerning the availability and utilization of the foreign tax credit to their particular circumstances.

Sale, Exchange or Retirement of the Notes

A U.S. Holder will generally recognize gain or loss on the sale, exchange or retirement of a note equal to the difference between the amount realized on the sale, exchange or retirement and the U.S. Holder's basis in the note. The amount realized does not include the amount attributable to accrued but unpaid interest not previously included in income, which will be treated like a payment of interest as described under "— Payments of Interest." A U.S. Holder's basis in a note will generally be the acquisition cost of the note, increased by any OID and unpaid interest previously included in income. Any gain or loss that a U.S. Holder recognizes upon the sale, exchange or other disposition of a note generally will be U.S. source capital gain or loss and will be long term capital gain or loss if, at the time of disposition, the U.S. Holder's holding period for the note is more than one year.

A U.S. Holder generally will not be able to claim a foreign tax credit with respect to any Brazilian taxes withheld on the proceeds from the sale, exchange or retirement of a note. The U.S. foreign tax credit rules are very complex. U.S. Holders should consult their own advisors with respect to the application of these rules to their particular circumstances.

Information Reporting and Backup Withholding

Information returns may be filed with the IRS in connection with payments of principal and interest in respect of, and the proceeds from sales of, notes held by a U.S. Holder unless the U.S. Holder establishes, if required, that it is exempt from the information reporting rules, for example by properly establishing that it is a corporation. If the U.S. Holder does not establish that it is exempt from these rules, the U.S. Holder may be subject to backup withholding on these payments if it fails to provide a taxpayer identification number or otherwise comply with the backup withholding rules. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

U.S. Holders should consult their advisors regarding any additional tax reporting or filing requirements they may have as a result of the acquisition, ownership or disposition of the notes. Failure to comply with certain reporting obligations could result in the imposition of substantial penalties.

EU Savings Tax Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35.0%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

CERTAIN ERISA CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”) imposes certain requirements on “employee benefit plans” (as defined in ERISA) subject to Title I of ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, ERISA Plans) and on those persons who are fiduciaries with respect to ERISA Plans.

Section 406 of ERISA and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the Code), prohibit certain transactions involving the assets of an ERISA Plan (Section 4975 of the Code also imposes prohibitions for certain plans that are not subject to Title I of ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, Plans)) and certain persons (referred to as “*parties in interest*” or “*disqualified persons*”) having certain relationships to Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code. Accordingly, each original or subsequent purchaser or transferee of any note that is or may become a Plan is responsible for determining that its purchase and holding of such note will not constitute a prohibited transaction under ERISA or Section 4975 of the Code.

Accordingly each purchaser or transferee of a note (or any interest therein) will be deemed by its acquisition and holding of such note to have represented and agreed that either (1) it is not (and for so long as it holds the note or interest therein will not be), and is not acting on behalf of (and for so long as it holds any note or interest therein will not be acting on behalf of), (a) an “employee benefit plan” as defined in ERISA and that is subject to Part 4 of Subtitle B of Title I of ERISA, (b) a “plan” as defined in and subject to Section 4975 of the Code, (c) any entity whose underlying assets are deemed for purposes of ERISA or the Code to include “plan assets” by reason of such plan’s investment in the entity, or (d) any employee benefit plan subject to any U.S. federal, state or local law or non-US law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code (“Similar Law”) or (2) its purchase and holding of such note (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code (or, in the case of another employee benefit plan subject to Similar Law, is not in violation of any Similar Law).

THE PRECEDING DISCUSSION IS ONLY A SUMMARY OF CERTAIN ERISA IMPLICATIONS OF AN INVESTMENT IN THE NOTES AND DOES NOT PURPORT TO BE COMPLETE. PROSPECTIVE INVESTORS SHOULD CONSULT WITH THEIR OWN LEGAL, TAX, FINANCIAL AND OTHER ADVISORS PRIOR TO INVESTING IN THE NOTES TO REVIEW THESE IMPLICATIONS IN LIGHT OF SUCH INVESTOR’S PARTICULAR CIRCUMSTANCES.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a subscription agreement dated October 20, 2011, we have agreed to sell to the initial purchasers named below, the following respective principal amount of notes:

Initial Purchasers	Principal Amount of Notes
Credit Suisse Securities (USA) LLC	U.S.\$875,000,000
Santander Investment Securities Inc.	U.S.\$875,000,000
Total	U.S.\$1,750,000,000

The subscription agreement provides that the obligations of the initial purchasers to purchase the notes are subject to various conditions. In addition, the subscription agreement provides that the initial purchasers are obligated to purchase all of the notes if any are purchased.

The initial purchasers propose to offer the notes initially at the offering price on the cover page of this offering circular and may also offer the notes to selling group members at the offering price less a concession. After the initial offering, the offering price may be changed.

The notes have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except to qualified institutional buyers in reliance on Rule 144A under the Securities Act. The initial purchasers have agreed that, except as permitted by the subscription agreement, it will not offer, sell or deliver the notes: (1) as part of their distribution at any time or (2) otherwise until 40 days after the later of this commencement of the offering and the closing date, within the United States or to, or for the account or benefit of, U.S. persons, and they will have sent to each broker/dealer to which they sell the notes in reliance on Regulation S during such 40-day period, a confirmation or other notice detailing the restrictions on offers and sales of the notes within the United States, or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act. Resales of the notes are restricted as described under "Transfer Restrictions."

In addition, until 40 days after the commencement of this offering, an offer or sale of the notes within the United States by a broker/dealer (whether or not it is participating in the offering), may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A.

The initial purchasers and/or their affiliates may enter into derivative and/or structured transactions with clients, at their request, in connection with the notes and the initial purchasers and/or their affiliates may also purchase a portion of the notes to hedge their risk exposure in connection with such transactions. In addition, the initial purchasers and/or their affiliates may acquire a portion of the notes for their proprietary accounts. These transactions may have an adverse effect on the demand and pricing for the offering.

Purchasers of notes sold outside the United States may be required to pay stamp taxes and other charges in compliance with the laws and practices of the country of purchase in addition to the price to investors on the cover page of this offering circular.

The initial purchasers and their respective affiliates have provided, and may provide in the future, investment banking, commercial banking, financial advisory and lending services for us and our affiliates from time to time, for which they have received, or will receive, customary compensation.

We have agreed to indemnify the initial purchasers against certain liabilities or to contribute payments that they may be required to make in that respect.

The notes are a new issue of securities for which there currently is no market. The initial purchasers have advised us that they intend to make a market in the notes as permitted by applicable law. They are not obligated, however, to make a market in the notes and any market-making may be discontinued at any time at their sole discretion. Accordingly, no assurance can be given as to the development or liquidity of any market for the notes.

We expect that delivery of the notes will be made against payment for the notes on October 27, 2011, which will be the fifth business day following the date of the pricing of the notes (such settlement being referred to as “T+5”). Since trades in the secondary market generally settle in three business days, purchasers who wish to trade notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the notes initially settle in T+5, to specify alternative settlement arrangements to prevent a failed settlement.

In connection with the offering, the initial purchasers may purchase and sell the notes in the open market. These transactions may include short sales and purchases in the open market to cover positions created by short sales. Short sales involve the sale by the initial purchasers of a greater principal amount of notes than they are required to purchase in the offering. The initial purchasers must close out any short position by purchasing notes in the open market. A short position is more likely to be created if the initial purchasers are concerned that there may be downward pressure on the price of the notes in the open market after pricing that could adversely affect investors who purchase in the offering. Similar to other purchase transactions, the initial purchasers’ purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the notes or preventing or retarding a decline in the market price of the notes. As a result, the price of the notes may be higher than the price that might otherwise exist in the open market. Neither we nor any of the initial purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor any of the initial purchasers make any representation that they or their representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

The initial purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the Exchange Act.

- Over-allotment involves sales in excess of the offering size, which creates a short position for the initial purchasers.
- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- Covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover short positions.
- Penalty bids permit the initial purchasers to reclaim a selling concession from a broker/dealer when the notes originally sold by such broker/dealer are purchased in a stabilizing or covering transaction to cover short positions.

These stabilizing transactions, covering transactions and penalty bids may cause the price of the notes to be higher than it would otherwise be in the absence of these transactions. These transactions, if commenced, may be discontinued at any time.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive, each a “Relevant Member State,” from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, or the “Relevant Implementation Date,” no offer of notes which are the subject of the offering contemplated by this offering circular may be made to the public in that Relevant Member State other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the representative or representatives nominated by us for any such offer; or

- in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of notes shall require the Issuer or any initial purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of the foregoing sentence, the expression an “offer of notes to the public” in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Member State; “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State; and “2010 PD Amending Directive” means Directive 2010/73/EU.

United Kingdom

Each initial purchaser has represented and agreed that:

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

Italy

This offering circular has not been submitted for approval by *Commissione Nazionale per le Società e la Borsa* (“CONSOB,” the Italian Securities Regulator) pursuant to the Italian securities legislation. The notes offered by this offering circular may not be offered, sold or delivered nor may this offering circular be distributed or made available in the Republic of Italy other than:

- to qualified investors (qualifying as *clienti professionali* and *investitori qualificati*), pursuant to Annex 3 to CONSOB Regulation No. 16190 of 29 October 2007 (the “Intermediaries Regulation”) and pursuant to Article 100, paragraph 1, letter a) and Article 30, paragraph 2 of Legislative Decree No. 58 of 24 February 1998, as amended (the “Italian Financial Laws Consolidation Act”) and Article 2.1 of the Prospectus Directive; or
- in any other circumstances where an express exemption from compliance with the restrictions on the offer to the public applies, as provided under the Italian Financial Laws Consolidation Act and CONSOB Regulation No. 11971 of 14 May 1999, as amended,

provided that, in any case, the offer or sale of the notes in the Republic of Italy shall be effected in accordance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations.

Moreover and subject to the foregoing, any such offer, sale or delivery of any notes or distribution of this offering circular or any other document relating to any notes must be made by:

- a bank, investment firm or financial company enrolled in the special register provided for under Article 107 of the Legislative Decree No. 385 of 1 September 1993, as amended (the “Italian Banking Act”), to the extent duly authorized to engage in the placement and/or underwriting of financial instruments in Italy in accordance with the Italian Banking Act, the Italian Financial Laws Consolidation Act and the Intermediaries Regulation;
- to the extent applicable, in compliance with Article 129 of the Banking Act and the relevant regulations of the Bank of Italy, as amended from time to time, pursuant to which the Bank of

Italy may request post-offering information on the issue or the offer of securities in the Republic of Italy, save where an express exemption to the notification duties applies; and

- (iii) in compliance with any requirement or limitation which may be imposed from time to time, *inter alia*, by CONSOB or the Bank of Italy.

Investors should also note that, in any subsequent distribution of the notes in the Republic of Italy, Article 100-bis, paragraph 2, of the Italian Financial Laws Consolidation Act affects the transferability of the notes in the Republic of Italy to the extent that any placing of notes is made solely with qualified investors and such notes are then systematically resold to non-qualified investors on the secondary market at any time in the 12 months following such placing. Where this occurs, purchasers of notes who are acting outside of the course of their business or profession may in certain circumstances be entitled to declare such purchase void and to claim damages from any authorized person at whose premises the notes were purchased, unless an exemption provided for under the Italian Financial Laws Consolidation Act applies.

Portugal

Each initial purchaser has represented and agreed that:

- (i) no document, circular, advertisement or any offering material in relation to the notes has been or will be subject to approval by the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários*, the “CMVM”);

- (ii) it has not directly or indirectly taken any action or offered, advertised or sold or delivered and will not directly or indirectly offer, advertise, sell, re-sell, re-offer or deliver any notes in circumstances which could qualify as a public offer (*oferta pública*) pursuant to the Portuguese Securities Code (*Código dos Valores Mobiliários*, the “CVM”), and/or in circumstances which could qualify the issue of the notes as an issue or public placement of securities in the Portuguese market;

- (iii) it has not, directly or indirectly, distributed and will not, directly or indirectly, distribute to the public the Offering Circular or any document, circular, advertisements or any offering material;

- (iv) all offers, sales and distributions of the notes have been and will only be made in Portugal in circumstances that, pursuant to the CVM, qualify as a private placement of notes (*oferta particular*), all in accordance with the CVM;

- (v) pursuant to the CVM the private placement in Portugal or near Portuguese residents of notes by public companies (*sociedades abertas*) or by companies that are issuers of securities listed on a market needs to be notified to the CMVM for statistical purposes; and

- (vi) it will comply with all applicable provisions of the CVM and any applicable CMVM Regulations and all relevant Portuguese laws and regulations, in any such case that may be applicable to it in respect of any offer or sales of the notes by it in Portugal.

Each initial purchaser has represented and agreed that it shall comply with all applicable laws and regulations in force in Portugal and with the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003/Prospectus Directive, as amended, regarding the placement of any notes in the Portuguese jurisdiction or to any entities which are resident in Portugal, including the publication of a prospectus, when applicable, and that such placement shall only be authorized and performed to the extent that there is full compliance with such laws and regulations.

Switzerland

This offering circular is not intended to constitute an offer or solicitation to purchase or invest in the notes described herein. The notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this offering circular nor any other offering or marketing material relating to the notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of

Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland.

Brazil

The notes have not been and will not be issued nor placed, distributed, offered or negotiated in the Brazilian capital markets. The issuance of the notes has not been nor will be registered with the CVM. Any public offering or distribution, as defined under Brazilian laws and regulations, of the notes in Brazil is not legal without prior registration under Law No. 6,385/76, as amended, and Instruction No. 400, issued by the CVM on December 29, 2003, as amended. Documents relating to the offering of the notes, as well as information contained therein, may not be supplied to the public in Brazil (as the offering of the notes is not a public offering of securities in Brazil), nor be used in connection with any offer for subscription or sale of the notes to the public in Brazil. The notes will not be offered or sold in Brazil except in circumstances which do not constitute a public offering, placement, distribution or negotiation of securities in the Brazilian capital markets regulated by Brazilian legislation.

Persons wishing to offer or acquire the notes within Brazil should consult with their own counsel as to the applicability of registration requirements or any exemption therefrom.

Hong Kong

This offering circular has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. No person may offer or sell in Hong Kong, by means of any document, any notes other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

The offering circular will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”). Accordingly, the notes may not be offered or sold, or be made the subject of an invitation for subscription or purchase, nor may the offering circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (1) to an institutional investor under Section 274 of the SFA, (2) to a relevant person, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (3) pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Each of the following relevant persons specified in Section 275 of the SFA which has subscribed or purchased notes, namely a person who is:

- (a) a corporation (which is not an accredited investor the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor); or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an accredited investor,

should note that shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest in that trust shall not be transferable for six-months after that corporation or that trust has acquired the notes pursuant to an offer made under Section 275 of the SFA, except:

- (i) to an institutional investor under Section 274 of the SFA or to a relevant person, or to any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions, specified in Section 275 of the SFA;
- (ii) where no consideration is or will be given for the transfer; or
- (iii) by operation of law.

TRANSFER RESTRICTIONS

The notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the notes are being offered hereby only (a) to “qualified institutional buyers” (as defined in Rule 144A under the Securities Act), or QIBs, in compliance with Rule 144A under the Securities Act and (b) in offers and sales that occur outside the United States to persons other than U.S. persons (“non-U.S. purchasers,” which term shall include dealers or other professional fiduciaries in the United States acting on a discretionary basis for non-U.S. beneficial owners (other than an estate or trust)), in offshore transactions meeting the requirements of Rule 903 of Regulation S. As used herein, the terms “offshore transactions,” “United States” and “U.S. person” have the respective meanings given to them in Regulation S.

Each purchaser of notes will be deemed to have represented and agreed with us and the initial purchasers as follows:

- (1) It is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is (a) a QIB, and is aware that the sale to it is being made in reliance on Rule 144A under the Securities Act or (b) a non-U.S. purchaser that is outside the United States (or a non-U.S. purchaser that is a dealer or other fiduciary as referred to above);
- (2) It understands that the notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the notes have not been and will not be registered under the Securities Act, and that the notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (3) It will not resell or otherwise transfer any of such notes except (a) to the issuer or any of its subsidiaries, (b) within the United States to a QIB in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States in compliance with Rule 903 or 904 under the Securities Act, (d) pursuant to an exemption from registration provided by Rule 144 under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act;
- (4) It agrees that it will give notice of any restrictions on transfer of such notes to each person to whom it transfers the notes;
- (5) It understands that the certificates evidencing the notes (other than the Unrestricted Notes) will bear a legend substantially to the following effect unless otherwise agreed by us and the trustee:

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE OR OTHER SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER OF THIS SECURITY (1) REPRESENTS THAT IT, AND ANY ACCOUNT FOR WHICH IT IS ACTING, (A) IS A “QUALIFIED INSTITUTIONAL BUYER” (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN “OFFSHORE TRANSACTION” PURSUANT TO RULE 903 OR 904 OF REGULATION S AND, WITH RESPECT TO (A) AND (B), EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO SUCH ACCOUNT, (2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN PRIOR TO THE RESALE RESTRICTION TERMINATION DATE (AS DEFINED IN THE NEXT PARAGRAPH), EXCEPT (A)(I) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (II) PURSUANT TO A REGISTRATION STATEMENT

THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, (III) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (IV) IN AN OFFSHORE TRANSACTION COMPLYING WITH THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATIONS UNDER THE SECURITIES ACT, OR (V) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS, AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS “OFFSHORE TRANSACTION,” “UNITED STATES” AND “U.S. PERSON” HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATIONS UNDER THE SECURITIES ACT.

THE PURCHASER AND EACH TRANSFEREE OF THIS NOTE (OR ANY INTEREST HEREIN) WILL BE DEEMED BY ITS ACQUISITION AND HOLDING OF THIS NOTE TO HAVE REPRESENTED AND AGREED THAT EITHER (I) IT IS NOT (AND FOR SO LONG AS IT HOLDS THE NOTE OR INTEREST THEREIN WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS ANY NOTE OR INTEREST THEREIN WILL NOT BE ACTING ON BEHALF OF), (A) AN “EMPLOYEE BENEFIT PLAN” AS DEFINED IN THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”) AND THAT IS SUBJECT TO PART 4 OF SUBTITLE B OF TITLE I OF ERISA, (B) A “PLAN” AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”), (C) ANY ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED FOR PURPOSES OF ERISA OR THE CODE TO INCLUDE “PLAN ASSETS” BY REASON OF ANY SUCH PLAN’S INVESTMENT IN THE ENTITY, OR (D) ANY EMPLOYEE BENEFIT PLAN SUBJECT TO ANY U.S. FEDERAL, STATE OR LOCAL LAW OR NON-US LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (“SIMILAR LAW”) OR (II) ITS PURCHASE AND HOLDING OF THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF ANOTHER EMPLOYEE BENEFIT PLAN SUBJECT TO SIMILAR LAW, IS NOT IN VIOLATION OF ANY SIMILAR LAW).

THE RESALE RESTRICTION TERMINATION DATE WILL BE THE DATE:

(1) THAT IS AT LEAST ONE YEAR AFTER THE LAST ORIGINAL ISSUE DATE HEREOF; AND (2) ON WHICH THE COMPANY INSTRUCTS THE TRUSTEE THAT THIS LEGEND (OTHER THAN THE FIRST THREE PARAGRAPHS HEREOF) MAY BE DEEMED REMOVED FROM THIS SECURITY, IN ACCORDANCE WITH THE PROCEDURES DESCRIBED IN THE TRUST DEED RELATING TO THIS SECURITY.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH PARAGRAPH 2A(V) ABOVE, THE COMPANY AND THE TRUSTEE RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS, OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

- (6) If it is a non-U.S. purchaser acquiring a beneficial interest in a Regulation S global note offered pursuant to this offering circular, it acknowledges and agrees that, until the expiration of the 40-day “distribution compliance period” within the meaning of Regulation S, any offer, sale,

pledge or other transfer shall not be made by it in the United States or to, or for the account or benefit of, a U.S. person, except pursuant to Rule 144A to a QIB taking delivery thereof in the form of a beneficial interest in a Restricted Note, and that each Unrestricted Note will contain a legend to substantially the following effect:

PRIOR TO EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATIONS (“REGULATIONS”) UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”)), THIS SECURITY MAY NOT BE REOFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATIONS) OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATIONS), EXCEPT TO A “QUALIFIED INSTITUTIONAL BUYER” IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF THE TRUST DEED REFERRED TO HEREIN.

- (7) It acknowledges that the foregoing restrictions apply to holders of beneficial interests in the notes, as well as holders of the notes;
- (8) It acknowledges that the trustee will not be required to accept for registration of transfer any notes acquired by it, except upon presentation of evidence satisfactory to the issuer and the trustee that the restrictions set forth herein have been complied with; and
- (9) It acknowledges that the issuer, the trustee, the initial purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of the acknowledgments, representations or agreements deemed to have been made by its purchase of the notes are no longer accurate, it shall promptly notify the issuer, the trustee and the initial purchasers. If it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.
- (10) It will be deemed by its acquisition and holding of this note to have represented and agreed that either (1) it is not (and for so long as it holds the note or interest therein will not be), and is not acting on behalf of (and for so long as it holds any note or interest therein will not be acting on behalf of) (a) an “employee benefit plan” as defined in ERISA and that is subject to Part 4 of Subtitle B of Title I of ERISA, (b) a “plan” as defined in and subject to Section 4975 of the Code, (c) any entity whose underlying assets are deemed for purposes of ERISA or the Code to include “plan assets” by reason of any such plan’s investment in the entity, or (d) any employee benefit plan subject to any U.S. federal, state or local law or non-US law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code (“Similar Law”) or (2) its purchase and holding of such note (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code (or, in the case of another employee benefit plan subject to Similar Law, is not in violation of any Similar Law).

LEGAL MATTERS

The validity of the notes will be passed upon for us by Clifford Chance US LLP and for the initial purchasers by White & Case LLP. Certain matters of Brazilian law relating to the notes will be passed upon for us by our internal counsel, and for the initial purchasers by Vieira, Rezende, Barbosa e Guerreiro Advogados.

INDEPENDENT AUDITORS

PricewaterhouseCoopers Auditores Independentes, independent registered public accounting firm, have reviewed our unaudited consolidated interim financial statements as of and for the six-months periods ended June 30, 2011 and 2010 and audited our consolidated annual financial statements as of and for the years ended December 31, 2010 and 2009, as set forth in their reports included in this offering circular. BDO Auditores Independentes, or BDO, whose address is Rua 7 de Setembro, 71, 15º and 21º andares – Centro, 20050-005 Rio de Janeiro – RJ, Brazil, have audited our consolidated annual financial statements as of and for the year ended December 31, 2008, and they provided a qualified opinion for these financial statements. The financial statements as of and for the year ended December 31, 2008 are not included in this offering circular as they were not prepared in accordance with IFRS and are thus not comparable to the financial information as of and for the years ended December 31, 2010 and 2009 or the six-month periods ended June 30, 2011 and 2010.

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

LISTING AND GENERAL INFORMATION

1. The notes have been accepted for clearance through DTC, Euroclear and Clearstream, Luxembourg. The CUSIP, ISIN and Common Code numbers for the notes are as follows:

	Restricted Global Note	Regulation S Global Note
CUSIP	15234Q AL2	P22854 AG1
ISIN	US15234QAL23	USP22854AG14
Common Codes	069834876	069834884

In the event that we notify the trustee, in accordance with the terms of the trust deed, to remove the restrictive legend on the notes, at such time the CUSIP for both the Restricted Global Notes and the Regulation S Global Notes will be replaced with 15234Q AM0, the ISIN for both the Restricted Global Notes and the Regulation S Global Notes will be replaced with US15234QAM06, and the Common Codes for both the Restricted Global Notes and the Regulation S Global Notes will be replaced with 069911374. In the case of a replacement of the codes of the notes, a notice will be published in accordance with the terms and conditions of the notes. Additionally, in case of replacement of the codes, the Restricted Global Notes and the Regulation S Global Notes will have the same codes.

2. Copies of our latest audited annual and unaudited quarterly financial statements and copies of our bylaws in English may be obtained during normal business hours at our principal office, the offices of the trustee and any paying agent, including the Luxembourg paying agent and the principal paying agent. Copies of the trust deed (including the forms of the notes) will be available during normal business hours for inspection at our principal office, the offices of the trustee and any paying agent, including the Luxembourg paying agent and the principal paying agent.

3. Except as disclosed in this offering circular, there has been no material adverse change in our financial position since June 30, 2011, the date of the latest unaudited financial statements included in this offering circular.

4. Except as disclosed in this offering circular, we are not involved in any litigation or arbitration proceedings relating to claims or amounts that are material in the context of this offering, nor so far as we are aware is any such litigation or arbitration pending or threatened.

5. Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and application for admission to trading has been made on the Euro MTF market of the Luxembourg Stock Exchange.

6. So long as the notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF and the rules of this exchange so require, we shall maintain a paying agent in Luxembourg, where the notes may be presented or surrendered for payment or redemption, in the event that the global notes are exchanged for definitive certificated notes. In addition, in the event that the global notes are exchanged for definitive certificated notes, an announcement of any such exchange will be made through the Luxembourg Stock Exchange. That announcement will include all material information with respect to the delivery of the definitive certificated notes, including details of the paying agent in Luxembourg. In accordance with Condition 16, any notices relating to the notes will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in a leading newspaper having general circulation in Luxembourg.

7. Our board of directors authorized the issuance of the notes by a resolution dated August 19, 2011.

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**Centrais Elétricas Brasileiras
S.A. - Eletrobras**
**Interim Financial Statements at
June 30, 2011
and Review Report**

Review Report

Introduction

We have reviewed the accompanying the consolidated balance sheet of Centrais Elétricas Brasileiras S.A. - Eletrobras (hereinafter “Company” or “Eletrobras”), as at June 30, 2011, and the related statements of income, comprehensive income, changes in equity and cash flows for the period then ended. These consolidated interim financial statements are the responsibility of the Company’s management. Our responsibility is to issue a report on these financial statements based on our review.

Management is responsible for the preparation of the consolidated interim financial statements in compliance with International Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on this interim accounting information based on our review.

Scope of Review

We conducted our review in accordance with International Standards on Reviews of Interim Financial Information (ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively) and standards of the Public Company Accounting Oversight Board (United States). A review of interim information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and standards of the Public Company Accounting Oversight Board (United States) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements referred to above has not been prepared, in all material respects, in compliance with International Accounting Standard (IAS) 34 - Interim Financial Reporting.

Emphasis of matter

Subsidiaries in the distribution segment operating as going concern

We draw attention to Note 14 to the consolidated interim financial statements, which states that certain subsidiaries in the distribution segment have presented recurring losses in its operations and had a negative working capital at the end of the period totaling R\$789,585 thousand. This situation raises doubt as to the capacity of these companies operate as going concern. The consolidated interim financial statements does not include any adjustments arising from these uncertainties. Our report does not have a qualified audit opinion paragraph as to this matter.

Centrais Elétricas Brasileiras S.A. - Eletrobras

Other matters

Interim statements of value added

We have also reviewed the parent company and consolidated interim statement of value added for the period ended June 30, 2011, which are considered supplementary information under IFRS, which does not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been properly prepared, in all material respects, in relation to the parent company and consolidated interim accounting information taken as a whole.

Review of the previous quarter amounts

Formerly standards on auditing allowed the shared responsibility. Therefore, the reviews of interim financial information for the period ended June 30, 2010 of certain associated companies were conducted by other independent auditors. In Eletrobras' accounting information, the investments of these associated companies are stated at the equity accounting method, totaling R\$5,310,756 thousand at June 30, 2010, and equity in the results amounts to R\$169,491 thousand in the period ended June 30, 2010. The financial statements of Itaipu Binacional, with total assets of R\$10,115,850 thousand at June 30, 2010, included in the consolidated accounting information, were also reviewed by other independent auditors. In relation to the amounts generated by these associated companies, our report is based solely on the reports of these auditors.

In addition, the following emphasis of matter paragraphs were included in our report: (a) realization of tax assets and reimbursement of expenditures with the purchase of inputs arising from the energy production incurred by the companies included in the Isolated System between August 2009 and March 2010, in view of the ratification of Law No. 12.111/2009 by the Brazilian Electricity Regulatory Agency (ANEEL); (b) provisional approval of the regulatory basis of remuneration for the subsidiary Amazonas Energia; (c) the capacity of certain subsidiaries in the distribution segment to operate as going concern; (d) realization of credits of adjustment to the Account of Results to Offset (CRC) relating to the supplementary retirement plan of its former government employees, according to court decision favorable to the associated companies CEEE - D - Companhia Estadual de Distribuição de Energia Elétrica (State Company of Electricity Distribution) and CEEE - GT - Companhia Estadual de Geração e Distribuição de Energia Elétrica (State Company of Generation and Distribution of Electricity); (e) reimbursement relating to the supplementary retirement plan expenses required by Law No. 4.819/1957 in the associated company CTEEP - Companhia de Transmissão de Energia Elétrica Paulista (São Paulo Company of Transmission of Electricity); and (f) the capacity of the associated company EMAE - Empresa Metropolitana de Águas e Energia (Metropolitan Company of Water and Energy) operate as going concern.

Rio de Janeiro, October 14, 2011

PricewaterhouseCoopers
Auditores Independentes

Centrais Elétricas Brasileiras S.A - Eletrobras
Consolidated Balance Sheet at June 30, 2011 and June 30, 2010
(a free translation of the original in Portuguese)

In thousand reais

Assets	Note	06/30/11	12/31/10
Current Assets			
Cash and cash equivalents	5	8,937,297	9,220,169
Restricted cash		2,395,823	2,058,218
Marketable securities	6	3,349,968	6,774,073
Accounts receivable	7	3,155,773	3,651,295
Financial asset of concession contracts		1,062,347	726,507
Itaipu financial asset		889,869	997,015
Loans and financing	8	1,368,727	1,359,269
Fuel consumption account - CCC		3,091,629	3,041,484
Investment remuneration	9	209,900	178,604
Fiscal assets deferred	10	2,471,570	1,825,905
Compensation rights	11	372,096	324,451
Sundry debts		760,834	478,367
Stored materials		354,696	378,637
Nuclear fuel inventories	12	297,972	297,972
Prepaid charges		62,825	40,418
Financial instruments		310,172	283,220
Other		1,273,055	805,631
		30,364,553	32,441,235
Non-Current Assets			
Loans and financing	8	7,525,695	8,300,171
Accounts receivable	7	2,084,401	1,834,927
Marketable securities	6	829,014	769,905
Nuclear fuel inventories	12	808,118	799,556
Financial asset of concession contracts		25,493,946	24,995,626
Itaipu financial asset		14,992,227	15,648,086
Fiscal assets deferred	10	4,298,732	4,338,682
Guarantees and associated deposits		1,900,864	1,750,678
Fuel consumption account - CCC		1,113,495	1,156,926
Financial instruments		249,981	297,020
Other		713,260	889,930
		60,009,733	60,781,507
Advances for shareholding participation	13	95,988	7,141
		60,105,721	60,788,648
Investments	14	4,781,341	4,724,647
Property, plant and equipment	15	48,879,912	46,682,498
Intangible	18		
Concession contracts		680,660	932,509
Others		1,490,133	1,331,463
		55,832,046	53,671,117
Total Assets		146,302,320	146,901,000

Centrais Elétricas Brasileiras S.A - Eletrobras
Consolidated Balance Sheet at June 30, 2011 and December 31, 2010
(a free translation of the original in Portuguese)

In thousand reais

Liabilities and Stockholders' Equity	Note	06/30/11	12/31/10
Current Liabilities			
Loans and financing	21	2,411,872	1,868,465
Compulsory loan	22	15,620	16,925
Suppliers	19	4,694,222	5,165,765
Anticipated energy sales	20	343,588	341,462
Taxes payable	24	1,181,656	1,102,672
Fuel consumption account - CCC	23	2,945,056	2,579,546
Shareholders' remuneration	26	257,571	3,424,520
Federal treasury credits	27	100,301	92,770
Estimated obligations		916,577	772,071
Reimbursement obligations		930,162	759,214
Employee postemployment benefits		341,171	330,828
Provision for contingencies	29	325,647	257,580
Fees as per regulations	25	636,120	584,240
Leasing		125,727	120,485
Financial instruments		297,020	237,209
Other		737,520	715,757
		16,259,831	18,369,509
Non-Current Liabilities			
Loans and financing	21	31,293,800	31,269,971
Federal treasury credits	27	205,445	250,485
Compulsory loan	22	146,487	141,425
Taxes payable	24	1,252,521	1,217,649
Shareholders remuneration	26	5,944,575	5,601,077
Decommissioning obligations	30	386,442	375,968
Anticipated energy sale	20	902,349	928,653
Fuel consumption account – CCC	23	2,049,906	1,876,598
Provision for contingencies	29	4,187,704	3,901,289
Employee postemployment benefits		1,912,462	2,066,702
Provision for uncovered liabilities in subsidiaries		-	-
Leasing		1,771,261	1,694,547
Concessions to pay	31	1,129,302	834,215
Advances for future capital increase	32	136,741	5,173,856
Financial instruments		249,981	303,331
Other		2,195,203	2,365,315
		53,764,179	58,001,081
Stockholders' Equity			
Capital Stock	33	31,305,331	26,156,567
Capital reserve		26,048,342	26,048,342
Income reserve		16,599,503	16,804,851
Accumulated income		1,542,332	-
Equity valuation adjustment		231,296	163,335
Additional propose dividend		-	753,201
Other comprehensive income		319,221	377,818

Participation of non-controlling shareholders	<u>232,285</u>	<u>226,296</u>
	<u>76,278,310</u>	<u>70,530,410</u>
Total Liabilities and Stockholders' Equity	<u>146,302,320</u>	<u>146,901,000</u>

Centrais Elétricas Brasileiras S.A - Eletrobras
Consolidated Statement of Income for the Six-Month Period ended June 30, 2011 and June 30, 2010
(a free translation of the original in Portuguese)

In thousand reais

	2011	2010
Net Operating Revenues	13,592,265	12,075,932
Operating expenses		
Personnel, material and services	3,659,132	3,238,295
Electricity purchased for resale	1,718,460	1,692,687
Fuel for electric power production	263,315	386,190
Use of basic transmission network	668,389	796,526
Remuneration and reimbursement	596,232	523,936
Depreciation and amortization	832,859	786,004
Operation and maintenance - distribution	56,031	38,900
Construction	1,376,515	1,217,557
Operation and maintenance - transmission	8,086	-
Operating provisions	941,879	915,688
Result from Itaipu to compensate	257,825	509,814
Donation and contribution	160,574	126,501
Other	360,118	48,396
	10,899,415	10,280,494
Operating result before financing result	2,692,850	1,795,438
Financing result		
Financing revenues		
Revenues from interest, commission and taxes	324,507	422,665
Revenues from financial applications	953,530	690,594
Electric energy accrued	176,063	137,299
Monetary corrections	284,716	278,139
Assets currency corrections	-	337,099
Other financial revenues	-	116,532
Financing expenses		
Debt charges	(968,031)	(774,788)
Leasing charges	(184,811)	(166,224)
Shareholders resources charges	(757,674)	(614,924)
Liabilities currency corrections	(689,906)	-
Other financial expenses	(103,150)	-
	(964,756)	426,392
Result before participations	1,728,094	2,221,830
Participations result	388,562	305,928
Result before Income tax and social contribution	2,116,656	2,527,758
Income tax	(342,702)	(702,676)
Social Contribution	(138,021)	(241,858)
Net income (loss) for the period	1,635,933	1,583,224
Part attributable to the controlling shareholders	1,611,193	1,575,271
Part attributable to the non-controlling shareholders	24,740	7,953

Centrais Elétricas Brasileiras S.A - Eletrobras
Consolidated Statement of Shareholders Equity for the Six-Month Period ended June 30, 2011 and June 30, 2010
(a free translation of the original in Portuguese)

In thousand reais

CENTRAIS ELÉTRICAS BRASILEIRAS S.A - ELETROBRAS
SHAREHOLDERS EQUITY
FOR THE PERIOD END JUNE 30, 2011
IN THOUSAND OF REAIS

	PROFIT RESERVES							SHAREHOLDER'S EQUITY ATTRIBUTABLE TO CONTROLLING	SHAREHOLDER'S EQUITY ATTRIBUTABLE TO NON-CONTROLLING	SHAREHOLDERS EQUITY TOTAL	
	CAPITAL STOCK	CAPITAL RESERVES	REVALUATION RESERVES	STATUTORY	ADDITIONAL DIVIDENDS	ASSET VALUATION REFLEX ADJUSTMENTS	ACCUMULATED LOSSES				
On December 31st, 2010	26.156.567	26.048.342	2.046.388	14.758.464	783.201	163.338	-	377.817	70.304.112	226.296	70.530.409
Capital integration	5.141.761								5.148.762		5.148.762
Payment of dividends					(753.201)				(753.201)	(18.733)	(771.934)
Previous years adjustments							(900)		(900)		(900)
Accumulated translation adjustments								(4.315)	(4.315)		(4.315)
Fair value of financial instruments available for sale								74.619	74.619		74.619
Other reflex comprehensive income								(128.900)	(128.900)		(128.900)
Asset valuation adjustment						67.961	(67.961)		-		-
Realization of reserves				(203.349)					(203.349)		(203.349)
Net income of the year							1.611.193		1.611.193	21.740	1.632.933
On June 30, 2011	31.305.331	26.048.342	2.046.388	14.555.115	-	231.296	1.542.332	319.221	76.046.023	232.283	76.278.310

CENTRAIS ELÉTRICAS BRASILEIRAS S.A - ELETROBRAS
SHAREHOLDERS EQUITY
FOR THE PERIOD END JUNE 30, 2010
IN THOUSAND OF REAIS

	PROFIT RESERVES							SHAREHOLDER'S EQUITY ATTRIBUTABLE TO CONTROLLING	SHAREHOLDER'S EQUITY ATTRIBUTABLE TO NON- CONTROLLING	SHAREHOLDERS EQUITY TOTAL			
	CAPITAL STOCK	CAPITAL RESERVES	REVALUATION RESERVES	STATUTORY	DIVIDENDOS NÃO DISTRIBUÍDOS	RETEÇÃO DE LUCROS	ADDITIONAL DIVIDENDS						
On December 31st, 2009	26.156.567	26.048.342	2.046.388	16.965.279	-	-	376.755	179.427	(3.345.744)	827.491	69.246.506	132.543	69.379.049
Additional dividends							(38.045)				(38.045)		(38.045)
Treasury stock				879							879		879
Financial changes - Decree 2.673-98						13.290					13.290		13.290
Previous years adjustments								54.735			54.735		54.735
Other reflex comprehensive income									55.186		55.186		55.186
Asset valuation adjustment							(8.820)	6.820			-		-
Net income of the year								1.575.271			1.575.271	7.953	1.583.224
On June 30, 2010	26.156.567	26.048.342	2.046.388	16.964.158	-	-	-	172.607	(1.708.917)	882.677	70.561.822	140.496	70.702.318

Centrais Elétricas Brasileiras S.A - Eletrobras
Consolidated Statement of Cash Flow for the Six-Month Period ended June 30, 2011 and June 30, 2010
(a free translation of the original in Portuguese)

In thousand reais

Operating Activities	2011	2010 (reclassified)
Net income before income tax and social contribution	2,116,657	2,030,433
Adjustments to reconcile net income with cash generated by operations		
Depreciation and amortization	832,859	786,004
Net monetary/exchange variations	405,190	(615,238)
Financial charges	755,424	(426,078)
Current return- Transmission	(1,232,257)	(921,884)
Construction revenue	(119,095)	(1,934,107)
Equity method result	(388,564)	(276,631)
Provision for uncovered liabilities	-	(159,730)
Provision for credits of questionable liquidation	320,430	149,683
Provision for contingencies	254,260	126,410
Provision for impairment of assets	409,000	-
Provision for complementary securities		28,762
Provision for losses with investment and Future Capital Increase	-	269,973
Charges on RGR		280,391
Adjustment present value		13,531
Adjustment present value - leasing		166,224
Minority participation result		(7,953)
Financial charges on stockholders equity	757,674	614,924
Result from Itaipu to compensate	257,825	509,814
Loss/Income sales of assets		5,871
Financial instruments - derivatives		138,770
Other	447,363	4,000,610
	2,700,109	2,749,345
(Increases) decreases in operating assets		
Restricted cash	(337,605)	(1,255,391)
Consumers and resellers	246,048	(2,242,918)
Marketable securities	3,424,104	(891,330)
Fuel consumption account - CCC	(6,714)	(497,459)
Reimbursement rights	(47,645)	1,210,299
Debtors	(282,467)	(233,278)
Stored materials	23,942	74,745
Expenses paid in advance	(22,407)	2,193
Financing instruments	20,087	(560,153)
Financial asset of concession contracts	(834,160)	378,963
Itaipu financial assets	763,005	598,894
Others	(290,753)	(1,111,073)
	2,655,435	(4,526,510)
Increases (decreases) in operating liabilities		
Compulsory loan	3,757	(42,540)
Suppliers	(471,543)	2,149,551
Anticipated energy sale	(24,178)	(373)
Fuel consumption account - CCC	538,818	(825,302)
Concession to paid	295,087	87,061
Leasing	81,956	114,656
Estimated obligations	144,506	19,529
Reimbursement obligations	170,948	229,081
Regulatory charges	51,880	(109,556)
Financial instruments	6,461	547,001

Others	(355,837)	2,971,818
	<u>441,854</u>	<u>5,140,927</u>
Resources from (applied in) operating activities	7,914,055	5,394,195
Payment of Financial Charges	(649,403)	(580,653)
Payment of Global Reversion Reserve (RGR) charges		(564,922)
Financial Charges receivable	93,189	543,289
Payment of Income Tax and Social Contributions		(405,108)
Judicial Deposits	(82,388)	(110,173)
	<u>7,275,454</u>	<u>4,276,627</u>
Financing Activities		
Loans and financing obtained – long-term	1,153,250	719,434
Loans and financing paid	(878,304)	(434,109)
Shareholders remuneration - paid	(4,053,422)	(2,467,707)
Payment of refinancing of taxes and contributions (principal)	(46,584)	(46,526)
Compulsory loan and Global Reversion Reserve	(492,307)	491,108
Others	88,394	382,765
Resources from (applied in) financing activities	(4,228,974)	(1,355,036)
Investment Activities		
Loans and financing - granted	5,744	(167,594)
Loans and financing - received	724,997	2,822,854
Received renegotiated energy credits	182,352	157,001
Acquisition of property, plant and equipment	(3,457,281)	(2,662,312)
Acquisition of intangible assets	(46,620)	(38,162)
Acquisition of financial assets - Transmission/Distribution	(5,650)	(103,512)
Acquisition/capital increase in corporate participations	(678,053)	(372,866)
Advance for future capital increase - concession	-	-
Received remuneration on investments in corporate partnerships	390,583	162,680
Others	(445,424)	1,016,682
Resources from (applied in) investment activities	(3,329,352)	814,770
Increase (reduction) in cash and cash equivalent	(282,872)	3,736,362
Cash and cash equivalent – beginning of period	9,220,169	8,275,533
Cash and cash equivalent – end of period	<u>8,937,297</u>	<u>12,011,896</u>
	(282,872)	3,736,362

CENTRAIS ELÉTRICAS BRASILEIRAS S.A.

Eletrobras

(PUBLICLY-HELD COMPANY)

CORPORATE TAXPAYER ID (CNPJ) 00.001.180/0001-26

**EXPLANATORY NOTES TO THE QUARTERLY FINANCIAL INFORMATION
FOR THE PERIOD ENDED
June 30, 2011**

**(CONSOLIDATED)
(In thousands of Reais)**

NOTE 1 - GENERAL INFORMATION

Centrais Elétricas Brasileiras S.A. (“Eletrobras” or “Company”) is a corporation headquartered in Brasília - DF - Setor Comercial Norte, Quadra 4, Bloco B, 100, sala 203 - Asa Norte, registered at the Brazilian Securities and Exchange Commission (Comissão de Valores Mobiliários - CVM) and at the Securities and Exchange Commission - SEC, with shares traded in the stock exchanges in São Paulo (BOVESPA) - Brazil, Madrid (LATIBEX) - Spain and New York (NYSE) - United States of America. Its business purpose is studying, projecting, building and operating generating power plants, electric power transmission and distribution lines, as well as operating trading transactions arising from these activities. Its purpose is also granting funding, providing guarantees, in the country and abroad, to electricity public service companies under its controlling interest and on behalf of technical-scientific research entities; promoting and supporting research in the electricity sector, especially the ones linked to generation, transmission and distribution activities, as well as performing studies of exploration of watersheds for multiple purposes; contributing to the education of technical personnel required by the Brazilian electricity sector, as well as preparing qualified workers, through specialized courses, it may also provide assistance to schools in the country or scholarships abroad and signing contracts with entities contributing to the training of specialized technical personnel; collaborate,

technically and administratively, with companies in which it has a shareholding interest and with the Ministry of Mines and Energy.

The Company operates as a holding, managing investments in shareholding interests, holding direct controlling interest in seven electricity generation and/or transmission companies (Furnas Centrais Elétricas S.A. - FURNAS, Centrais Elétricas do Norte do Brasil S.A. - ELETRONORTE, Amazonas Energia - AME, Companhia Hidroelétrica do São Francisco - CHESF, Centrais Elétricas S.A. - ELETROSUL, Eletrobras Termonuclear S.A. - ELETRONUCLEAR, and Companhia de Geração Térmica de Energia Elétrica - CGTEE) and in four electricity distribution companies Companhia de Eletricidade do Acre - Eletroacre, Centrais Elétricas de Rondônia - Ceron, Companhia Energética de Alagoas - Ceal and Companhia Energética do Piauí - Cepisa.

The Company is the parent company, also, of Eletrobras Participações S.A. - Eletropar and, in a joint control regime, of Itaipu Binacional - Itaipú, according to the International Treaty signed by the governments of Brazil and Paraguay, Inambari Geração de Energia S.A. and Centrales Hidroelectricas de Centroamerica S.A. (CHC).

The Company indirectly controls the company Boa Vista Energia, a wholly-owned subsidiary of Eletronorte (Eletronorte also controls Estação Transmissora de Energia), which operates in electricity generation and distribution segments in the State of Roraima and RS Energia, Artemis, Porto Velho Transmissora de Energia, Uirapuru and SC Energia, controlled by Eletrosul.

The Company also has a non-controlling interest in companies in the segments of electricity generation, transmission and distribution, directly and indirectly, through its subsidiaries. (Note 16)

Eletrobras is authorized, directly or through its subsidiaries or controlled companies, to associate, with or without payment, to constitute business consortiums in companies or hold interest, with or without controlling power, abroad, directly or indirectly destined to explore electricity production or transmission.

The Company is also responsible for the management of sector resources, represented by Global Reversion Reserve - RGR, Energy Development Account - CDE, Use of Public Property - UBP and Fuel Consumption Account - CCC. These funds finance Federal Government programs universalizing the access to electricity, lighting efficiency, encouraging alternative sources of electricity, electricity conservation/saving and acquisition of fossil fuels used in isolated electricity generation systems, whose financial statements do not affect the results of the Company (except for an administration fee in certain Funds).

The issue of the Quarterly Financial Information of the Company was authorized by the Company's Management on August 22, 2011.

NOTE 2 - CONCESSIONS OF ELECTRICITY PUBLIC SERVICE

The Company, through its subsidiaries, holds several concessions of electricity public service - generation, transmission and distribution whose details, breakdown, installed capacity and maturity dates do not differ from those stated in the Financial Statements of December 31, 2010.

In case the concessions of the Company's subsidiaries are not renewed or come to be renewed at additional costs for the Company, the current levels of profitability and activity might change.

NOTE 3 - SUMMARY OF MAIN ACCOUNTING POLICIES

3.1. Basis of preparation

This consolidated Quarterly Financial Information is prepared according to the International Financial Reporting Standards ("IFRS").

3.2. Compliance statement

The Company's Quarterly Financial Information comprises the consolidated Quarterly Financial Information prepared according to the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board - IASB

Main accounting policies applied when preparing this Quarterly Financial Information are in conformity with those applied to the Financial Statements for the fiscal year ended December 31, 2010 and they have been consistently applied in all reported periods.

This Quarterly Financial Information should be read together with the Financial Statements for the fiscal year ended December 31, 2010.

3.3. Basis of consolidation and investments in subsidiaries

The basis for the consolidated Quarterly Financial Information includes the Quarterly Financial Information of the Company and of its subsidiaries, including specific purpose entities (jointly-controlled entities or joint ventures). The following consolidation practices do not differ from those adopted in the Financial Statements as of December 31, 2010.

Subsidiaries (Full Consolidation)	6/30/2011		12/31/2010	
	Interest		Interest	
	Direct	Indirect	Direct	Indirect
Amazonas Energia	100%	-	100%	-
Ceal	100%	-	100%	-
Cepisa	100%	-	100%	-
Ceron	100%	-	100%	-
CGTEE	100%	-	100%	-
Chesf	100%	-	100%	-
Eletoacre	93%	-	93%	-
Eletronorte	99%	-	99%	-
Eletronuclear	100%	-	100%	-
Eletropar	84%	-	84%	-
Eletrosul	100%	-	100%	-
Furnas	100%	-	100%	-
RS Energia	-	100%	-	100%
Porto Velho Transmissora	-	100%	-	100%
Boa Vista	-	100%	-	100%
Estação Transmissora	-	100%	-	100%
Itaipu	50%	-	50%	-
Inambari	29%	49%	29%	49%
Norte Energia	15%	49%	15%	49%
CHC	50%	-	50%	-
Amapari	-	49%	-	49%

Subsidiaries (Full Consolidation)	6/30/2011		12/31/2010	
	Interest		Interest	
	Direct	Indirect	Direct	Indirect
Amazônia Eletronorte	-	49%	-	49%
Artemis	-	100%	-	49%
Baguari	-	31%	-	31%
Brasnorte	-	50%	-	50%
Chapecoense	-	40%	-	40%
Cia de Transm. Centroeste de Minas	-	49%	-	49%
Construtora Integração	-	49%	-	49%
Enerpeixe	-	40%	-	40%
Eólica Cerro Chato I	-	90%	-	90%
Eólica Cerro Chato II	-	90%	-	90%
Eólica Cerro Chato III	-	90%	-	90%
Energia Sustentável	-	40%	-	40%
Goiás Transmissão	-	49%	-	49%
Integração Transmissora	-	49%	-	49%
Interligação Elétrica do Madeira	-	67%	-	67%
Linha Verde Transmissora	-	49%	-	49%
Madeira Energia	-	39%	-	39%
Manaus Construtora Ltda	-	20%	-	20%
Manaus Transmissora	-	50%	-	50%
MGE Transmissão	-	49%	-	49%
Norte Brasil Transmissora	-	49%	-	49%
Pedra Branca	-	49%	-	49%
Retiro Baixo	-	49%	-	49%
Rio Branco Transmissora	-	49%	-	49%
São Pedro do Lago	-	49%	-	49%
Serra do Facão	-	50%	-	50%
Sete Gameleiras	-	49%	-	49%
Sistema de Transmissão Nordeste	-	49%	-	49%
Transmissão Delmiro Gouveia	-	49%	-	49%
Transenergia Goiás	-	49%	-	49%
Transenergia Renovável	-	49%	-	49%
Transenergia São Paulo	-	49%	-	49%
Transudeste	-	25%	-	25%
Uirapuru	-	100%	-	49%
Companhia Hidrelétrica Teles Pires	-	49%	-	-

3.4. Investments in subsidiaries

Investments in subsidiaries are stated by the equity accounting method and include goodwill on the acquisition, net of any accumulated impairment losses. Under the equity accounting method, investments in associated companies are initially stated at cost and then adjusted to recognize the Company's share in profits or losses and other comprehensive income of the associated company. When the Company's share in the losses of an associated company exceeds the Company's interest in that associated company (including any long-term interest that, essentially, is included in the Company's net investment in the associated company), the Company no longer recognizes its share in additional losses. Additional losses are recognized solely if the Company has incurred legal or constructive obligations or has made payments on behalf of the associated company.

3.5. Interest in joint ventures

The Company discloses its interest in jointly-controlled subsidiaries, in its consolidated quarterly financial information, using the method of proportional consolidation. The Company's share in the assets, liabilities and results of jointly-controlled subsidiaries is combined with corresponding items in the consolidated quarterly financial information of the Company, line by line.

3.6. Accounting Policies

The Quarterly Financial Information was prepared based on the same accounting policies described in the Financial Statements of December 31, 2010, including cash and cash equivalents, accounts receivable and allowance for doubtful accounts, fuel consumption account - CCC, judicial deposits, storehouse, nuclear fuel inventory, fixed assets, borrowing costs, concession contracts, financial asset - concession, intangible assets, studies and projects expenditure, non-financial assets impairment (excluding goodwill), goodwill, business combinations, taxes, current taxes, concessions payable, financial instruments, financial assets, financial assets impairment, writing-off financial assets, financial liabilities, financial guarantee contracts, derivative financial instruments, embedded derivatives, hedge accounting, employees and pension liabilities, other post-employment liabilities, profit sharing, provisions, provision for decommission, provision for legal liabilities connected to judicial proceedings, onerous contracts, advances for future capital increase - AFAC, capital stock, interest on capital and dividend distribution, other comprehensive income, revenue recognition, governmental subsidies, calculation of the net income for the year, scheduled downtimes, basic earnings and diluted earnings, presentation of segment reports and statement of value added - DVA.

3.7. New standards and Interpretations not yet adopted

- a) IFRIC 14 and IAS 19 Amendments- The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.
- b) IFRS 7 Amendment - Financial Instruments.
- c) IAS 1 Amendment - Presentation of the Financial Statements.
- d) IAS 34 Amendment - Presentation of the Interim Financial Reporting.
- e) IAS 32 Amendment- Financial Instruments: Presentation - Classification of Rights Issue.

There are no other standards and interpretations issued and not yet adopted that may according to the Management's opinion, have adverse effects on results or stockholders' equity reported by the Company in its quarterly financial information.

NOTE 4 - ACCOUNTING ESTIMATES AND JUDGEMENT

Accounting estimates are those arising from the application of subjective and complex judgments by the Company's Management and its subsidiaries, frequently arising from the need to recognize significant impacts in order to properly state the equity position and results of the entities. The accounting estimates become critical as the number of variables and assumptions affecting the future condition of these uncertainties increases, making judgments even more subjective and complex.

When preparing this Quarterly Financial Information of the Company and its subsidiaries, the Management adopted estimates and assumptions based on the historical experience and other factors that it understands as reasonable and relevant to its proper presentation. Even though these estimates and assumptions are permanently monitored and revised by the Management of the Company and its subsidiaries, the materialization on the book value of assets and liabilities and the result of operations are inherently uncertain, since they derive from judgment.

As far as the most critical accounting estimates are concerned, the Management of the Company and its subsidiaries base their judgments on future events, variables and assumptions, as follows:

I) Deferred Tax Assets

The calculation and accounting method of income tax (IRPJ) and social contribution (CSLL) liabilities is applied for determining the deferred IRPJ and CSLL generated by temporary differences between the book value of assets and liabilities and their respective tax values and for accumulated income and social contribution tax losses carryforwards liabilities. Deferred tax assets and liabilities are calculated and recognized by using the tax rates applicable to the taxable profit in the years in which these temporary differences should be realized. The future taxable profit may be higher or lower than the estimates considered by the Management when the need to register or not the deferred tax asset amount was defined.

II) Provision for impairment of long-lived assets

The Management of the Company and its subsidiaries adopt variables and assumptions in a long-lived assets recovery test, so as to determine the recoverable value of assets and the recognition of impairment, when necessary. In this procedure, judgments based on historical experience with asset management, groups of assets or cash-generating units, which may occasionally not be verified in the future, are applied, even concerning the estimated economic useful life of its long duration assets, which represents the practices determined by ANEEL (Brazilian Electricity Regulatory Agency) applicable to the assets linked to the concession of the electricity public service, which may vary due to the periodic analysis of economic useful life of assets, in force. Many inherently uncertain events also impact the determination of variables and assumptions used by the Management to determine the discounted future cash flow, for the purposes of recognition of the recoverable value of long-lived assets. Among these events, it is worth emphasizing the maintenance of the electricity consumption levels, national economic activity growth rate, availability of water resources, in addition to those inherent to the expiration of the electricity public service concession terms held by the Company's subsidiaries, especially regarding the value of its reversion at the end of the concession term. Hereupon, the Management adopted the contractually forecasted indemnification assumption, when applicable, by the residual book value at the end of the electricity generation, transmission and distribution concession term.

III) Provision for the decommissioning of assets

The Company recognizes provisions for decommissioning liabilities for the assets related to their thermonuclear power plants. In order to calculate the amount of the provision, assumptions and estimates are made regarding the discount rates, the expected decommissioning cost and removal of the entire plant from the location and the expected period of the referred costs.

IV) Calculation basis of indemnification by the granting authority on public service concessions

The Company adopts the assumption that the assets are reversible at the end of the concession contracts, entitled to receive full indemnification from the granting authority over the investments not yet amortized. There is a discussion on legal and regulatory interpretation on the calculation basis of the indemnifiable value, with different interpretations. Based on contractual provisions and on legal and regulatory interpretations, the Company, supported by the opinion of independent legal counsel, adopted the assumption that it will be indemnified by the residual book value at the end of the concession. This decision affected the basis of generating assets that have indemnification clauses provided for in their contracts and the electricity transmission and distribution operations classified within the scope of IFRIC-12.

V) Actuarial liabilities

Actuarial liabilities are determined by actuarial calculations prepared by independent actuaries and actual future results of the accounting estimates used in this Quarterly Financial Information may be different, under variables, assumptions and conditions different from those existing and used at the time of judgment.

VI) Useful life of property, plant and equipment

Eletrobras' subsidiaries use the criteria defined in ANEEL Resolution 367 of June 2, 2009, when calculating the estimated useful life of property, plant and equipment.

NOTE 5 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

	CONSOLIDATED	
	6/30/2011	6/30/2010
I - Cash and Cash Equivalents:		
Cash and Banks	396,657	762,332
Financial Investments	8,540,640	8,457,837
	<u>8,937,297</u>	<u>9,220,169</u>
II - Restricted Cash:		
CCC (Fuel Consumption Account)	1,563,688	1,287,255
Trading of Itaipu's Electricity	18,208	13,175
PROINFA	813,927	757,788
	<u>2,395,823</u>	<u>2,058,218</u>
	<u>11,333,120</u>	<u>11,278,387</u>

Cash and cash equivalents are held with Banco do Brasil S.A., according to specific laws for mixed capital corporations under federal government control, enacted by Decree-law No. 1.290, of December 3, 1973, and amendments from Resolution 2.917 of December 19, 2001 of the Brazilian Central Bank, which set forth new mechanisms for companies under indirect federal administration.

The highly-liquid financial investments are extra-market investment funds, whose yield is based on the average SELIC interest rate.

NOTE 6 - MARKETABLE SECURITIES

Eletrobras and its subsidiaries classify the securities as held to maturity, based on the Management strategies for these long-term assets.

The securities held to maturity are recorded at the acquisition cost, plus interest and monetary adjustments, with effects on the statement of income.

An adjustment to present value is made regarding the founders' shares.

Securities stated in current assets are intended for trading.

	CONSOLIDATED	
	6/30/2011	12/31/2010
CURRENT		
LFT	3,174,350	6,281,655
LTN	145,801	426,077
NTN	29,789	66,528
DI Futures (Interbank Deposits)	28	(187)
Others	-	-
TOTAL	<u>3,349,968</u>	<u>6,774,073</u>
NON-CURRENT		
CFT	258,556	248,950
FINAM	620	620
FINOR	3,216	2,945
NTN	165,478	158,403
Partnership Income	149,765	158,884
Founders' Shares	200,263	194,761
Others	51,116	5,342
TOTAL	<u>829,014</u>	<u>769,905</u>

CFT-E1 securities and investment certificates deriving from FINOR (Northeast Investment Fund) and FINAM (Amazon Investment Fund) tax incentives are adjusted by provisions for losses upon their realization, therefore, they are stated net.

Below, is the breakdown of marketable securities:

Securities	Trustee	Maturity	Index	6/30/2011	12/31/2010
CURRENT					
LFT	Banco do Brasil	Up to 90 days	Pre-fixed	3,174,350	6,281,655
LTN	Banco do Brasil	Up to 90 days	Pre-fixed	145,801	426,077
NTN- B	Banco do Brasil	Up to 90 days	Pre-fixed	23,226	51,616
NTN- F	Banco do Brasil	Up to 90 days	Pre-fixed	6,563	14,912
DI Futures	Banco do Brasil	Up to 90 days	Pre-fixed	28	(187)
Others	Banco do Brasil	Up to 90 days	Pre-fixed	-	-
				3,349,968	6,774,073

Securities	Trustee	Maturity	Index	6/30/2011	12/31/2010
NON-CURRENT					
CFT-E1	Banco do Brasil	8/1/12	IGP-M	258,556	248,950
FINAM	Banco da Amazônia	Equal to or over 90 days	Pre-fixed	620	620
FINOR	Banco do Nordeste	Equal to or over 90 days	Pre-fixed	3,216	2,945
NTN-P: 740100	Banco do Brasil	3/21/18	TR	2	2
NTN-P: 741536	Banco do Brasil	3/1/12	TR	85,108	80,733
NTN-P: 741566	Banco do Brasil	6/1/12	TR	60,511	58,471
NTN-P: 741806	Banco do Brasil	2/26/12	TR	16,425	15,865
NTN-P: 741806	Banco do Brasil	7/9/12	TR	29	28
NTN-P: 741806	Banco do Brasil	12/28/14	TR	7	7
Partnership Income	Banco do Brasil	Equal to or over 90 days	Pre-fixed	149,765	158,884
Founders' Shares	Banco do Brasil	10/2/32	Pre-fixed	200,263	194,761
NTN-P:	Banco do Brasil	3/21/18	TR+6% p.a.	2	2
NTN-P:	Banco do Brasil	12/28/15	TR+6% p.a.	129	126
NTN-P:	Banco do Brasil	12/28/14	TR+6% p.a.	2	3
NTN-P 740100	Banco do Brasil	12/28/15	TR+6% p.a.	799	772
NTN-P 740100	Banco do Brasil	1/1/20	TR+6% p.a.	1	1
NTN-P 740100	Banco do Brasil	1/1/21	TR+6% p.a.	1	1
NTN-P 741806	Banco do Brasil	7/9/12	TR+6% p.a.	770	744

Securities	Trustee	Maturity	Index	6/30/2011	12/31/2010
NTN-P 741806	Banco do Brasil	7/22/13	TR+6% p.a.	4	3
NTN-P 741806	Banco do Brasil	6/16/15	TR+6% p.a.	28	27
NTN-P:	Banco do Brasil	7/9/12	TR+6% p.a.	365	358
NTN-P:	Banco do Brasil	7/9/14	TR+6% p.a.	174	170
NTN-P:	Banco do Brasil	12/28/15	TR+6% p.a.	325	318
NTN-P: 741806	Banco do Brasil	7/9/12	TR+6% p.a.	631	610
NTN-P 760199	Banco do Brasil	5/15/17	TR+6% p.a.	118	117
NTN-B 740100	Banco do Brasil	1/1/24	TR+6% p.a.	7	7
NTN-P 740100	Banco do Brasil	1/1/25	TR+6% p.a.	40	38
Others				51,116	5,342
				829,014	769,905

a) CFT- E1 - Government bonds with remuneration equivalent to the IGP-M variation, interest-free, with redemption date fixed as of August 2012. The parent company maintains a provision for market value adjustment on the reference date of June 30, 2011, in the amount of R\$ 97,287 (December 31, 2010 - R\$93,673), calculated based on negative goodwill practiced in the capital markets and stated as a respective asset reduction.

b) NTN-P - Government bonds received as payment for transfer of equity investments within the scope of the Privatization National Program - PND. These bonds have a remuneration equivalent to the Referential Rate-TR variation, disclosed by the Brazilian Central Bank, with 6% annual interest on the updated value with a redemption date fixed as of February 2012.

c) PARTNERSHIP INCOME - Refers to income earned from partnership investments, corresponding to an average yield equivalent to the IGP-M (General Market Price Index) variation plus annual interests of 12% and 13% on the capital transferred, as shown below:

	CONSOLIDATED	
	6/30/2011	12/31/2010
EATE	-	23,214
Tangará	107,577	96,782
Guascor	42,188	38,187
Others	-	701
	149,765	158,884

d) FOUNDERS' SHARES - Securities acquired due to restructuring of Eletrobras' investment in INVESTCO S.A. These assets ensure annual yields equivalent to 10% of the profit of the companies mentioned below, paid along with the dividends, and will be redeemed at maturity estimated for October 2032, by means of its conversion into preferred shares of the aforementioned companies' capital stock, as shown below:

	CONSOLIDATED	
	6/30/2011	12/31/2010
Lajeado Energia	451,375	451,375
Paulista Lajeado	49,976	49,976
Ceb Lajeado	151,225	151,225
Face value	652,576	652,576
Present value adjustment	(452,313)	(457,815)
Fair value	200,263	194,761

e) OTHERS - Substantially refers to investment certificates arising from FINOR/FINAM tax incentives destined to projects in the operating area of the subsidiaries Chesf and Eletronorte. The Company maintains a provision for losses on its realization, established based on market value, in the amount of R\$ 291,684 (December 31, 2010 - R\$ 291,955) and stated as a respective asset reduction.

The structure of the exclusive funds portfolio substantially refers to federal government bonds and is classified in the table above according to its nature.

NOTE 7 - ACCOUNTS RECEIVABLE

I - Electricity trading - PROINFA

The electricity trading within the scope of PROINFA (Brazilian Renewable Energy Incentive Program) generated a positive net result in the first six-month period of 2011 of R\$ 170,497 (December 31, 2010 - positive R\$ 97,787), not causing any effect on the net results of Eletrobras' fiscal year. This amount was included under the item "Reimbursement Obligations".

II - Operations at the Electricity Trading Chamber - CCEE

The amounts related to the operations practiced within the scope of CCEE are recorded based on information made available by the referred Chamber.

The subsidiary Furnas maintains credits in the amount of R\$ 293,560, related to electricity trading within the scope of the extinguished MAE (former Electricity Trading Chamber), referring to the period from September 2000 to September 2002, whose financial settlement is suspended due to restraining orders granted in lawsuits filed by electricity distribution concessionaires against ANEEL and MAE, currently known as CCEE. Given the uncertainty of its realization, the subsidiary Furnas maintains Allowances for Doubtful Accounts, in an amount equivalent to the total credit, established in 2007.

According to the rules established in the Electricity Sector General Agreement, the resolution of these disputes would imply a new calculation, which would be for the purpose of settlement between the parties without CCEE's intervention. In this regard, the Management plans to maintain negotiations, with ANEEL's and CCEE's participation, aiming at leveling credits, so as to enable a negotiated solution for its settlement.

III - Allowance for doubtful accounts

The Subsidiaries record and maintain provisions, in compliance with ANEEL rules, based on the analysis of the amounts of past due accounts receivable and losses track record, the amount of which is deemed by the Subsidiaries' management as sufficient to cover eventual losses on the realization of these assets. The balance is composed as follows:

	CONSOLIDATED	
	6/30/2011	12/31/2010
Consumers and Resellers		
Companhia Energética do Amapá	984,771	912,041
Renegotiated credits	35,250	20,356
Others	194,311	188,859
	<u>1,214,332</u>	<u>1,121,256</u>
Distributors' Consumers	<u>760,401</u>	<u>716,080</u>
CCEE (Electricity Trading Chamber) - Short-term energy	<u>293,560</u>	<u>293,560</u>
	<u>2,268,293</u>	<u>2,130,896</u>

Changes in the allowance for doubtful accounts of electricity consumers and resellers' accounts in the consolidated are as follows:

Balance on December 31, 2010	<u>2,130,896</u>
(+) Addition	320,430
(-) Reversions	(183,033)
Balance on June 30, 2011	<u>2,268,293</u>

Provisioning and write-off of the allowance for doubtful accounts were recorded for in the income statement as "Operating Provisions" (Note 42). The amounts recognized as allowance for doubtful accounts are registered as a definite loss when there is no expectation to recover these funds.

For tax purposes, the surplus provision established in relation to the provisions of Law No. 9.430/1996 has been added to the taxable income for the purposes of Income Tax - IRPJ and also the calculation basis for the Social Contribution on the Net Income - CSLL.

V - Renegotiated Credits

Renegotiated credits are formalized by means of contracts for installments of debts accumulated by the debtors, with calculation of interest and monetary restatement and fixed terms to amortize principal and charges, and they are considered recoverable by the Company's Management, highlighting the following:

a) Derived from electricity transferred to CELG

In 2003, Eletrobras renegotiated credits derived from the transfer of energy from Itaipu Binacional to Celg, subrogated by Furnas to Eletrobras, in the amount of R\$ 392,021. The renegotiation provides for the realization of these credits upon direct transfer by the distributor's collector financial institution, of 3.34% of its monthly gross revenue. The installments have an estimated term of 216 months for their total discharge, starting in January 2004, and are indexed by the US dollar variation. The balance on June 30, 2011,

corresponds to R\$ 46,442 (December 31, 2010 - R\$ 80,604), of which R\$ 3,947 is recorded in non-current assets (December 31, 2010 - R\$ 35,247).

Similarly, the subsidiary Furnas renegotiated, in December, 2003, the amount of R\$ 378,938, related to its own energy credits, with an estimated term for payment of 216 months, monthly indexed by IGP-M and with interest of 1% per month (p.m.). The monthly payment corresponds to 2.56% of the gross revenue of CELG and is backed-up by a restricted bank account guarantee, and the balance of this debt, on June 30, 2011, corresponds to R\$ 163,176 (December 31, 2010 - R\$ 193,511), of which R\$ 108,671 is recorded in non-current assets (December 31, 2010 - R\$ 141,037).

b) States debt rollover

In compliance with the Restructuring Program for the Public Sector Finance, implemented by Law No. 8.727/93, the subsidiary Furnas signed a credit transfer agreement with the federal government to reschedule Celg's debts existing at that time, relating to energy purchase, to be paid in 240 months, starting in April 1994. The credits are indexed by IGP-M, with annual interests of 11%, amounting to R\$ 549,826 on June 30, 2011 (December 31, 2010 - R\$ 552,298).

The subsidiary Eletrosul, within the scope of the same financial restructuring program, holds credits with the federal government indexed by IGP-M, with annual interest rates of 12.68%, in the amount of R\$ 667,638 on June 30, 2011 (December 31, 2010 - R\$ 672,678), of which R\$ 529,548 are stated in non-current assets (December 31, 2010 - R\$ 544,043), to be paid in 240 months, starting in April 1994, as a result of the subsidiary's rights assumption with electricity state concessionaries.

The legislation in force provides that if the 20 year-term expires and any balance is still due, the installment may be extended for another 10 years. This assumption is likely to occur, since the federal government transfers only the funds effectively received from the States which, in turn, are limited by law to the levels of commitment of their revenues.

NOTE 8 - FINANCING AND LOANS GRANTED

The financing and loans granted are made with Eletrobras own funds, in addition to sector funds, foreign funds raised by means of international development agencies, financial institutions, as well as those arising from the offering of securities on the international financial market.

All the financing and loans are supported by formal contracts executed with borrowers. The amounts receivable are mostly repayable in monthly installments, within a ten (10) year average term, and the average interest rate weighed by the portfolio balance is 6.08% p.a.

The market values of these assets are equivalent to their book value, since these are specific operations of the sector and are partly funded with resources from Sector Funds, and for which it is not possible to find similar conditions as a valuation parameter.

I - Credits with AES-Eletropaulo - Lawsuit

In 1989, Eletrobras brought before the court a collection suit against Eletropaulo, aiming at receiving credits from financings not paid on their respective maturities, according to criteria agreed upon in the clauses and conditions established.

Once the proceedings were concluded, in April 1999, the court rendered its award sentencing Eletropaulo to pay the amount financed and overdue. Afterwards, the court's final and unappealable decision was rendered, i.e., Eletropaulo lodged no appeal at the lower court. Consequently, the judicially enforceable instrument was proposed by Eletrobras before the 5th Civil Court of Rio de Janeiro, determining the payment.

However, in January 1998, Eletropaulo's assets were partially spun-off, giving rise to three distinct companies - EMAE - Empresa Metropolitana de Águas e Energia S.A., EPTE - Empresa Paulista de Transmissão de Energia S.A. and EBE - Empresa Brasileira de Energia S.A., and Eletropaulo - Eletricidade de São Paulo S.A. changed its trade name to Eletropaulo Metropolitana Eletricidade de São Paulo S.A..

Eletropaulo called into question the lack of standing due to the Protocol for Partial Spin-Off, which was overruled and determining the continuation of the execution. In December 2003, an Interlocutory Appeal was lodged by Eletropaulo, requesting the suspensive effect against the decision that determined the continuation of the execution, which was granted, according to the understanding that Eletropaulo could not legally support the execution, but CTEEP - Companhia de Transmissão de Energia Elétrica Paulista (former EPTE), by force of the above mentioned protocol.

Extraordinary and Special Appeals were filed by the Company, contesting the judgment on Eletropaulo's Appeal, which was granted in the sense that the execution should proceed and Eletropaulo's defense should be contested via debtor's motion to stay execution and not as exception. Then, Eletropaulo filed a motion for clarification, afterwards, interlocutory appeal and, finally, appeal against a divergent decision whose final decision was published in November 2007, rejecting, in every way, Eletropaulo's appeal. After exhausting all possibilities of success before the Superior Court of Justice - STJ, Eletropaulo lodged an extraordinary appeal with the Supreme Federal Court - STF, which was not entertained by single Minister, according to the decision published on March 28, 2008.

In view of this scenario, Eletrobras' Management will proceed with the execution process and, supported by its legal counsels' opinions, considers the realization of the credit as certain.

On June 30, 2011, these credits amounted to R\$ 416,228 (December 31, 2010 - R\$ 410,017), which represents the best estimate of the Company's realizable value at the present stage of the proceedings.

II - Allowance for doubtful accounts

The Company recognizes allowances for doubtful accounts in the amount of R\$ 282,322 (December 31, 2010 - R\$ 228,477) corresponding to the principal and the servicing of the debt of defaulting companies. The amount of the provision is deemed as sufficient by the Company's Management to cover losses with these assets, based on the portfolio trend analysis

Changes in the allowance for doubtful accounts on financing and loans granted by the Company are as follows:

Balance on December 31, 2009	192,232
(+) Addition	<u>50,409</u>
(-) Reversions	<u>(14,164)</u>
Balance on December 31, 2010	<u>228,477</u>
(+) Addition	<u>54,786</u>
(-) Reversions	<u>(941)</u>
Balance on June 30, 2011	<u>282,322</u>

Provisioning and write-off of the allowance for doubtful accounts were accounted for in the income statement as "Operating Provisions" (Note 42). The amounts recognized as an allowance for doubtful accounts are recognized as a definite loss when there is no expectation to recover the funds.

	CONSOLIDAT			
	CHARGE CURREN		PRINCIPA NON	
	Average	Amou	CURREN	CURREN
Subsidiaries and controlled				
FURNA	-	-	-	-
CHES	-	-	-	-
ELETROS	-	-	-	-
ELETRONOR	-	-	-	-
ELETRONUCLE	-	-	-	-
CGTE	-	-	-	-
CEA	-	-	-	-
CERO	-	-	-	-
CEPIS	-	-	-	-
ELETROAC	-	-	-	-
AMAZONA	-	-	-	-
ITAIP	7.0	-	434.79	4.673.70
		-	434.79	4.673.70
OTHE				
CEMI	6.4	2.67	81.00	314.84
COPE	7.4	1.77	48.45	236.43
CEE	6.4	79	13.27	108.99
AES	10.3	305.42	108.84	2.26
TRACTBE	12.0	31	-	-
CELP	6.1	33	14.60	47.94
CEMA	5.8	2.15	48.39	405.22
CES	9.3	26	39.11	168.13
OTHE	6.3	137.47	411.37	1.568.14
(-) Allowance for Doubtful		(126.25)	(156.06)	-
		324.94	608.98	2.851.98
		324.94	1.043.78	7.525.69

	CONSOLIDAT			
	CHARGE CURREN		PRINCIPA NON	
	Average	Amou	CURREN	CURREN
Subsidiaries and controlled				
FURNA	-	-	-	-
CHES	-	-	-	-
ELETROS	-	-	-	-
ELETRONOR	-	-	-	-
ELETRONUCLE	-	-	-	-
CGTE	-	-	-	-
CEA	-	-	-	-
CERO	-	-	-	-
CEPIS	-	-	-	-
ELETROAC	-	-	-	-
AMAZONA	-	-	-	-
ITAIP	7.0	-	448.54	5.223.08
		-	448.54	5.223.08
OTHE				
CEMI	6.4	2.14	74.96	340.56
COPE	7.4	1.88	47.49	258.77
CEE	6.4	73	8.13	99.47
AES	10.3	299.21	108.84	2.63
TRACTBE	12.0	-	10.79	-
CELP	6.1	1.07	16.97	53.35
CEMA	5.8	1.65	48.21	367.18
CES	9.3	95	33.40	185.70
OTHE	6.3	120.88	361.83	1.769.39
(-) Allowance for Doubtful		(101.12)	(127.34)	-
		327.41	583.31	3.077.08
		327.41	1.031.85	8.300.17

The long-term portion of loans and financing granted with usual and sector lending, mature in variable amounts, as shown

	201	201	201	201	201	After	Tota
Parent	731.36	1.324.46	1.553.07	1.154.80	977.08	15.631.17	21.371.97
Consolidat	257.53	466.38	546.88	406.64	344.06	5.504.19	7.525.69

	CONSOLIDATED			
	CHARGES		PRINCIPAL	
	CURRENT		CURRENT	NON-CURRENT
	Average rate	Amount		
Subsidiaries and jointly-controlled subsidiaries				
FURNAS	-	-	-	-
CHESF	-	-	-	-
ELETROSUL	-	-	-	-
ELETRONORTE	-	-	-	-
ELETRONUCLEAR	-	-	-	-
CGTEE	-	-	-	-
CEAL	-	-	-	-
CERON	-	-	-	-
CEPISA	-	-	-	-
ELETRIOACRE	-	-	-	-
AMAZONAS	-	-	-	-
ITAIPIU	7,09	-	434.795	4.673.708
		-	434.795	4.673.708
OTHER				
CEMIG	6,44	2.671	81.002	314.841
COPEL	7,40	1.779	48.452	236.431
CEEE	6,44	796	13.276	108.996
AES ELETROPAULO	10,38	305.426	108.840	2.262
TRACTBEL	12,00	313	-	-
CELPE	6,10	331	14.600	47.947
CEMAR	5,85	2.151	48.391	405.227
CESP	9,38	263	39.117	168.135
OTHER	6,36	137.471	411.375	1.568.147
(-) Allowance for Doubtful Accounts		(126.258)	(156.064)	-
		324.943	608.989	2.851.986
		324.943	1.043.784	7.525.694

	CONSOLIDATED			
	CHARGES		PRINCIPAL	
	CURRENT		CURRENT	NON-CURRENT
	Average rate	Amount		
Subsidiaries and jointly-controlled subsidiaries				
FURNAS	-	-	-	-
CHESF	-	-	-	-
ELETROSUL	-	-	-	-
ELETRONORTE	-	-	-	-
ELETRONUCLEAR	-	-	-	-
CGTEE	-	-	-	-
CEAL	-	-	-	-
CERON	-	-	-	-
CEPISA	-	-	-	-
ELETRIOACRE	-	-	-	-
AMAZONAS	-	-	-	-
ITAIPIU	7,09	-	448.544	5.223.084
		-	448.544	5.223.084
OTHER				
CEMIG	6,44	2.140	74.962	340.569
COPEL	7,40	1.882	47.497	258.771
CEEE	6,44	736	8.130	99.471
AES ELETROPAULO	10,38	299.218	108.840	2.639
TRACTBEL	12,00	-	10.796	-
CELPE	6,10	1.070	16.976	53.350
CEMAR	5,85	1.654	48.214	367.187
CESP	9,38	958	33.406	185.709
OTHER	6,36	120.881	361.830	1.769.390
(-) Allowance for Doubtful Accounts		(101.124)	(127.341)	-
		327.415	583.310	3.077.087
		327.415	1.031.854	8.300.171

The long-term portion of loans and financing granted with usual and sector resources, including onlending, mature in variable amounts, as shown below:

	2012	2013	2014	2015	2016	After 2016	Total
Parent Company	731.367	1.324.465	1.553.076	1.154.805	977.085	15.631.177	21.371.976
Consolidated	257.536	466.383	546.883	406.641	344.060	5.504.192	7.525.694

NOTE 9 - INVESTMENT REMUNERATION

The amounts below refer to dividends and interest on capital receivable, net of withholding tax, where applicable, resulting from permanent investments held by Eletrobras.

	CONSOLIDATED	
	6/30/2011	12/31/2010
Furnas	-	-
Chesf	-	-
Eletrosul	-	-
Eletropar	-	-
CGTEE	-	-
Itaipu	-	-
CTEEP	103,030	114,061
Other	106,870	64,543
	<u>209,900</u>	<u>178,604</u>

NOTE 10 - INCOME TAX AND OTHER TAXES RECOVERABLE OR TO OFFSET

Taxes recoverable or to offset are stated at the net value of eventual realization losses and represented as follows:

	CONSOLIDATED	
	6/30/2011	12/31/2010
CURRENT ASSETS		
Withholding tax	541,246	815,873
Income tax and social contribution advances	1,535,780	644,740
PASEP/COFINS to offset	268,022	236,835
State VAT (ICMS) recoverable	16,973	21,683
Others	109,549	106,774
	<u>2,471,570</u>	<u>1,825,905</u>
NON-CURRENT ASSETS		
Withholding tax	-	-
Deferred income tax and social contribution under IFRS (net)	577,809	-
Tax credits	-	-
State VAT (ICMS) recoverable	989,070	1,124,202
PIS/COFINS recoverable	413,522	401,439
Deferred tax assets, net	2,318,331	2,813,041
	<u>4,298,732</u>	<u>4,338,682</u>
	<u>6,770,302</u>	<u>6,164,587</u>

I - Deferred Tax Assets

The Deferred Tax Assets are used in connection with the realization of the events that gave rise thereto. Considering the Company's track record of profitability, as well the expectation of generating taxable income over the coming years, the recognition of these assets is based on the realization capacity of the assets, identified against a future trend analysis, supported by a technical study prepared based on assumptions and macroeconomic, business and tax scenarios that may change in the future.

	CONSOLIDATED	
	6/30/2011	12/31/2010
Deferred tax assets		
Income tax and social contribution temporary differences	412,178	666,175
Exchange loss variation	592,224	805,859
Provision for interest on capital	-	126,057
Provision for contingencies	668,240	752,841
Allowance for doubtful accounts	(380,056)	200,616
Provision for market value adjustment	131,747	131,114
Restatement of Law No. 11.638/2007 - RTT	315,922	245,070
Others	578,076	(114,691)
Breakdown - Others	<u>2,318,331</u>	<u>2,813,041</u>

II - Recoverable ICMS, PIS/PASEP AND COFINS on Fuel Purchase

Through Normative Resolution 303/2008, ANEEL established methodologies and procedures to calculate, state and validate the ICMS (State VAT) amount recorded as a cost arising from the purchase of fuel, as well as to calculate, state, inspect, monitor and pay the liabilities to be reimbursed to CCC-ISOL by the beneficiary agents who received ICMS reimbursement at an amount higher than the effective cost incurred with this tax.

The Directive Release 2775/2008 - SFF/ANEEL regulates the refund to the Fuel Consumption Account - CCC of amounts corresponding to PIS/PASEP and COFINS credits used on the fuel acquired for electricity generation under the non-cumulativeness system, between 2004 and 2008.

The management of the subsidiary Amazonas Energia until 2007 understood that the fuel acquired for electricity generation purposes subsidized by CCC was not entitled to PIS/PASEP and COFINS credits. In view of the new facts, in 2008, the subsidiary's management, supported by its legal counsels' opinion, recorded the tax credit over all the company's fuel acquisitions during the period determined by ANEEL, verifying tax credits of R\$ 498,171.

The utilization of recognized tax credits is subject to future operations that originated debts, which according to the opinion of the subsidiary's management, will occur even under the assumption of replacement of fuel oil with natural gas as an input in the electricity generation and Manaus adhesion to the National Interconnected System - SIN. Law No. 12.111/09 establishes mechanisms that enable the account of recoverable tax from fuel purchase to no longer accumulate credits, starting to be realized in distribution operations within an estimated period of 4 years. In 2010, the amount of R\$ 267,490 corresponds to credits related to 2006, 2007 and 2008 which, due to the forecast of utilization, were deemed as not being capable of recovery and thus become subject to impairment, recognized in compliance with IAS 36.

III - PIS/PASEP and COFINS unconstitutionality

The Federal Supreme Court - STF declared the unconstitutionality of Paragraph 1 of Article 3 of Law No. 9.718/98, which increased PIS/PASEP and COFINS calculation basis and created, at that time, a new concept of billing, which then covered the total revenues earned by the legal entity, regardless of the type of activity and the accounting classification adopted. Such provision did not have any constitutional ground to support it, later being the subject-matter of a constitutional amendment.

Based on the Brazilian National Tax Code - CTN, Eletrobras system companies seek recognition of their credit rights and the refund of the amount overpaid as a result of the unconstitutional increase of these contributions calculation basis. Until the conclusion of these financial statements, there was not a final decision on such issue.

Eletrobras System companies have, therefore, potential tax credits for PIS/PASEP and COFINS, which are still being determined and, accordingly, are not recognized in these Financial Statements, since the declaration of unconstitutionality only benefits the companies that are claimant of the judged extraordinary appeals.

NOTE 11 - REIMBURSEMENT RIGHTS

I - CCC-Isol Reimbursement

The Law No. 12.111/2009 and the Decree No. 7.246/2010 have changed the subvention system of isolated systems. The CCC subvention, which formerly subsidized only the fuel costs now reimburses the amount corresponding to the difference between the total cost of electricity and the valuation of the corresponding amount of electricity at the average cost of power and energy traded in the Regulated Contracting Environment - ACR of the National Interconnected System - SIN.

The following related costs must be included in the total cost of electricity generation in Isolated Systems:

- a) energy and associated power;
- b) own generation to supply the electricity distribution public service;
- c) charges and taxes; and
- d) investments.

According to the regulations, other costs related to electricity services rendered in Isolated Systems remote regions, characterized by a great dispersion of consumers and lack of economy of scale, are also included in the total cost of generation.

NOTE 12 - STOCK OF NUCLEAR FUEL

Below there is a breakdown of the long-term nuclear fuel stock destined for the operations of the thermonuclear power plants UTN Angra I and UTN Angra II:

NON-CURRENT	CONSOLIDATED	
	6/30/2011	12/31/2010
Nuclear Fuel Inventory		
Uranium concentrate	99,064	65,179
Ready elements	241,346	392,133
Storehouse supplies	288,295	275,599
In progress - nuclear fuel	179,413	66,645
	<u>808,118</u>	<u>799,556</u>

NOTE 13 - ADVANCES FOR EQUITY INTEREST

The Company presents in non-current assets, the amounts corresponding to advances for future capital increase in some associate investees:

	CONSOLIDATED	
	6/30/2011	12/31/2010
Other investments	95,988	7,141
	<u>95,988</u>	<u>7,141</u>

NOTE 14 - INVESTMENTS

	CONSOLIDATED	
	6/30/2011	12/31/2010
Stated at the equity accounting method		
a) Associated companies		
Celpe	278,453	305,304
CEEE-GT	657,499	627,300
Cemat	500,437	480,650
Emae	337,847	328,656
CTEEP	1,603,300	1,632,607
Cemar	296,703	302,263
Lajeado Energia	524,208	539,588
Ceb Lajeado	68,949	72,907
Paulista Lajeado	26,914	26,900
CEEE-D	388,350	377,518
Retiro Baixo	58	-
Transenergia Renovável S.A	51,357	-
Madeira Energia S.A	60	-
Brasventos Eolo	-	2,232
Rei Dos Ventos 3	-	2,196
Brasventos Miassaba 3	3,012	3,335
Baguari	2,562	82,172
Águas da Pedra	138,774	125,089
Chapecoense	-	57
Amapari	42,832	27,997
Others	50	25
	<u>4,921,365</u>	<u>4,936,796</u>
SUBTOTAL	<u>4,921,365</u>	<u>4,936,794</u>

At Fair Value	CONSOLIDATED	
	6/30/2011	12/31/2010
Celesc	169,776	165,711
Cesp	190,713	161,439
Coelce	173,711	153,430
AES Tietê	764,496	725,821
EEVP	18,549	17,657
Energisa (Saelpa + CELB)	86,973	68,966
CELG	436	322
CELPE	53,072	51,321
COPEL	58,169	58,169
AES Eletropaulo	70,959	67,291
Energias do Brasil	18,620	19,170
CPFL Energia	37,990	35,094
Guascor	3,300	3,300
EATE	-	5,344
Tangara	21,738	21,738
CDSA	11,801	11,801
CEA	20	20
CEB	3,528	3,528
CER	102	102
Others	112,344	114,555
	<u>1,796,297</u>	<u>1,684,779</u>
 SUBTOTAL	 <u>6,717,662</u>	 <u>6,621,575</u>
 Allowance for impairment	 (817,153)	 (802,138)
 Investments adjustments	 (1,119,168)	 (1,094,789)
	<u>4,781,341</u>	<u>4,724,647</u>

Investments Adjustments

	<u>30/06/2011</u>	<u>31/12/2010</u>
Eletronorte	93,5	93,5
CERON	149,7	149,7
CELPA	69,862	65,192
CEMAT	51,224	48,917
CTEEP	<u>754,882</u>	<u>737,48</u>
	1,119,168	1,094,789
	<u>31/12/2010</u>	<u>31/12/2010</u>
CEEE-GT (1)	117,138	128,3
CEEE-D (1)	175,081	191,775

(1) Adjustment through associates shareholder's equity

	Balance on 12/31/2010	Capital acquisition	Paid-up capital	Equity in results	Other comprehensive income	Stockholders' equity adjustment	Dividends	Interest on capital	Balance on 6/30/2011
Subsidiaries and associated companies									
Chesf	17,138,688	-	-	781,245	(42,390)	509	(1,455,409)	-	16,422,642
Eletronorte	10,255,947	-	-	156,542	-	-	(100,071)	-	10,312,418
Eletrosul	2,629,792	-	-	75,274	(1,758)	31	(57,846)	-	2,645,493
Furnas	13,273,623	-	-	33,098	(38,671)	-	(53,536)	-	13,214,514
CGTEE	353,907	-	-	79,606	-	-	(24,721)	-	408,792
Eletronuclear	2,940,641	-	-	222,815	-	-	(28,884)	-	3,134,572
Eletropar	172,418	-	-	12,932	(19,053)	-	(6,832)	-	159,465
Itaipu	83,310	-	-	-	(5,255)	-	-	-	78,055
Distribuidora Rondônia	272,772	-	-	(71,970)	-	(9,129)	-	-	191,673
Ditribuidora Alagoas	274,006	-	-	(33,769)	-	822	-	-	241,059
Amazonas Energia	372,012	-	-	(339,252)	-	(32,760)	-	-	-
Mangue Seco II	3,318	-	8,640	(620)	-	1,323	-	-	12,661
CHC	8,139	-	2,766	(503)	224	-	-	-	10,626
Norte Energia	24,779	-	147,000	1,064	1,853	-	-	-	174,696
IGESA	8,491	-	262	(862)	132	-	-	-	8,023
Celipa	305,304	-	-	(26,851)	-	-	-	-	278,453
CEEE-GT	627,300	-	-	30,199	-	-	-	-	657,499
Cemat	480,650	-	-	22,242	-	(2,454)	-	-	500,438
EMAE	317,116	-	-	8,867	-	-	-	-	325,983
CTEEP	1,616,274	-	-	143,929	-	-	(126,636)	(45,746)	1,587,821
Cemar	302,263	-	-	40,650	-	2,343	(48,553)	-	296,703
Lajeado Energia	539,588	-	-	27,435	-	-	(42,816)	-	524,207
CEB lajeado	72,907	-	-	5,027	-	-	(8,985)	-	68,949
Paulista Lajeado	26,900	-	-	3,533	-	-	(3,519)	-	26,914
CEEE-D	377,518	-	-	10,832	-	-	-	-	388,350
	52,477,661	-	158,668	1,181,463	(104,918)	(39,315)	(1,957,808)	(45,746)	51,670,005

The Company has a number of lawsuits in several judgment phases, as defendant (see Note 32), in which assets accounting for 6.82% (5.36% in 2010) of the total investment portfolio, as described below were given as collateral in these lawsuits:

6/30/2011			
EQUITY INTEREST	AMOUNT OF INVESTMENT	BLOCKED PERCENTAGE	BLOCKED INVESTMENT
CTEEP	1,587,820	98.07%	1,557,194
EMAE	325,983	100.00%	325,983
CESP	190,713	95.88%	182,863
AES TIETE	764,496	88.94%	679,915
COELCE	173,711	41.02%	71,253
DUKE(Ger. Paranapanema)	18,549	63.25%	11,733
CEMAT	500,437	86.66%	433,660
CEB	3,528	50.00%	1,764
CELPA	278,453	5.31%	14,776
CELPE	53,072	70.32%	37,319
CELESC	169,776	15.24%	25,875
CEEE-GT	657,499	10.08%	66,286
CEMAR	296,703	31.10%	92,264
SUBTOTAL	<u>5,020,740</u>		<u>3,500,885</u>
Other investments	<u>46,275,745</u>		<u>-</u>
TOTAL	<u><u>51,296,485</u></u>	6.82%	<u><u>3,500,885</u></u>

NOTE 15 - FIXED ASSETS

The fixed asset items presented below refer to the infrastructure of the electricity generation segment:

	CONSOLIDATED		
	6/30/2011		
	Cost	Accumulated depreciation	Net amount
In service			
Generation	13,268	(1,613)	11,654
Administration	138,336	(39,655)	98,682
	<u>151,604</u>	<u>(41,268)</u>	<u>110,336</u>
In progress			
Generation	1,679	-	1,679
Administration	1,679	-	1,679
	<u>153,283</u>	<u>(41,268)</u>	<u>112,015</u>

CONSOLIDATED				
6/30/2011				
	Cost	Accumulated depreciation	(-) Concession-related liabilities	Net amount
In service				
Generation	61,284,944	(23,805,985)	(354,817)	37,124,141
Administration	2,233,742	(1,202,424)	(34,056)	997,262
Trading	130,042	(46,554)	-	83,488
Leasing	1,398,466	(209,770)	-	1,188,696
	<u>65,047,194</u>	<u>(25,264,733)</u>	<u>(388,873)</u>	<u>39,393,587</u>
In progress				
Generation	9,163,401	-	-	9,163,401
Administration	315,170	-	(187)	314,983
Trading	7,941	-	-	7,941
	<u>9,486,512</u>	<u>-</u>	<u>(187)</u>	<u>9,486,325</u>
	<u><u>74,533,706</u></u>	<u><u>(25,264,733)</u></u>	<u><u>(389,060)</u></u>	<u><u>48,879,912</u></u>

Assets comprising the fixed assets of the Company cannot be sold or pledged as guarantee.

b) Changes in fixed assets

	CONSOLIDATED						Closing Balance
	12/31/2010	6/30/2011					
	Balance	Additions	Transfer in progress/ service	Write-off	Depreciation	Investments in Fixed Assets	
Consolidated							
Generation							
In service	55,978,209	23,851	1,561,657	(8,014)	-	34,184	57,589,887
Accumulated depreciation	(23,540,635)	(128,354)	(2,808)	6,266	(540,949)	-	(24,206,480)
In progress	11,840,168	3,115,587	(1,537,923)	(113,272)	-	(34,184)	13,270,376
Leasing	1,398,466	-	-	-	(209,770)	-	1,188,696
Total	45,676,208	3,011,084	20,926	(115,020)	(750,719)	-	47,842,479
Administration							
In service	1,869,450	21,452	12,693	(5,995)	(2,264)	33,350	1,928,686
Accumulated depreciation	(946,648)	(8,171)	211	3,418	(39,370)	-	(990,560)
Special liabilities	(33,734)	12	-	(418)	1,344	-	(32,796)
In progress	273,854	65,646	(16,102)	-	-	(32,364)	291,034
Total	1,162,922	78,939	(3,198)	(2,995)	(40,290)	986	1,196,364
Trading							
In service	385,915	-	2,727	(479)	-	93	388,256
Accumulated depreciation	(61,009)	-	(1)	439	(2,356)	-	(62,927)
In progress	21,826	637	(2,850)	(122)	-	-	19,491
	346,732	637	(124)	(162)	(2,356)	93	344,820
Special liabilities	(92,349)	-	-	-	1,118	-	(91,231)
Provision for asset impairment adjustment	(135,138)	-	-	-	-	-	(135,138)
Provision reversion	-	-	-	-	-	-	-
Asset depreciation from provision	-	-	-	-	-	-	-
Accumulated reinstatement	(10,693)	(2,917)	-	-	-	-	(13,610)
Total	(238,180)	(2,917)	-	-	1,118	-	(239,979)
Concession-related special liabilities	(265,184)	1,412	-	-	-	-	(263,772)
TOTAL	46,682,498	3,089,155	17,604	(118,177)	(792,247)	1,079	48,879,912
Investee's Balance	-	-	-	-	-	-	-
Total Consolidated	46,682,498	3,089,155	17,604	(118,177)	(792,247)	1,079	48,879,912

In the second quarter of 2011, the subsidiary Furnas recorded the amount of R\$ 409,000 thousand as additional impairment of ventures in progress, of which R\$ 248,000 derives from UHE Batalha and R\$ 161,000 thousand from UHE Simplício.

NOTE 16 - FINANCIAL ASSET - CONCESSION OF PUBLIC SERVICE

The financial asset item - concession, in the amount of R\$ 25,995,598 refers to the financial asset receivable by the companies of the Eletrobras System within the scope of electricity distribution concession arising from application of the mixed model, and within the scope of electricity transport concession in Brazil, arising from application of the financial model.

	6/30/2011	12/31/2010
Transmission		
Financial Asset Annual Revenue Allowed - Current	1,062,347	726,507
Financial Asset Annual Revenue Allowed - Non-current	6,136,142	6,718,361
Indemnifiable Financial Asset - Concessions	14,300,160	15,935,225
Distribution	-	-
Indemnifiable Financial Asset - Concessions	2,528,822	2,342,039
Financial Asset - Current	1,062,347	726,507
Financial Asset - Non-current	25,493,946	24,995,625
Total financial asset	<u>26,556,293</u>	<u>25,722,132</u>

NOTE 17 - FINANCIAL ASSET - ITAIPU

Considering the ITAIPU project as a cash flow, a financial asset was established, as shown below:

	Consolidated	
	6/30/2011	12/31/2010
Accounts Receivable	1,947,333	1,850,802
Reimbursement Rights	160,076	290,704
Electricity Suppliers - Itaipu	(519,725)	(588,983)
Reimbursement Obligations	(697,815)	(555,508)
Total Current Assets	<u>889,869</u>	<u>997,015</u>
Accounts Receivable	3,761	35,715
Reimbursement Rights	3,238,905	1,910,996
Reimbursement Obligations	(1,901,885)	(1,122,137)
Itaipu Fixed Assets	<u>1,340,781</u>	<u>824,574</u>
Generation		
In service	12,790,246	13,650,931
In progress	149,064	420,050
	<u>12,939,310</u>	<u>14,070,981</u>
Administration		
In service	676,088	718,508
In progress	36,048	34,024
	<u>712,136</u>	<u>752,532</u>
Total Non-current Assets	<u>14,992,227</u>	<u>15,648,087</u>
Total Financial Asset - Itaipu - Consolidated	<u>15,882,096</u>	<u>16,645,102</u>

The effects arising from Itaipu's financial assets are listed above.

Below, we point out the most relevant items:

I - Amounts Arising from Electricity Trading of Itaipu Binacional

According to Law No. 11.480/2007, the adjustment factor of loan agreements signed with Itaipu Binacional, and credit assignment agreements signed with the National Treasury, was removed since 2007, assuring the Company full preservation of its flow of receivables.

Consequently, Decree No. 6.265 of November 22, 2007 was issued, aiming at regulating the trade of electricity from Itaipu Binacional, defining the difference to be applied in the transfer tariff, creating an asset related to the partial annual difference calculated, equivalent to the annual adjustment factor removed from financing, to be annually included in the transfer tariff, as of 2008.

Therefore, as of 2008, the difference arising from the removal of the annual readjustment factor, whose values are annually defined by a joint ministerial ordinance from the Ministries of Treasury and Mines and Energy, started to be included in the tariff for the transfer of power from Itaipu Binacional. This transfer tariff in force in 2010 includes the amount equivalent to US\$214,989, which will be received by the Company through charges to consumers, granted by Ordinance MME/MF 398/2008, and this amounts realization is guaranteed.

The balance deriving from the trading of electricity generated by Itaipu Binacional, represented by the item Reimbursement Rights, stated in Non-current Assets, amounts to R\$ 3,238,905 on June 30, 2011, equivalent to US\$ 2,074,758 (December 31, 2010 - R\$ 1,910,996, equivalent to US\$ 1,146,919) of which R\$ 1,901,885 thousand, equivalent to US\$ 1,218,297 thousand, will be transferred to the National Treasury until 2023 represented by reimbursement obligations. These amounts will be realized through their inclusion in the transfer tariff to be charged until 2023 and not subject to future events.

II - Electricity trading - Itaipu Binacional

The Law No. 10.438 of April 26, 2002, attributed to ELETROBRAS the responsibility for the acquisition of all electricity generated by ITAIPU to be consumed in Brazil, and for trading this electricity.

Therefore, in the first six months of 2011, the equivalent of 34,310 GWh was sold, the energy supply tariff (purchase) practiced by ITAIPU was US\$ 22.60/kW and the transfer tariff (sale) was US\$ 24.88/kW.

The results from the trading of Itaipu's electricity, in accordance with Decree No. 4.550 of December 27, 2002, observing the amendments introduced by Decree No. 6.265 of November 22, 2007, have the following allocation:

- a) if positive, it will be allocated, by means of prorating to the individual consumer, through a bonus credit in the consumers' electricity bills of the Brazilian Interconnected Electric System, for the residential and rural classes with monthly consumption lower than 350 kWh.
- b) if negative, it is incorporated by ANEEL in the calculation of the transfer tariff of electricity contracted in the year subsequent to the formation of the result.

This trading operation does not affect the Company's results, and under the current regulation, positive results represent an unconditional receivable right and an effective obligation if negative.

In the first six months of 2011, the activity had a surplus of R\$ 127,973 and the resulting obligation is included in the item "Reimbursement Obligations".

NOTE 18 - INTANGIBLE ASSET - CONCESSION OF PUBLIC SERVICE

	12/31/2010			6/30/2011		
	Opening balance	Additions	Write-offs	Amortizations	Transfers	Closing Balance
Distribution						
Linked to concession						
In service	2,170,618	11,976	(58,347)	-	14,956	2,139,203
Accumulated amortization	(594,534)	(14,906)	(1,539)	(67,192)	-	(678,171)
Special liabilities	(215,602)	-	2,382	8,358	(7,709)	(212,571)
Impairment	-	(75)	-	-	(1,335)	(1,410)
In progress	171,904	61,910	-	(23)	(36,038)	197,753
Special liabilities	(88,680)	(19,352)	-	-	7,025	(101,007)
Impairment	(6,307)	-	1,051	-	-	(5,256)
	<u>1,437,399</u>	<u>39,553</u>	<u>(56,453)</u>	<u>(58,857)</u>	<u>(23,101)</u>	<u>1,338,541</u>
Not Linked to Concession (Others)						
Generation						
In service	826,573	2,578	(612)	(3,226)	9,316	834,629
Accumulated amortization	-	(2,839)	-	(827)	(600)	(4,266)
In progress	-	17,838	(2,171)	(33,733)	27,022	8,956
	<u>826,573</u>	<u>17,577</u>	<u>(2,783)</u>	<u>(37,786)</u>	<u>35,738</u>	<u>839,319</u>
Administration						
In service	-	222	-	(55)	351	518
Accumulated amortization	-	(512)	(1)	(12,656)	2	(13,167)
In progress	-	6,752	(1,005)	-	(165)	5,584
	<u>-</u>	<u>6,461</u>	<u>(1,006)</u>	<u>(12,711)</u>	<u>188</u>	<u>(7,065)</u>
	<u>826,573</u>	<u>24,038</u>	<u>(3,789)</u>	<u>(50,497)</u>	<u>35,926</u>	<u>832,254</u>
Total Intangible	<u>2,263,972</u>	<u>63,591</u>	<u>(60,242)</u>	<u>(109,354)</u>	<u>12,825</u>	<u>2,170,795</u>

NOTE 19 - SUPPLIERS

This mainly includes energy purchased from Itaipu Binacional, and has the following breakdown:

	CONSOLIDATED	
	6/30/2011	12/31/2010
CURRENT		
Goods, Supplies and Services	2,399,845	1,314,871
Energy Purchased for Reselling	2,294,377	3,850,379
CCEE - Short-term Energy	-	515
	<u>4,694,222</u>	<u>5,165,765</u>

NOTE 20 - ADVANCES FROM CUSTOMERS

	CONSOLIDATED	
	6/30/2011	12/31/2010
ADVANCES FROM CUSTOMERS		
CURRENT		
Advanced electricity sale - ALBRAS	44,592	39,362
Advances from customers - PROINFA	298,996	302,100
	<u>343,588</u>	<u>341,462</u>
NON-CURRENT		
Advanced electricity sale - ALBRAS	902,349	928,653
	<u>902,349</u>	<u>928,653</u>
TOTAL	<u>1,245,937</u>	<u>1,270,115</u>

I - ALBRÁS

The subsidiary Eletronorte won the electricity purchase auction conducted by ALBRÁS in 2004 for a 20-year supply period, at an average of 750 MW/month until December 2006 and 800 MW/month between January 2007 and December 2024, setting a price compatible with the UHE Tucuruí break-even tariff as a parameter, plus a premium calculated according to the aluminum price on the London Metal Exchange (LME) - England, This price setting constitutes an embedded derivative (see Note 46).

Based on these conditions, ALBRÁS, aiming at reducing the basic price, made an energy pre-purchase offering with advance payment, comprising energy credits which will be amortized during the supply period in fixed monthly installments in average MW, according to the tariff effective in the billing month.

The operation took place as follows:

	CONSOLIDATED	
	6/30/2011	12/31/2010
Advances received		
2004	300,000	300,000
2005	500,000	500,000
2006	250,000	250,000
2007	150,000	150,000
Total	1,200,000	1,200,000
Amortizations	(241,544)	(220,854)
Gains	(12,009)	(10,493)
Total liabilities	946,447	968,653

II - PROINFA

PROINFA, enacted by Law No. 10.438/2002, and amendments, aims at diversifying the Brazilian energy matrix and seeking regional solutions with the utilization of renewable energy sources, by means of economic utilization of available inputs and applicable technologies, resulting in higher participation of electricity generated based on new sources.

The program ensures that Eletrobras can purchase the electricity to be generated for a period of 20 years, as of 2006, which will be transferred to distribution concessionaires, free consumers and self-producers, excluding low-income consumers proportionally to consumption.

The transmission and distribution concessionaires pay to Eletrobras the annual amount of funding corresponding to captive customers, free consumers and self-producers connected to its facilities, in twelve monthly installments, in the month before the reference date of energy consumption.

In addition, in order to deal with the required payments to PROINFA's generation projects, in the first year of operations of the Program, the distribution and transmission concessionaires, in addition to the quotas related to the current year, prepaid a twelfth of the annual quota, considering the contracting of all projects included in PROINFA.

It is worth mentioning that operations related to PROINFA do not generate any economic gains or losses for the Company.

NOTE 21 - LOANS AND FINANCING

The details of loans and financing, including charges, whose funds are earmarked for the investment program of the Eletrobras System.

I - Eletrobras' Agreements:

a) The Company has loan agreements executed with multilateral agencies, such as IDB, IRDB, KFW and EXIMBANK/JBIC, guaranteed by the federal government. These agreements follow a standard of covenants applicable to agreements with multilateral agencies, which are usually agreed upon in negotiations with this type of entity;

In the type A/B Loan agreements of the syndicated loan between CAF and commercial banks, Eletrobras has covenants typically practiced in the market, among which can be mentioned: existence of corporate guarantees, change of corporate control, compliance with licenses and authorizations, and restriction of significant disposal of assets; In 2010, Eletrobras signed a new contract with CAF in the amount of US\$ 500,000, aimed at putting together the fund to finance the Subsidiaries.

According to market practices, there are two loan agreements coordinated by BNP and CDB.

The issue of bonds in the amount of US\$ 1,000,000 was concluded in 2009.

The bonds were issued with a 10-year term, maturing on July 30, 2019, with total redemption on the maturity date and with a semiannual interest coupon at the annual rate of 6.875%, allowing investors who bought the referred bonds at the release date a yield of 7.0% p.a. The issue price was 99.112% of the face value, of which 60% of the offerings derived from the United States, 30% from Europe and 10% from Asia.

The proceeds obtained with this operation with the international market compose the fund to finance the subsidiaries, aiming to ensure the compliance of the Eletrobras System CAPEX program.

In addition to loans, financing and bonds currently registered in the Company's liabilities, there is still an assumption of debt contract of CEEE.

Negotiations have been developed with other multilateral agencies, such as the European Investment Bank and the French Development Agency, aiming at obtaining new lines of credit. The Company is considering issuing new bonds in 2011.

The negotiations for credit contracts to be signed with KFW, which will be transferred to the subsidiary Eletrosul, and with IRDB are in advanced stages.

There are no contracts with financial ratio clauses in Eletrobras' liabilities.

b) Global Reversion Reserve

This fund was created by the federal government to cover expenses related to indemnities of electricity public service concession reversions. The resources comprising the fund are not part of these financial statements and, while not used for the purposes for which they are destined, are used in the granting of financing for the expansion of the Brazilian electricity sector, improvement of the service and implementation of federal government programs, through Eletrobras.

The contribution to establish the RGR is the responsibility of the electricity public service concessionaires, by means of a quota called reversion and the appropriation of electricity services of up to 2.5% of the concessionaires and licensees investments, limited to 3% of annual revenues. The quota value is calculated as a service cost component of those entities (see Note 31), and do not constitute revenues or assets of Eletrobras.

The concessionaires pay their RGR annual quotas, in twelve monthly installments, into a restricted bank account managed by Eletrobras, which operates the account within the limits provided for by Law No. 5.655/1971 and further amendments, not reflected in the Company's financial statements, since it is an independent entity in relation to Eletrobras.

However, Eletrobras takes resources from RGR to apply in specific investment projects, funded by the Company, especially:

- a) I - expansion of electricity distribution services;
- b) II - incentive for alternative electricity sources;
- c) III - inventory and feasibility studies for the development of hydroelectric projects;
- d) IV - implementation of power generation units of up to 5,000 kW, exclusively for public service in communities assisted by an isolated electric system;
- e) V - efficient public lighting;
- f) VI - electricity conservation by means of improved quality of products and services;
- g) VII - universalization of access to electricity.

Eletrobras remunerates the resources withdrawn from RGR and used in the granting of loans to the Brazilian electricity sector, with annual interest of 5%, without any type of indemnification. On June 30, 2011, the balance withdrawn from the Fund and used in various investments amounted to R\$ 8,340,768 (December 31, 2010 - R\$ 8,159,038) and are included under loans and financing, in liabilities.

c) BNDES

Eletrobras' subsidiaries raise loans with BNDES aiming at investing in their generation, transmission and distribution systems.

6/30/2011				
CONSOLIDATED				
CHARGES			PRINCIPAL	
CURRENT				
Average rate	Amount	CURRENT	NON-CURRENT	
Foreign Currency				
Financial Institutions				
Interamerican Development Bank - IDB	4.16%	2,126	29,046	174,276
Corporación Andino de Fomento - CAF	2.29%	9,745	24,115	1,801,269
Kreditanstalt fur Wiederaufbau - KFW	3.86%	47	21,526	41,274
Dresdner Bank	6.25%	51	21,778	10,889
Eximbank	2.15%	1,388	42,563	255,371
BNP Paribas	1.48%	215	54,063	536,115
Others		889	121,270	24,882
		<u>14,461</u>	<u>314,361</u>	<u>2,844,076</u>
Bonds				
Bonds - Dresdner Bank	7.75%	3,572	-	468,330
Credit Suisse	6.87%	51,450	-	1,561,100
		<u>55,022</u>	<u>-</u>	<u>2,029,430</u>
Others				
National Treasury - ITAIPU		2,095	341,715	7,297,616
		<u>2,095</u>	<u>341,715</u>	<u>7,297,616</u>
		<u>71,578</u>	<u>656,076</u>	<u>12,171,122</u>

		6/30/2011	
		CONSOLIDATED	
		CHARGES	PRINCIPAL
		CURRENT	
	Average rate	Amount	CURRENT
			NON-CURRENT
Domestic Currency			
Global Reversion Reserve - RGR		-	-
Other financial institutions		65,586	1,247,188
BNDES		44,219	327,225
		<u>109,805</u>	<u>1,574,413</u>
		<u>181,383</u>	<u>31,293,800</u>

		12/31/2010	
		CONSOLIDATED	
		CHARGES	PRINCIPAL
		CURRENT	
	Average rate	Amount	CURRENT
			NON-CURRENT
Foreign Currency			
Financial Institutions			
Interamerican Development Bank - IDB	4.16%	2,202	31,001
Corporación Andino de Fomento - CAF	2.29%	9,886	25,634
Kreditanstalt für Wiederaufbau - KfW	3.86%	70	21,158
Dresdner Bank	6.25%	88	21,405
Eximbank	2.15%	1,591	44,999
BNP Paribas	1.48%	338	57,703
Others		721	11,784
		<u>14,896</u>	<u>213,684</u>
			<u>3,107,853</u>

Bonds				
Bonds - Dresdner Bank	7.75%	3,812	-	499,860
Credit Suisse	6.87%	54,162	-	1,666,200
		<u>57,974</u>	<u>-</u>	<u>2,166,060</u>
Others				
National Treasury - ITAIPU		2,412	349,744	7,978,640
		<u>2,412</u>	<u>349,744</u>	<u>7,978,640</u>
		<u>75,282</u>	<u>563,428</u>	<u>13,252,553</u>
Domestic Currency				
Global Reversion Reserve - RGR		-	-	8,159,038
BNDES		10,786	330,338	2,703,781
Other financial institutions		54,252	834,379	7,154,599
		<u>65,038</u>	<u>1,164,717</u>	<u>18,017,418</u>
		<u>140,320</u>	<u>1,728,145</u>	<u>31,269,971</u>

a) Debts are collateralized by the Federal Government and/or Eletrobras.

b) Total debt in foreign currency, including charges, corresponds, in the parent company, to R\$5,121,735 thousand, equivalent to U\$3,280,850 thousand and in the consolidated, equivalent to R\$12,898,776 thousand corresponding to U\$8,262,620 thousand. The percentage distribution by type of currency is the following:

	US\$	EURO	YEN
Consolidated	97%	1%	2%

c) Loans and financing are subject to charges, whose average rate in the 1Q11 was 4.35% and in 2010 was 4.19%.

d) The long-term loans and financing in thousands of U.S. dollars has the following maturities:

	2012	2013	2014	2015	2016	After 2016	Total
Consolidated	316,257	582,175	668,551	1,224,620	481,458	16,772,932	20,045,993

II - Financial leasing operation:

The subsidiary Amazonas Energia has financial leasing operations, for which was registered a liability and the respective fixed assets. The reconciliation between minimum future payments of the financial leasing at the end of the period and their present value are presented in the table below:

	<u>6/30/2011</u>	<u>12/31/2010</u>
Less than one year	271,254	244,098
More than one and less than five years	1,356,269	1,220,493
More than five years	2,325,038	2,213,161
Future financing charges on financial leasing	127,032	416,322
Total financial leasing minimum payments	<u>4,079,593</u>	<u>4,094,074</u>
Present value adjustment	(2,182,605)	(2,279,042)
Present value of payments	<u>1,896,988</u>	<u>1,815,032</u>
Less than one year	125,727	120,485
More than one and less than five years	628,633	602,315
More than five years	1,142,628	1,092,232

The fair value of current loans and financings equals their book value, since the impact of the discount is not relevant.

III - GUARANTEES

The Company participates as guarantor of a number of projects whose guaranteed amounts, forecasts and paid amounts are presented in the tables below.

Project	Financing Bank	Subsidiaries Stake	Outstanding balance on 6/30/2011	Outstanding balance projection - year-end			To be released
				2011	2012	2013	After 2013
Complementation of UHE Tucuruí	BNDES	100%	828,465	241,630	381,522	279,783	-
Miranda II Substation	BNDES	100%	57,504	465,278	32,523	29,081	-
SE São Luís II and III	BNDES	100%	19,951	476,963	11,621	10,646	-
SPE Norte Transmissora de Energia	BNDES	24.50%	72,275	-	-	-	-
SPE Manaus Transmissora de Energia	BNDES	30%	75,428	-	-	-	-
Linha Verde Transmissora (**)	BTG Pactual	49%	73,500	409,761	-	-	-
LT and Ribeiro Golçalves Substation-Ferries	BNB	100%	-	-	-	-	-
ESBR - UHE Jirau	BNDES	20.00%	1,604,760	1,542,895	1,660,531	1,600,332	-
SPE Manaus Transmissora de Energia	BNDES	24.50%	72,275	-	-	-	-
ESBR - Equipamentos Importados(*)	Bradesco	20.00%	100,498	451,651	27,051	7,232	-
SPE IE Madeira (*)	BNDES/Onlending banks	24.50%	86,802	-	-	-	-
SPE IE Madeira (*)	Citi/HSBC	24.50%	-	-	-	-	-
UHE Simplicio	BNDES	100.00%	1,391,810	6,511	887,741	822,560	-
UHE Santo Antônio	BNDES /Onlending banks/ FNO	39.00%	3,478,782	(739,065)	2,848,008	3,082,029	-
UHE Foz do Chapecó	BNDES	40.00%	1,164,768	99,679	717,886	668,175	-
UHE Baguari	BNDES	30.62%	86,380	455,333	51,560	47,263	-
UHE Serra do Facão	BNDES	49.50%	-	-	-	-	-
UHE Batalha	BNDES	100.00%	212,813	370,831	208,698	192,691	-
SPE IE Madeira (*)	BNDES/Onlending banks	24.50%	86,802	-	-	-	-
SPE IE Madeira (*)	Citi/HSBC	24.50%	-	-	-	-	-
Companhia de Trasmmissão Centroeste de Minas	BNDES	49.00%	6,554	476,707	11,946	10,793	-
SPE Goiás Trasmmissão(***)	Banco do Brasil	49.00%	-	-	-	-	-
SPE MGE (***)	Banco do Brasil	49.00%	-	-	-	-	-
UHE Passo de São João	BNDES	100.00%	280,286	389,833	177,913	164,850	-
ESBR - UHE Jirau	BNDES	20.00%	1,604,760	(288,187)	1,660,531	1,600,332	-
UHE Mauá	BNDES/Onlending banks	49.00%	489,131	298,143	344,907	322,102	-
Sistema de Trasmmissão RS Energia	BNDES/Onlending banks	100.00%	180,490	427,027	100,679	89,365	-
Sistema de Trasmmissão SC Energia	BNDES/Onlending banks	100.00%	285,620	397,166	150,327	128,576	-
Eólicas Cerro Chato I, II and III (**)	BNDES	90.00%	120,646	382,722	190,604	165,469	-
SPE Norte Transmissora de Energia	BNDES	24.50%	19,691	483,261	-	-	-
ESBR - Imported Equipment (*)	Bradesco	20.00%	100,498	451,651	27,051	7,232	-
UHE São Domingos	BNDES	100.00%	-	-	-	-	-
SPE Porto Velho Transmissora de Energia (***)	BNDES	100.00%	-	-	-	-	-
Angra 3	BNDES	100%	679,046	(195,785)	3,403,542	5,036,976	1,109,280
Mangue Seco 2	BNB	49%	16,748	-	-	-	-
Belo Monte - Fiel Cumprimento (*)	ANEEL	15%	219,681	420,495	109,841	109,841	109,841
Mangue Seco 2	BNB	49%	-	-	-	-	-
Mangue Seco 3	BNB	49%	-	-	-	-	-
Total			13,415,964	7,024,500	13,004,481	14,375,328	1,219,120

The Company accrued under provisions, in non-current liabilities, the fair value of the amounts guaranteed by Eletrobras and already released by the funding banks. The fair value is calculated based on 1% of the total amount released until June 30, 2011, as shown below:

	Accrued Amount
Surety due on 12/31/2009	80,429
Changes in 2010	(653)
Surety due on 12/31/2010	79,776
Changes in 2011	19,133
Surety due on 6/30/2011	98,909

NOTE 22 - COMPULSORY LOAN

The electricity consumption Compulsory Loan, enacted by Law No. 4.156/1962 with the objective of generating funds for the expansion of the Brazilian energy sector, was extinguished by Law No. 7.181 of December 20, 1983, which defined the date of December 31, 1993 as the deadline for collection.

In the first phase of this Compulsory Loan, terminated with the enactment of Decree-Law No. 1.512/1976, the tax collection included various classes of energy consumers and taxpayers credits were represented by bearer bonds issued by Eletrobras.

In a second phase, starting with provisions contained in the referred Decree-Law, the Compulsory Loan was charged only to industries with monthly energy consumption exceeding 2,000 kWh, and taxpayers' credits were no longer represented by bonds, but only recorded in book-entry form by Eletrobras.

The remaining Compulsory Loan balance, after the 4th conversion into shares on April 30, 2008, related to the 1988-2004 credits, is recorded in current and non-current liabilities, maturing as of 2008, and accruing annual interest of 6%, plus monetary adjustment based on the IPCA-E variation and corresponding, on June 30, 2011 to R\$ 162,107 (December 31, 2010, R\$ 157,616), of which R\$ 146,487 is in non-current (December 31, 2010 - R\$ 141,425).

I - Bearer bonds issued by Eletrobras

The bearer bonds issued as a result of the Compulsory Loan are not marketable securities, are not traded on stock exchanges, are not quoted and are unenforceable. Thus, Eletrobras Management clarifies that the Company does not have outstanding debentures.

The issue of these bonds was a legal imposition and not a decision of Eletrobras. Likewise, this was not the wish of the bondholders, but they had to comply with a legal duty by force of Law No. 4.156/1962.

The Brazilian Securities Commission (CVM)'s Board decision rendered in the administrative proceeding CVM RJ 2005/7230, filed by holders of these bonds, affirms *verbatim* that "the bonds issued by Eletrobras as a result of Law No. 4.156/1962 may not be deemed as securities."

CVM also understood that there is neither irregularity in the procedures adopted by Eletrobras concerning its financial statements referring to these bonds, nor in the reporting of lawsuits (see Note 27) seeking the redemption of these bonds.

In addition, the unenforceability of these bearer bonds was reinforced by decisions of the Superior Court of Justice, which reiterated the understanding that they became time-barred and they cannot be used as a guarantee of tax foreclosures.

Therefore, Bearer Bonds issued in the first phase of this compulsory loan, as resolved by CVM cannot be considered as debentures. In addition, by force of provisions in Article 4, Paragraph 11 of Law No. 4.156/1962 and Article 1 of Decree No. 20.910/1932, they are unenforceable, a condition confirmed in newsletter 344 of the Superior Court of Justice - STJ, mentioning that these bonds cannot be used as a guarantee of tax foreclosures, since they are not liquid and they are not debentures.

As a result, the liabilities related to the Compulsory Loan refer to the residual credits recorded between 1988 and 1994 from industrial consumers with consumption exceeding 2,000 kW/h, referring to the second phase of this Compulsory Loan, as well as interest not claimed related to these credits, as follows:

	CONSOLIDATED	
	6/30/2011	12/31/2010
CURRENT		
Interest Payable	15,620	16,191
NON-CURRENT		
Credits Received	146,487	141,425
	<u>162,107</u>	<u>157,616</u>

NOTE 23 - FUEL CONSUMPTION ACCOUNT - CCC

The Fuel Consumption Account (CCC), created by Decree 73102, of November 7, 1973, is aimed at grouping the distribution of costs related to fuel consumption on thermoelectric electricity generation, especially in the North Region of the country.

Under Law No. 8631 of March 4, 1993, the Company manages the amounts related to the tax payments made by the electricity public service concessionaires, for credit in the Fuel Consumption Account - CCC, corresponding to annual quotas allocated to expenditures with fuel for electricity generation. The amounts recorded in current assets against current liabilities, correspond to available funds maintained in restricted cash and to quotas not paid by the concessionaires.

It is worth mentioning that Law No. 12111 of December 9, 2009, introduces a significant change in the assumptions to contract electricity and receiving subsidies, including for isolated locations, to be interconnected in the near future. Therefore, provisions contained therein are immediately effective, in order to allow the Concessionaires, during the period of transition to the National Interconnected System - (SIN), the maintaining of the subsidies. With this measure, these companies will receive equal treatment given to SIN concessionaires when the current model was created.

The purpose of Law No. 12111/2009 is reimbursing the electricity generation costs in Isolated Systems, including costs related to contracting electricity and power associated to self generation to supply the electricity distribution public service, charges of the electricity sector and taxes and also investments made, which will occur through the Fossil Fuel Consumption Account - CCC.

NOTE 24 - INCOME TAX AND OTHER TAXES PAYABLE

	CONSOLIDATED	
	6/30/2011	12/31/2010
Income Tax	430,488	400,167
Social Contribution	202,987	252,752
PASEP and COFINS	184,816	153,256
ICMS	113,498	70,267
PAES	885,350	930,552
Others	617,039	513,327
Total	<u>2,434,178</u>	<u>2,320,321</u>
Current liabilities	<u>1,181,657</u>	<u>1,102,672</u>
Non-current liabilities	<u>1,252,521</u>	<u>1,217,649</u>

a) Tax Incentives - SUDENE

The Provisional Measure 2199-14 of August 24, 2001, amended by Law No. 11196 of November 21, 2005, authorizes the northeast region companies with projects in the infrastructure sector deemed by the Executive Branch as priority for the regional development, to reduce their income tax for the purposes of investments in installation, expansion, modernization, or diversification projects.

In 2008, the subsidiary Chesf was entitled to reduce by 75% its income tax, calculated based on the exploration profit. Such incentive was granted until 2017.

In the first six months of the year, the tax incentives mentioned above amounted to R\$ 161,934 (R\$165,823 on June 30, 2010), recorded in the income statement for the year as a reduction of income tax, in compliance with the IAS 20.

b) Special Installment Program - PAES

The subsidiaries Furnas, Eletrosul, Eletronorte, Amazonas Energia, and Distribuição Alagoas opted for refinancing their tax debts. The financing term is limited to 180 months and the outstanding balance is adjusted by the long-term interest rate - TJLP and SELIC.

NOTE 25 - REGULATORY FEES

CURRENT	CONSOLIDATED	
	6/30/2011	12/31/2010
Global Reversion Reserve - RGR	134,291	113,103
CCC/CDE	64,923	53,896
Financial compensation - water resources	407,016	390,792
ANEEL inspection fee	10,184	5,547
PROINFA	19,706	20,902
	<u>636,120</u>	<u>584,240</u>

NOTE 26 - STOCKHOLDERS' REMUNERATION

I - The Company's By-laws set forth as mandatory minimum dividend of 25% of the net income, adjusted in accordance with the Brazilian Corporation Law, observing the minimum remuneration for Classes A and B preferred shares of 8% and 6%, respectively, of the capital stock related to these types and classes of shares. The possibility of paying interest on capital - JCP is foreseen.

The remuneration related to 2006 and previous years became time-barred, according to the Company's By-laws.

NOTE 27 - PAYABLE TO BRAZILIAN FEDERAL TREASURY

	CONSOLIDATED			
	CURRENT		NON-CURRENT	
	6/30/2011	12/31/2010	6/30/2011	12/31/2010
Acquisition of CEEE-GT and CEEE-D shares	93,925	85,904	193,324	234,313
Others	6,376	6,866	12,121	16,172
	<u>100,301</u>	<u>92,770</u>	<u>205,445</u>	<u>250,485</u>

NOTE 28 - POST-EMPLOYMENT BENEFITS

The companies of the Eletrobras System sponsor pension plans for their employees, as well as health care plans and post-employment life insurance in certain cases. These benefits are classified as defined benefits.

Due to the decentralized structure of the Eletrobras System, each segment sponsors its own package of employees benefits. In general, the Group offers its current and future retirees and their dependents benefits, such as pension, health care and post-employment life insurance.

Post-employment benefits sponsored by companies in the Eletrobras System					
Company	Pension plan benefits			Other post-employment benefits	
	Defined Benefit Plan	Paid-off Plan	Defined Contribution Plan	Life Insurance	Health Insurance
Eletrobras	X		X	X	
Amazonas	X		X		
Boa Vista	X		X		X
Ceal	X		X		X
Cepisa	X				
CGTEE	X				
Chesf	X	X	X	X	
Eletronorte	X		X	X	X
Eletronuclear	X			X	X
Eletrosul	X		X		X
Furnas	X		X	X	X

The actuarial assumptions presented below were used to calculate the defined benefit liability and expense for the year.

Assumptions	Eletrobras	Amazonas	Boa Vista	Ceal	Cepisa	CGTEE
Actual actuarial annual discount rate	5.50%	6.00%	6.00%	5.00%	6.00%	6.00%
Actual projected annual inflation rate	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Actual annual rate of return on assets	10.25%	10.77%	10.77%	9.73%	10.77%	10.77%
Actual wage annual growth rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Actual health costs annual growth rate	n/a	n/a	1,00%	n/a	n/a	n/a
Actual benefit annual growth rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Capacity factor	100%	100%	100%	100%	100%	100%
Turnover	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
General mortality	AT-2000	AT-83	AT-83	AT-2000	AT-83	AT-83
Mortality of disabled people	AT-83	AT-83	AT-83	AT-83	AT-83	AT-83
Disability entries	LIGHT weak	LIGHT weak	LIGHT weak	LIGHT weak	LIGHT weak	LIGHT weak
Percentage of married people	95%	95%	95%	95%	95%	95%

M-F age difference	4 years	4 years	4 years	4 years	4 years	4 years
Assumptions	CHESF	Eletronorte	Eletronuclear	Eletrosul	Furnas	
Actual actuarial annual discount rate	6.00%	6.00%	6.00%	5.00%	6.00%	
Actual projected annual inflation rate	4.50%	4.50%	4.50%	4.50%	4.50%	
Actual annual rate of return on assets	N/I	N/I	10.77%	9.73%	10.77%	
Real wage annual growth rate	2.00%	2.00%	2.00%	2.00%	2.00%	
Actual health costs annual growth rate	n/a	N/I	1.00%	1.00%	1.00%	
Actual benefit annual growth rate	0.00%	0.00%	0.00%	0.00%	0.00%	
Capacity factor	100%	100%	100%	100%	100%	
Turnover	0.00%	0.00%	0.00%	0.00%	0.00%	
General mortality	AT-83	AT-83	AT-2000	AT-2000	AT-83	
Mortality of disabled people	AT-83	AT-83	AT-83	AT-83	AT-83	
Disability entries	LIGHT weak	LIGHT weak	LIGHT weak	LIGHT weak	LIGHT weak	
Percentage of married people	95%	95%	95%	95%	95%	
M-F age difference	4 years	4 years	4 years	4 years	4 years	

NOTE 29 - PROVISIONS FOR CONTINGENCIES

On the closing date of the Financial Statements, the Company recorded the following provisions for contingent liabilities, by nature:

	CONSOLIDATED	
	6/30/2011	12/31/2010
CURRENT		
Labor	96,295	80,355
Tax	103,586	105,013
Civil	91,193	63,368
Others	34,573	8,844
	<u>325,647</u>	<u>257,580</u>
NON-CURRENT		
Labor	811,900	814,248
Tax	156,626	177,294
Civil	2,869,214	2,672,024
Others	349,964	237,723
	<u>4,187,704</u>	<u>3,901,289</u>
	<u>4,513,351</u>	<u>4,158,869</u>

Eletrobras and its subsidiaries are parties involved in several lawsuits, mainly labor and civil, which are under various stages of judgment. The Company's Management adopts the procedure of classifying the lawsuits filed against the Company by risk of loss based on the opinion of its legal counsels, as follows:

- provisions are made for the lawsuits with a probable unfavorable outcome for the Company;
- for the lawsuits with a possible unfavorable outcome for the Company, the corresponding information is disclosed in the notes to the financial statements, if relevant; and
- for the lawsuits with a remote unfavorable outcome for the Company, only the information that at Management's discretion is deemed as significant for the full understanding of the financial statements is disclosed in the notes.

Therefore, in order to cover losses, provisions for contingencies are made, as stated above, net of judicial deposits and deemed by the Management of the Company and subsidiaries, and by their legal counsels, to be sufficient to cover losses in lawsuits of any nature, in this fiscal year, with the following composition:

CONSOLIDATED

Balance on 12/31/2010	<u>4,158,869</u>
Recorded provisions	452,639
Reversed provisions	(98,157)
Balance on 6/30/2011	<u>4,513,351</u>

Main lawsuits filed against the Company and its subsidiaries did not change in relation to those described in the Financial Statements of December 31, 2010, including the risk of loss evaluation.

On July 26, 2011, the Company took cognizance of the Notification issued by the Economic and Financial Oversight Board - SFF of the Brazilian Electricity Regulatory Agency - ANEEL and fac-simile notifying that R\$ 49,827 will be deducted, referring to incorrect amounts reimbursed to CGTEE between 2005 and 2010, related to coal yard operations and coal ash expenses through the Energy Development Account - CDE. This deduction will occur in 24 installments in the next reimbursements.

The Company filed an objection and requested suspensive effect with the regulatory agency through Proceeding No. 48513.026332/2011-00. The Company succinctly alleges that it will be incumbent upon the Ministry of Mines and Energy to prepare the Manual to provide for the expenses reimbursement procedures through CDE; ANEEL's lack of jurisdiction to alter these procedures; existence of CDE's Procedures Manual, signed by MME, ANEEL and ONS, expressly providing for the coverage of coal yard operations and coal ash expenses. In view of these arguments, the Company understands that the deduction of the aforementioned amounts is groundless, since coverage up to date is included. As to future amounts, no suspensive effect can occur while MME does not issue a legal document ordering this suspensive effect and ANEEL has no powers to alter these procedures.

The Company states in receivables from the Fuel Consumption Account - CCC and Energy Development Account - CDE the amount of R\$ 54,789, R\$ 7,988 of which also refers to coal yard operations and coal ash expenses. According to the Company's legal counsel's opinion, the chances of losing the case in the administrative level are possible and remote at the judicial level. Therefore, no provision was recorded for the amount receivable nor for the deductions, which amount to R\$ 57,815.

In the same line of discussions, there are reimbursements pending in the Fuel Consumption Account - CCC and Energy Development Account - CDE amounting to R\$ 32,555, referring to the reimbursement of fuel and services related to mineral coal fuel employed in thermoelectric power generation at UTE Candiota III (Phase C), which according to ANEEL's understanding, would be supported by the energy supply tariff practiced with the Distributors, and the Company is not entitled to reimbursement. In view of the aforementioned paragraph, reimbursements recorded in fuel and services accounts receivable are not authorized until ANEEL resolves on the matter. According to the Company's legal counsel's opinion, the chances of losing the case in the administrative level is possible and remote in the judicial level, the reason that, up to date, no provision for losses has been recorded.

NOTE 30 - DECOMMISSIONING OBLIGATIONS

The Company recognizes liabilities for decommissioning the thermonuclear power plants, which comprise a program of activities required by the Brazilian Commission of Nuclear Energy - CNEN, to safely dismantle these nuclear facilities with minimum impact on the environment, at the end of their operating cycle.

Given the specific characteristics of the operations and maintenance of thermonuclear power plants, whenever changes in the estimated decommissioning cost occur, as a result of new studies in view of technological advances, the decommissioning quotas must be altered, so as to adjust the liability balance to the new reality.

The liability balance recorded at present value on June 30, 2011 is R\$ 386,422 (December 31, 2010 - R\$375,968).

Liability Balance, at Present Value, on 12/13/2009	323,326
Adjustment to Present Value/ Foreign Exchange Variation in the year	52,642
Liability Balance at Present Value on 12/31/2010	375,968
Adjustment to Present Value/ Foreign Exchange Variation in the period	10,454
Liability Balance at Present Value on 6/30/2011	386,422

NOTE 31 - PUBLIC SERVICE CONCESSIONS PAYABLE - UBP

The Company has entered into costly concession contracts with the federal government for the use of public property for electricity generation, substantially in projects through Special Purpose Entities- SPEs. The characteristics of the business and contracts indicate the conditions and intentions of the parties to execute them in full.

In order to adequately reflect, in the balance sheet, the costly concession granted and the respective liability with the federal government, the concessions were recorded in intangible assets and against liabilities.

Plant	CONSOLIDATED	
	6/30/2011	12/31/2010
Passo São João	3,754	3,515
Mauá	11,389	10,498
São Domingos	4,435	4,047
Jirau	37,450	35,616
Batalha and Simplício	41,587	38,668
Foz do Chapecó	252,865	57,021
Peixe Angical	76,660	79,098
Retiro Baixo	3,615	3,503
Serra do Facão	626,274	554,009
Santo Antônio	71,273	48,240
Total	1,129,302	834,215

The amounts established in the concession contracts are at future prices and, therefore, the Company adjusted these liabilities at the present value.

The liability updating due to the discount rate and monetary restatement was capitalized in the assets during the construction of the power plants and, as of startup date, are directly recognized in the income statement.

The Company adopts the accounting policy of recognizing the liability on the date when the environmental license for installation is granted.

UBP payments are made in monthly installments as of the project startup until the end of the concession term.

NOTE 32 - ADVANCES FOR FUTURE CAPITAL INCREASE

	CONSOLIDATED	
	6/30/2011	12/31/2010
Acquisition of equity interest in CEEE	136,741	2,364,929
Acquisition of equity interest in CGTEE	-	2,272,187
Banabuí transmission line - Fortaleza	-	78,280
Xingó hydroelectric power plant	-	219,942
Transmission line in the State of Bahia	-	34,429
Federal Fund for Electricity - Law No. 5.073/66	-	204,089
	<u>136,741</u>	<u>5,173,856</u>

The Company capitalized advances for future capital increase in the first six months of 2011.

NOTE 33 - STOCKHOLDERS' EQUITY**I - Capital Stock**

The Company's capital stock on June 30, 2011 is R\$ 31,305,331 (December 31, 2010 - R\$ 26,156,567) and its shares have no par value. Preferred shares are not entitled to vote and are not convertible into common shares, however, they have priority in capital reimbursement and dividend distribution at the annual rates of 8% for Class "A" shares (subscribed until June 23, 1969) and 6% for Class "B" shares (subscribed as of June 24, 1969), calculated over capital corresponding to each class of share.

The capital stock is represented by 1,352,634,100 book-entry shares and is distributed by main stockholders and by classes of share, as follows:

STOCKHOLDER	COMMON		PREFERRED			TOTAL CAPITAL	
	AMOUNT	%	A Series	B Series	%	AMOUNT	%
Federal Government	552,968,382	50.87	-	832	0.00	552,969,214	40.88
BNDESPAR	180,757,950	16.63	-	18,691,102	7.04	199,449,052	14.75
BNDES*	76,338,832	7.02	-	18,262,671	6.88	94,601,503	6.99
FND**	45,621,589	4.20	-	-	-	45,621,589	3.37
CEF***	8,701,564	0.80	-	-	-	8,701,564	0.64
FGHAB	1,000,000	0.09	-	-	-	1,000,000	0.07
FGI	-	-	-	8,750,000	3.30	8,750,000	0.65
FGO	-	-	-	468,600	0.18	468,600	0.03
Others	221,661,980	20.39	146,920	219,263,678	82.60	441,072,578	32.62
	<u>1,087,050,297</u>	<u>100.00</u>	<u>146,920</u>	<u>265,436,883</u>	<u>100.00</u>	<u>1,352,634,100</u>	<u>100.00</u>

* The stockholder BNDES sold 5,968,400 common shares between April 6 and April 26, 2011.

** The stockholder FND was extinguished, pursuant to Provisional Measure 507/10. After inventory process, 30,058,641 shares will be transferred to the Federal Government.

*** The stockholder CEF accumulated the sale of 542,900 Class B preferred shares in the period between March and June, 2011.

Out of the total of 441,072,052 shares held by minority stockholders, 304,273,002 shares, i.e., 68.98% are owned by non-resident investors, 159,945,824 are common shares, 28 are Class A preferred shares and 109,179,269 are Class B preferred shares.

Out of the total participation of stockholders domiciled abroad, 76,105,586 common shares and 35,147,881 Class B preferred shares are held under custody, backing the American Depository Receipts Program - ADRs. On June 30, 2011, the share equity value is R\$ 55.03 (December 31, 2010 - R\$ 62.29)

II - Capital Reserves

	CONSOLIDATED	
	6/30/2011	12/31/2010
Offset of insufficient remuneration - CRC	18,961,102	18,961,102
Premium on issue of shares	3,384,310	3,384,310
Special - Decree-law No. 54.936/1964	387,419	387,419
Monetary adjustment to the 1978 opening balance sheet	309,655	309,655
Monetary adjustment of the compulsory loan- 1987	2,708,432	2,708,432
Donations and subsidies - FINOR, FINAM and others	297,424	297,424
	<u>26,048,342</u>	<u>26,048,342</u>

III - Revenue Reserves

The Company's By-laws provide for the allocation of 50% of net income for the year to create an investments reserve, 1% for the Studies and Projects Reserve, and 1% for assistance benefits for employees, limited to 75% and 2% of the capital stock, for the first two, respectively:

	CONSOLIDATED	
	6/30/2011	12/31/2010
Legal (Article 193 - Law No. 6.404/1976)	2,046,389	2,046,388
Statutory (Article 194 - Law No. 6.404/1976)	14,553,115	14,758,464
Additional Proposed Dividends(*)	-	753,201
	<u>16,599,503</u>	<u>17,558,053</u>

*The 51st Annual Stockholders' Meeting held on June 16, 2011 approved the payment of additional dividends proposed in the financial statements of December 31, 2010.

NOTE 34 - EARNINGS PER SHARE**(a) Basic**

Basic earnings per share are calculated by dividing the net income attributable to the stockholders of the Company, by the weighted average amount of common shares issued during the year, excluding common shares acquired by the Company and held as treasury stock.

	12/31/2010			
	Common	Preferred A	Preferred B	Total
Numerator				
Net income attributable to each class of shares	1,544,746	251	387,775	1,932,771
Preferred dividends		272	314,870	315,142
	1,544,746	522	702,645	2,247,913
Denominator	Common	Preferred A	Preferred B	Total
Weighted average amount of shares	905,024	147	227,187	1,132,357
% of shares in relation to the total	80%	0.01%	20%	100%
Basic earnings per share (R\$)	1.71	3.55	3.09	

(b) Diluted

Diluted earnings per share are calculated by adjusting the weighted average quantity of outstanding common shares, to presume conversion of all potentially diluted common shares. The Company has only one category of potentially diluted common shares: convertible debt. It is assumed that the convertible debt was converted into common shares and that net income is adjusted to eliminate the financial expense net of the tax effect.

	12/31/2010			
	Common	Preferred A	Preferred B	Total
Numerator				
Net income attributable to each class of shares	1,544,625	251	391,308	1,936,183
Preferred dividends		272	314,870	315,142
	1,544,625	522	706,178	2,251,325
Denominator	Common	Preferred A	Preferred B	Total
Weighted average amount of shares	905,024	147	227,187	1,132,357
Compulsory loan	-	-	2,088	2,088
	905,024	147	229,274	1,134,445
% of shares in relation to the total	80%	0%	20%	100%
Diluted earnings per share (R\$)	1.71	3.55	3.08	

NOTE 35 - NET OPERATING REVENUE

	CONSOLIDATED	
	6/30/2011	6/30/2010
a) GENERATION		
Trading	-	-
Energy Supply/Sale	9,201,636	8,876,088
Financial asset/Itaipu transfer of energy*	694,658	(234,857)
OTHERS	-	-
B) TRANSMISSION		
Construction revenue	1,114,262	989,635
Operation and maintenance revenue	817,992	637,039
Return rates adjustment - transmission	1,232,257	1,220,536
c) DISTRIBUTION		
Supply	1,872,580	1,816,678
Construction revenue	381,348	297,953
Operation and maintenance revenue	18,506	9,479
Others revenues	535,532	482,598
TOTAL	<u>15,868,771</u>	<u>14,095,149</u>
DEDUCTIONS TO OPERATING REVENUES		
Global Reversion Reserve - RGR	280,812	258,433
Fuel Consumption Account - CCC	295,863	193,679
Energy Development Account - CDE	48,193	48,636
Renewable Energy Sources Incentive Program - PROINFA	67,433	84,314
ICMS	511,177	495,241
PASEP and COFINS	949,821	822,924
Others deductions	123,207	115,990
	<u>2,276,506</u>	<u>2,019,217</u>
Electricity operations results	<u>13,592,265</u>	<u>12,075,932</u>
Net operating revenue	<u>13,592,265</u>	<u>12,075,932</u>

(*) See table below

	Consolidated	
	6/30/2011	6/30/2010
Electric power operations	(4,276,093)	(2,450,895)
Energy purchased for resale	3,613,840	2,686,639
Default charges	(32,405)	(887)
Total result	<u>(694,658)</u>	<u>234,857</u>

I - Income from investments in subsidiaries

	CONSOLIDATED	
	6/30/2011	6/30/2010
Investments in subsidiaries		
Equity in results	-	-
Return on capital - ITAIPU	30,664	32,686
	<u>30,664</u>	<u>32,686</u>
Investments in associated companies		
Equity in results	301,437	223,289
Other investments	56,461	49,954
	<u>388,562</u>	<u>305,928</u>

NOTE 36 - PERSONNEL, SUPPLIES AND SERVICES

	CONSOLIDATED	
	6/30/2011	6/30/2010
Personnel	2,628,880	2,237,553
Supplies	133,446	122,705
Services	896,806	878,037
	<u>3,659,132</u>	<u>3,238,295</u>

NOTE 37 - ENERGY PURCHASED FOR RESALE AND USE OF ELECTRICITY GRID

	CONSOLIDATED	
	6/30/2011	6/30/2010
Provision	498,088	519,194
Supply	826,958	601,624
Use of network	668,389	796,526
CCEE (Electricity Trading Chamber)	386,846	571,016
Others	6,568	853
	<u>2,386,849</u>	<u>2,489,213</u>

NOTE 38 - OPERATING PROVISIONS

	CONSOLIDATED	
	6/30/2011	6/30/2010
Sureties	19,133	-
Contingencies	254,260	237,211
PCLD - Consumers and Resellers	320,430	247,387
PCLD - Loans and Financing	-	-
PCLD - ICMS Credits	2,382	10,656
Losses on the realization of AFAC - advances for future capital increase	-	-
Unsecured liability in subsidiaries	-	-
Investment losses- sundry	-	405,915
Impairment	409,000	-
Others	(63,326)	14,519
	<u>941,879</u>	<u>915,688</u>

NOTE 39 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

1 - Resource Management

1.1 - Capital Management

The Company's objectives in managing its capital are safeguarding the continuity capability of the Company to offer returns to the stockholders and benefits to other stakeholders, in addition to pursuing an ideal capital structure to mitigate this cost.

In order to maintain or adjust the capital structure, the Company may review its dividend payment policy, return capital to stockholders or, yet, issue new shares or sell assets to reduce, for example, its level of indebtedness.

Consistent with other companies in the sector, the Company monitors capital based on the financial leverage ratio. This ratio corresponds to net debt divided by total capital. Net debt corresponds to total loans (including short and long-term loans, as shown in the consolidated balance sheet), less the amount of cash and cash equivalents. Total capital is calculated through the sum of stockholders' equity, as shown in the consolidated balance sheet, with net debt.

In 2011, the Company's strategy, which remained unchanged in relation to 2010, was maintaining the financial leverage ratio between 7% and 20%. The financial leverage ratios on June 30, 2011 and 2009 can be summarized as follows:

	6/30/2011	12/31/2010
Total Loans	33,705,671	33,138,436
(-) Cash and cash equivalents	8,937,297	9,220,169
Net Debt	24,768,374	23,918,267
(+) Total stockholders' equity	76,278,310	70,530,410
Total Capital	101,046,684	94,448,677
Financial leverage ratio	25%	25%

2 - Financial Instruments

The financial instruments of the Company are classified in categories of financial assets and liabilities, which contemplate, also, derivative instruments.

2.1 - Financial Assets - classified in the following categories:

- a) Cash and cash equivalents: held for trading in the short-term and measured at fair value, with their effects being directly recognized in the income statement.
- b) Marketable securities: those with defined maturities and for which the Company has the intention to hold to maturity. They are recorded at acquisition cost plus interest and monetary restatement, with effects on the income statement. These instruments are adjusted to the probable realization value, where applicable. Financial investments are held for trading in exclusive investment funds, according to regulations in force.
- c) Consumers and resellers: are recorded by their face value, similar to fair values and probable realization values.
- d) Renegotiated credits: these assets are recorded under the assumption that they are intended to be held to maturity, by their fair values and probable realizable values.

- e) Financing and loans granted: financial assets with fixed or determinable receivables, measured at amortized cost, using the effective interest rate method.
- f) Financial assets of the concession: financial assets representing the unconditional right to receive a certain amount at the end of the term of concession. They are classified as loans and receivables.

Financing is restricted to public electricity utility concessionaires, thus, the market rate (or the Company's opportunity cost of capital) is defined by it, taking into account the risk premium compatible with sector activities. If it is not possible to seek alternatives other than the electricity sector itself, the present value of these loans corresponds to its book value.

On June 30, 2011, the Company had 811 loans and financing agreements (813 on December 31, 2010), amounting to R\$ 8,894,421 (R\$ 9,659,440 on December 31, 2010) as follows:

Currency	US\$	%	R\$
U.S. dollar	3,272,374	57.43	5,108,503
Real	2,425,160	42.57	3,785,918
Total	<u>5,697,533</u>	<u>100.00</u>	<u>8,894,421</u>

- g) Derivatives are measured at fair value and their effects are directly recognized in the income statement.

On June 30, 2011, there were no portfolio derivative financial instruments of the Company or its direct subsidiaries. Likewise, there were no operations with derivatives in the fiscal year ended December 31, 2010. Derivative operations are stated in some Special Purpose Entities related to swap operations linked to specific loans or cash flow hedges related to forward purchase of supplies to be used in the construction of assets.

3 - Financial hedge policy

Eletrobras is exposed to financial risks causing volatility in its financial statements as well as in its cash flows. The Company presents relevant mismatch between assets and liabilities indexed to foreign currency, especially to the U.S. dollar, arising mainly from loan agreements with Itaipu Binacional. Additionally, there are exposures to the Libor interest rate, related to foreign funding contracts.

In this context, Eletrobras' Financial Hedge Policy was approved. The objective of the current policy is to pursue the mitigation of the exposure to the market variables that may have an impact on the assets and liabilities of the Company and its subsidiaries, thus reducing the undesirable fluctuation effects of these variables in the Financial Statements.

This said, the aforementioned policy aims at having the Company's results faithfully reflect its real operational performance and having its projected cash flow present less volatility.

Along with the policy, the creation of a Financial Hedge Committee, within the scope of the Financial Management, was approved, having as its main duty the defining of the hedge strategies and instruments to be presented to Eletrobras' Board of Executive Officers.

Taking into account the different forms of realizing the hedge of mismatches presented by the Company, the policy lists a scale of priorities. Firstly, there would be the structural solution, and, just in residual cases, operations with derivative financial instruments would be adopted.

The operations with financial derivatives will only be carried out exclusively at protecting the indexed assets and liabilities of the Company and its subsidiaries that present any mismatch, and may not be characterized as financial leverage or granting of credit to third parties.

In 2009, a new Mandate for Derivative Operations was approved, which had its scope enlarged, comprising, in addition to currency mismatches, exposures to interest rates.

The Company has been developing studies and discussing, through the Financial Hedge Committee, the execution of interest rate swap operations, aiming at neutralizing the volatility of the funding agreements executed at the 6-month Libor rate. These operations comprise a notional value of approximately US\$700 million and maturities ranging from 2015 to 2020. The expectation is that these operations are carried out in 2011.

Besides the Libor swap operation, exchange hedge strategies were analyzed in 2010 and may be implemented in 2011. According to the Financial Hedge Policy, the analysis of structural solutions has been prioritized and new external funding opportunities have been analyzed as an important tool for mitigating the active foreign currencies exposures.

Operations with derivatives, when carried out in the over-the-counter market, contain counterparty risks that, in view of the problems presented by financial institutions in 2008 and 2009, become relevant. With the intention of mitigating this risk, Eletrobras established a rule regarding the accreditation of financial institutions for the purposes of executing derivative operations. This rule defines criteria regarding size, rating and expertise in the derivatives market, so that the institutions that may carry out operations with Eletrobras can be selected.

Moreover, the Company has developed an exposure control methodology for the accredited companies, which defines the limits to the volume of operations to be carried out with each one of them.

A contractual amendment regarding guarantee margins has been discussed, which will be a previous condition for carrying out any operation of this nature. Through this contractual instrument, the counterparty risk exposure will be substantially reduced throughout the life of operations with derivatives.

4 - The subsidiary Eletronorte has signed, in 2004, long-term electricity supply contracts for three of its major customers. These long-term contracts are associated to an international aluminum price, quoted on the London Metal Exchange (LME), as a basic asset for purposes of defining the monthly values of the contracts.

Details of the contracts are as follows:

Customer	Dates of contract		Average volume - megawatt
	Initial	Maturity	
Albrás	7/1/2004	12/31/2024	750 MW - until 12/31/2006
Alcoa	7/1/2004	12/31/2024	800 MW - as of 1/1/2007
BHP	7/1/2004	12/31/2024	From 304.92 MW to 328 MW
			From 353.08 MW to 492 MW

These contracts include the concept of cap and floor band related to the aluminum price quoted on the LME. The maximum and minimum price limit of LME is limited to US\$ 2,773.21/tonne and US\$1,450/tonne, respectively.

The Company does not operate with other derivative operations except for those mentioned in this Note.

This six-month period, the subsidiary company Eletronorte recognized the amount of R\$ 13,152 referring to the embedded derivatives effects on the contracts mentioned above, and its corresponding entry is recorded in other comprehensive income (ORA) under Shareholders' Equity.

5 - Financial Assets - classified in the following categories:

- a) Suppliers: these are measured at fair market value and amortized basically by the amortized cost method.
- b) Loans and financing: are measured at amortized cost, using the effective interest rate method. In this classification of financial liability it is worth mentioning loans and financing obtained with financial institutions, especially abroad, and sector funds, especially the Global Reversion Reserve - RGR. The market values of loans and financing obtained are equivalent to their book values.

Funds raised are comprised by loans contracted with multilateral international agencies (IDB, IRDB, CAF), not being feasible to cash them at a rate different from that established in the Brazilian debt contract. Other loans are raised at market rates, enabling the book value to approximate its present value.

The Company ended the first six months of 2011 with 14 liability contracts, amongst loans, financings and bonds, in the total amount of R\$ 12,898,776 (R\$ 13,891,263 on December 31, 2010), as shown below:

Currency	US\$ (equivalent)	%	R\$
U.S. dollar	8,094,704	97.09	12,503,889
EURO	38,881	0.47	95,565
YEN	203,505	2.44	299,322
Total	8,337,089	100.00	12.898.776

Compulsory loan extinguished by Law No. 7.181 of December 20, 1993, could only be collected up to December 31, 1993. Currently, Eletrobras manages the residual balance of the Compulsory Loans, adjusting it based on the IPCA-E and remunerated at the annual interest rate of 6%, with a defined redemption period.

6 - Financial Risk Management:

In carrying out its activities, the Company is impacted by risk events that may jeopardize its strategic objectives. The main objective of risk management is anticipating and mitigating the adverse effects of these events in the business and economic-financial results of the Company.

For financial risk management, the Company defined operational and financial policies and strategies, approved by internal committees and by the Management, aimed at granting liquidity, safety and profitability to its assets and maintaining the indebtedness levels and debt profile defined for its economic-financial flows.

The main financial risks identified in the risk management process are:

6.1 - Exchange rate risk

This risk arises from the possibility of the Company having its economic-financial statements impacted by fluctuations in exchange rates.

The Company shows relevant mismatch between assets and liabilities indexed to the foreign currency, especially the U.S. dollar, in an asset position, in the amount of R\$ 4,322 (R\$ 4,455 on December 31, 2010), mainly deriving from loan agreements granted to the subsidiary Itaipu Binacional, principal of which is fully recognized in the balance sheet, causing volatility in its results and cash flows.

6.2 - Interest rate risk

This risk is associated to the possibility that the Company accounts for losses due to changes in the market interest rates, impacting its statements by increasing financial expenses related to foreign funding agreements, mainly referred to Libor.

6.3 - Commodity Risk

The subsidiary Eletronorte has signed, in 2004, long-term electricity supply contracts for three of its major customers. These long-term contracts are associated to an international aluminum price, quoted on the London Metal Exchange (LME), as a basic asset for purposes of defining the monthly values of the contracts.

Details of the contracts are as follows:

Customer	Dates of contract		Average volume - megawatt
	Initial	Maturity	
Albrás	7/1/2004	12/31/2024	750 MW - until 12/31/2006 800 MW - as of 1/1/2007
Alcoa	7/1/2004	12/31/2024	From 304.92 MW to 328 MW
BHP	7/1/2004	12/31/2024	From 353.08 MW to 492 MW

These contracts include the concept of cap and floor band related to the aluminum price quoted at LME. The maximum and minimum price limit of LME is limited to US\$ 2.773,21/tonne and US\$ 1.450/tonne.

Until 2004, the prices for electricity supply arising from the generation activity were established by ANEEL. Since the auction 001/2004, conducted by the Regulatory Agency, generators started to trade their electricity with a larger number of customers, at prices defined by the market. The electricity transmission activity has its remuneration defined by ANEEL, by establishing the Annual Allowed Revenue - RAP, deemed to be sufficient to cover the operating costs and to maintain the economic-financial breakeven of the concession.

6.4 - Credit Risk

This risk arises from the possibility of the Company and its subsidiaries incurring in losses resulting from difficulties to realize their receivables from customers, as well as default of financial institutions acting as counterparties in operations.

The Company, through its subsidiaries, operates in the electricity generation and transmission markets, supported by agreements executed in a regulated framework. The Company seeks to minimize its credit risks by means of sureties mechanisms involving receivables from their customers and bank guarantees, where applicable. In the distribution segment, the Company, through its subsidiaries, follows the default levels by analyzing the particularities of its customers. Additionally, there are negotiations to enable the receipt of past due credits.

Cash availabilities are applied in an exclusive extra-market fund, according to a specific rule of the Central Bank of Brazil. This fund is fully comprised of public securities indexed by the Selic, without exposure to counterparty risk.

In eventual relations with financial institutions, the Company's policy is to operate with low-risk institutions evaluated by rating agencies, in compliance with equity requirements previously defined and formalized. Additionally, the defined credit limits are periodically reviewed.

6.5 - Liquidity Risk

The liquidity needs of the Company are a responsibility of the areas of treasury and funding, which operate aligned, permanently monitoring the short, medium and long-term cash flows, forecasted and realized, seeking to avoid possible mismatches and resulting financial losses and ensuring the liquidity requirements for operational needs.

The table below analyses non-derivative financial liabilities of the Group by maturity, corresponding to the remaining period in the balance sheet until the contractual maturity date. The amounts disclosed in the table are the contracted undiscounted cash flows.

Consolidated				
06/30/2011				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Loans and financing	1,490,750	2,408,545	4,320,895	8,272,881
Financial leasing liabilities	120,485	240,933	361,400	1,092,214
Compulsory loan	179,128	197,936	267,062	-
Suppliers	5,270,678	1,767,067	1,767,067	-
Advances for future capital increase	1,009,501	441,111	-	-
Concessions payable - UBP	724	2,461	11,212	200,560
12/31/2010				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Loans and financing	1,868,466	455,637	2,865,163	27,949,170
Financial leasing liabilities	120,485	240,933	361,400	1,092,214
Compulsory loan	174,166	192,453	259,664	-
Suppliers	5,563,938	2,081,548	2,061,540	-
Advances for future capital increase	639,278	-	-	-
Concessions payable - UBP	-	1,313	10,118	150,133

7 - Sensitivity Analysis (Unaudited)

In the following charts, scenarios for indexes and rates were considered, with their respective impacts on the Company's results. For the sensitivity analysis, forecasts and/or estimates fundamentally based on macroeconomic assumptions obtained from the Focus Report, disclosed by the Central Bank and Economic Outlook 86, published by OECD were used as a likely scenario for the end of 2011.

Sensitivity analyses of the loans and financing agreements granted were carried out in four different scenarios: two of them with an increase in the outstanding balance indexing currencies and two with a decrease in these indexing currencies. The analyses were limited to the agreements granted that presented exposure to the exchange rate and prices index.

Depreciation of the indexes

Currency (Risk)	Balance US\$	Balance R\$	Probable 2011	Scenario I (-25%)	Scenario II (-50%)	Scenario I (-25%)	Scenario II (-50%)
Dollar (R\$/US\$)	7,203,546	11,245,455	1.60	1.2000	0.8000	8,644,255	5,762,837
IGP-M	422,874	660,148	2.92%	2.19%	1.46%	674,620	669,796
EURO(R\$/€)	61,210	95,555	2.2760	1.7070	1.1380	73,452	48,968
Yen(R\$/¥)	229,294	357,951	0.0198	0.0148	0.0099	275,153	183,435
TOTAL	7,916,924	12,359,109				9,667,480	6,665,036

Appreciation of the indexes

Currency (Risk)	Balance US\$	Balance R\$	Probable 2011	Scenario I (+25%)	Scenario II (+50%)	Scenario I (+25%)	Scenario II (+50%)
Dollar (R\$/US\$)	7,203,546	11,245,455	1.60	2.0000	2.4000	14,407,092	17,288,510
IGP-M	422,874	660,148	2.92%	3.65%	4.38%	684,269	689,093
EURO(R\$/€)	61,210	95,555	2.2760	2.8450	3.4139	122,420	146,904
Yen(R\$/¥)	229,294	357,951	0.0198	0.0247	0.0296	458,588	550,306
TOTAL	7,916,924	12,359,109				15,672,369	18,674,813

Sensitivity analyses of the loans and financing agreements granted were carried out in four different scenarios: two of them with an increase in the outstanding balance indexing currencies and two with a decrease in these indexing currencies. The analyses were limited to the agreements granted that presented exposure to the exchange rate and prices index.

Depreciation of the indexes

Currency (Risk)	Balance US\$	Balance R\$	Probable 2011	Scenario I (-25%)	Scenario II (-50%)	Scenario I (-25%)	Scenario II (-50%)
Dollar (R\$/US\$)	3,027,897	4,726,849	1.60	1.2000	0.8000	3,633,476	2,422,318
EURO(R\$/€)	61,216	95,564	2.2760	1.7070	1.1380	73,459	48,973
Yen(R\$/¥)	191,738	299,322	0.0198	0.0148	0.0099	230,086	153,390
TOTAL	3,280,851	5,121,735				3,937,021	2,624,681

Appreciation of the indexes

Currency (Risk)	Balance US\$	Balance R\$	Probable 2011	Scenario I (+25%)	Scenario II (+50%)	Scenario I (+25%)	Scenario II (+50%)
Dollar (R\$/US\$)	3,027,897	4,726,849	1.60	2.0000	2.4000	6,055,794	7,266,953
EURO(R\$/€)	61,216	95,564	2.2760	2.8450	3.4139	122,432	146,918
Yen(R\$/¥)	191,738	299,322	0.0198	0.0247	0.0296	383,476	460,171
TOTAL	3,280,851	5,121,735				6,561,702	7,874,042

Susceptibility analyses of the regulatory asset arising from the trading of Itaipu Binacional's electricity were carried out. The analysis was limited to the variation in the real - U.S. dollar exchange rate,

including two scenarios where there is a currency appreciation of 25% and 50% and two scenarios where there is a currency depreciation of 25% and 50%.

Depreciation of Indexes of the Right to Trade Electricity of Itaipu:

Currency (Risk)	Balance US\$	Balance R\$	Probable 2011	Scenario I (-25%)	Scenario II (-50%)	Scenario I (-25%)	Scenario II (-50%)
Dollar (R\$/US\$)	2,074,758	3,238,905	1.60	1.2000	0.8000	2,489,710	1,659,806

Appreciation of Indexes of the Right to Trade Electricity of Itaipu:

Currency (Risk)	Balance US\$	Balance R\$	Probable 2011	Scenario I (+25%)	Scenario II (+50%)	Scenario I (+25%)	Scenario II (+50%)
Dollar (R\$/US\$)	2,074,758	3,238,905	1.60	2.0000	2.4000	4,149,516	4,979,419

The susceptibility analyses were elaborated as established by CVM Rule No. 475/2008, aiming at measuring the impact of the changes in the market variables on each of the Company's financial instruments. Therefore, there are projections based on the evaluation of macroeconomic scenarios and not signifying that the transactions will have the values presented in the considered analysis term.

8 - Fair Value Estimate

It is assumed that the balances of accounts receivable from customers and accounts payable to suppliers at book value, less PCLD, are close to their fair values. The fair value of financial liabilities, for disclosure purposes, is estimated by discounting the future contractual cash flows by the market interest rate, available for the Company for similar financial instruments.

The Company uses the following hierarchy to determine and disclose the fair value of financial instruments by the valuation technique:

	Consolidated			
	6/30/2011			
	Level 1	Level 2	Level 3	Total
Marketable securities	-	-	6,574,805	6,574,805
Derivatives designated as hedge	-	567,763	-	567,763
Founders' shares	200,263	-	-	200,263
Equity instruments	1,603	1,129	-	2,732
- Financial assets available for sale	1,562,801	-	60,660	1,623,461
Total assets	1,764,667	568,892	6,635,465	8,969,024
Liabilities				
Loans and financing	15,753,147	9,035,915	-	24,789,062
Derivatives designated as hedge	-	547,001	-	547,001
Total liabilities	15,753,147	9,582,916	-	23,336,063

Consolidated				
12/31/2010				
	Level 1	Level 2	Level 3	Total
Assets				
Marketable securities	362,365	-	7,181,613	7,543,978
Stated at fair value in the income statement	(2,038)	-	540,072	538,034
Derivatives designated as hedge	-	582,404	-	582,404
Founders' shares	194,761	-	-	194,761
Equity instruments	1,548	-	-	1,548
- Financial assets available for sale	1,610,908	-	52,410	1,663,318
Total assets	2,167,544	582,404	7,774,095	10,524,043
Liabilities				
Loans and financing	14,507,793	-	-	14,507,793
Derivatives designated as hedge	-	540,540	-	540,540
Total liabilities	14,507,793	540,540	-	15,048,333

Financial assets and liabilities registered at fair value will be classified and disclosed according to the following levels:

Level 1 - quoted prices (unadjusted) in active markets, liquid and visible for identical assets and liabilities accessible on the measurement date;

Level 2 - quoted prices (may be adjusted or not) for similar assets or liabilities in active markets, other entries not observable in level 1, directly or indirectly, in the terms of the asset or liability, and

Level 3 - assets and liabilities whose prices do not exist or that these prices or valuation techniques are supported by a small or non-existing market, not observable or not liquid. At this level, the fair value estimate becomes highly subjective.

The fair value of financial instruments traded in active markets (such as securities held for trading and available for sale) is based on market prices quoted on the balance sheet date. A market is seen as active if the quoted prices are readily and regularly available from a Stock Exchange, a distributor, a broker, an industry group, a pricing service or regulatory agency, and those prices represent real market transactions occurring regularly on a purely commercial basis.

The market price quoted used for financial assets held by the Company is the current competing price. These instruments are included in Level 1. Instruments included in Level 1 comprise, mainly, equity investments of the FTSE 100 classified as negotiable securities or available for sale.

The fair value of financial instruments not negotiated in active markets (for example, OTC derivatives) is determined using valuation techniques. These valuation techniques maximize the use of data adopted by the market where it is available and the least trust possible in the entity's specific estimates. If all relevant information required for the fair value of an instrument is adopted by the market, the instrument will be included in Level 2.

If one or more relevant information is not based on data adopted by the market, the instrument will be included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Market prices quoted or quotations from financial institutions or brokers for similar instruments.
- The fair value of interest rate swaps is calculated at the present value of the estimated future cash flows based on the yield curves adopted by the market.
- The fair value of future exchange contracts is determined based on future exchange rates on the balance sheet date, with the resulting value discounted to present value.
- Other techniques, such as analysis of discounted cash flows, are used to determine the fair value for the remaining financial instruments.

NOTE 40 - BUSINESS SEGMENT INFORMATION

Operational segments are defined as business activities from which it is possible to obtain revenues and incur expenses, over which operational decisions are made. The main operational decision maker, responsible for allocating funds and for appraising the performance of operational segments is the Board of Directors, which is also responsible for the Company's strategic decision making.

The Board of Directors evaluates the performance of operational segments based on net income measurement.

Business segment information, corresponding to the fiscal periods ended June 30, 2011 and 2010, are as follows:

SEGMENT RESULTS					
6/30/2011					
	Administration	Generation	Transmission	Distribution	Total
Net Operating Revenue	29,316	8,628,556	3,044,958	1,889,435	13,592,265
Operating Expenses	-569,487	-6,411,600	-2,592,290	-1,326,038	-10,899,415
Operating Income Before Financial Results	-540,171	2,216,956	452,668	563,397	2,692,850
Financial Results	-63,139	-775,579	-115,859	-10,179	-964,756
Income from investment in subsidiaries	326,522	8,389	53,651	-	388,562
Income Tax/Social Contribution	110,678	-485,588	-103,067	-2,746	-480,723
Non-Controlling Interest	-24,740	-	-	-	-24,740
Net income for the Year	-190,850	964,178	287,393	550,472	1,611,193
6/30/2010					
	Administration	Generation	Transmission	Distribution	Total
Net Operating Revenue	20,802	7,628,305	2,719,575	1,707,250	12,075,932
Operating Expenses	-831,268	-6,087,658	-2,285,446	-1,076,122	-10,280,494
Operating Income Before Financial Results	-810,466	1,540,647	434,129	631,128	1,795,438

Financial Results	952,940	-434,379	-86,990	-5,179	426,392
Income from investment in subsidiaries	295,684	29,243	-18,999	-	305,928
Income Tax/Social Contribution	-341,907	-408,926	-193,701	-	-944,534
Non-Controlling Interest	-7,953	-	-	-	-7,953
Net income for the Year	<u>88,298</u>	<u>726,585</u>	<u>134,439</u>	<u>625,949</u>	<u>1,575,271</u>

Sales between segments were executed as sales on an arm's length basis. Revenues from external parties was measured consistently with the one reported in the income statement.

NOTE 41 - RELATED PARTIES TRANSACTIONS

The final parent company of Eletrobras is the Federal Government, holding 41.59% of the Company's common and preferred shares (Note 38).

The transactions of Eletrobras with its subsidiaries and special-purpose entities are carried out at prices and under conditions compatible with those practiced in the market. Among the main operations that took place with related parties, highlighted are the loans and financing granted which were established under market conditions and/or according to specific laws. Other operations were also made under normal market conditions.

Also, there are no operations with individuals deemed as related parties, except for stockholders.

	CONSOLIDATED		
	<u>ASSETS</u>	<u>LIABILITIES</u>	<u>RESULT</u>
FEDERAL GOVERNMENT			
Consumers and resellers	3,516	-	-
Other revenues	-	-	6,373
	<u>3,516</u>	<u>-</u>	<u>6,373</u>
REAL GRANDEZA			
Other assets	193	-	-
Social security contributions	-	(15,382)	-
Actuarial debt contracts	-	(165,040)	-
Other liabilities	-	34,494	-
Actuarial expenses	-	-	(86,422)
Financial expenses	-	-	(38,227)
Other expenses	-	-	(21,128)
Administrative expenses contributions	-	-	723
	<u>193</u>	<u>(145,928)</u>	<u>(145,054)</u>
NUCLEOS			
Social security contribution	-	2,332	-
Regular contributions from supporting entity	-	-	3,160
	<u>-</u>	<u>2,332</u>	<u>3,160</u>

CONSOLIDATED			
	<u>ASSETS</u>	<u>LIABILITIES</u>	<u>RESULT</u>
RS ENERGIA			
Accounts receivable	312	-	-
Interest on capital / dividends receivable	2,523	-	-
Advances for future capital increase	23,258	-	-
Permanent equity interest	142,046	-	-
Equity in the results of investees	-	-	1,454
Equity in investees (YTD)	2,820	-	-
Other revenues	-	-	6
	<u>170,959</u>	-	<u>1,460</u>
UIRAPURU			
Accounts receivable	9,210	-	-
Interest on capital / dividends receivable	2,695	-	-
Permanent equity interest	19,601	-	-
Equity in investees (YTD)	4,869	-	-
Equity in the results of investees	-	-	1,725
Services revenues	-	-	48
Other revenues	-	-	180
	<u>36,375</u>	-	<u>1,953</u>
ARTEMIS			
Accounts receivable	468	-	-
Interest on capital / dividends receivable	8,330	-	-
Permanent equity interest	68,469	-	-
Equity in investees (YTD)	6,052	-	-
Equity in the results of investees	-	-	4,389
Services revenues	-	-	496
Other revenues	-	-	25
	<u>83,319</u>	-	<u>4,910</u>
PORTO VELHO			
Accounts receivable	773	-	-
Interest on capital / dividends receivable	-	-	-
Permanent equity interest	190,293	-	-
Equity in investees (YTD)	5,494	-	-
Equity in the results of investees	-	-	3,028
Other revenues	-	-	27
	<u>196,560</u>	-	<u>3,055</u>

CONSOLIDATED			
NORTE BRASIL	ASSETS	LIABILITIES	RESULT
Permanent equity interest	17,161	-	-
Equity in investees (YTD)	(7,365)	-	-
Equity in the results of investees	-	-	1,696
	9,796	-	1,696
ETAU			
Accounts receivable	55	-	-
Interest on capital / dividends receivable	2,834	-	-
Permanent equity interest	9,567	-	-
Equity in investees (YTD)	7,335	-	-
Equity in the results of investees	-	-	410
Services revenues	-	-	326
Other revenues	-	-	3
	19,791	-	739
ESBR			
Permanent equity interest	466,341	-	-
Equity in investees (YTD)	(9,296)	-	-
Equity expenses	-	-	(1,352)
	457,045	-	(1,352)
CERRO CHATO I			
Accounts receivable	3	-	-
Advances for future capital increase	41,310	-	-
Permanent equity interest	180	-	-
Equity in investees (YTD)	(180)	-	-
Revenues from electric network usage	-	-	8
Other revenues	-	-	4
	41,313	-	12
CERRO CHATO II			
Accounts receivable	2	-	-
Advances for future capital increase	40,860	-	-
Permanent equity interest	180	-	-
Equity in investees (YTD)	(180)	-	-
Revenues from electric network usage	-	-	1
Other revenues	-	-	4
	40,862	-	5
CERRO CHATO III			

CONSOLIDATED			
	<u>ASSETS</u>	<u>LIABILITIES</u>	<u>RESULT</u>
Accounts receivable	9	-	-
Advances for future capital increase	74,790	-	-
Permanent equity interest	180	-	-
Equity in investees (YTD)	(180)	-	-
Other revenues	-	-	4
	<u>74,799</u>	-	<u>4</u>
TELES PIRES			
Advances for future capital increase	19,748	-	-
Equity in investees (YTD)	(19)	-	-
Equity in the results of investees	-	-	(19)
	<u>19,729</u>	-	<u>(19)</u>
INTEGRAÇÃO			
Equity in investees (YTD)	3,259	-	-
Equity in the results of investees	-	-	947
	<u>3,259</u>	-	<u>947</u>
ELOS			
Social security contributions	-	2,797	-
Actuarial debt contracts	-	55,210	-
	-	<u>58,007</u>	-
FACHESF			
Social security contributions	-	7,562	-
Actuarial debt contracts	-	325,964	-
Financial expenses	-	-	(21,826)
Operating expenses	-	-	(5,298)
	-	<u>333,526</u>	<u>(27,124)</u>
NORTE ENERGIA			
Permanent equity interest	174,091	-	-
Equity valuation adjustment - associated companies	-	(34)	-
Equity in the results of investees	-	-	456
	<u>174,091</u>	<u>(34)</u>	<u>456</u>
TDG			
Permanent equity interest	14,517	-	-
Equity in the results of investees	-	-	1,499
	<u>14,517</u>	-	<u>1,499</u>
MANAUS TRANSMISSÃO			

CONSOLIDATED			
	<u>ASSETS</u>	<u>LIABILITIES</u>	<u>RESULT</u>
Accounts receivable	74	-	-
Permanent equity interest	23,154	-	-
Other comprehensive income	-	(3,226)	-
Services revenues	-	-	1,428
Equity expenses	-	-	(3,793)
	<u>23,228</u>	<u>(3,226)</u>	<u>(2,365)</u>
IEMADEIRA			
Permanent equity interest	245,359	-	-
Other comprehensive income	-	(1,511)	-
Services revenues	-	-	3,859
Equity in the results of investees	-	-	7,593
	<u>245,359</u>	<u>(1,511)</u>	<u>11,452</u>
MANAUS CONSTRUÇÃO			
Permanent equity interest	8,459	-	-
Equity in the results of investees	-	-	2,510
	<u>8,459</u>	<u>-</u>	<u>2,510</u>
STN			
Permanent equity interest	193,072	-	-
Suppliers	-	1,081	-
Other comprehensive income	-	(401)	-
Equity in the results of investees	-	-	18,018
Services revenues	-	-	1,013
Electric network usage charges	-	-	(5,039)
	<u>193,072</u>	<u>680</u>	<u>13,992</u>
INTESA			
Permanent equity interest	30,388	-	-
Suppliers	-	825	-
Equity in the results of investees	-	-	1,182
Equity expenses	-	-	-
Electric network usage charges	-	-	(3,992)
	<u>30,388</u>	<u>825</u>	<u>(2,810)</u>
EAPS			
Permanent equity interest	69,387	-	-
Other comprehensive income	-	(173)	-
Advances for future capital increase	-	-	-
Equity in the results of investees	-	-	8,274
	<u>69,387</u>	<u>(173)</u>	<u>8,274</u>
ESBR Part.			
Permanent equity interest	457,045	-	-

CONSOLIDATED			
	<u>ASSETS</u>	<u>LIABILITIES</u>	<u>RESULT</u>
Equity valuation adjustment - associated companies	-	(399)	-
Equity expenses	-	-	(1,356)
	<u>457,045</u>	<u>(399)</u>	<u>(1,356)</u>
SETE GAMELEIRAS			
Permanent equity interest	1,963	-	-
Equity expenses	-	-	(45)
	<u>1,963</u>	<u>-</u>	<u>(45)</u>
S. PEDRO DO LAGO			
Permanent equity interest	1,912	-	-
Equity expenses	-	-	(35)
	<u>1,912</u>	<u>-</u>	<u>(35)</u>
PEDRA BRANCA			
Permanent equity interest	1,875	-	-
Equity expenses	-	-	(42)
	<u>1,875</u>	<u>-</u>	<u>(42)</u>
BRASV. MIASSABA			
Advances for future capital increase	3,335	-	-
Permanent equity interest	(223)	-	-
Equity in the results of investees	-	-	(223)
	<u>3,112</u>	<u>-</u>	<u>(223)</u>
BRASV. EOLO			
Advances for future capital increase	2,232	-	-
Permanent equity interest	(362)	-	-
Equity in the results of investees	-	-	(364)
	<u>1,870</u>	<u>-</u>	<u>(364)</u>
ANDE			
Consumers and resellers	58,198	-	-
Other assets	10,663	-	-
Miscellaneous liabilities	-	17,722	-
Services revenues	-	-	96,967
Financial revenues	-	-	1,423
Financial expenses	-	-	150
Other expenses	-	-	(16,538)
	<u>68,861</u>	<u>17,722</u>	<u>82,002</u>
FIBRA			
Accounts payable	-	43,511	-

CONSOLIDATED			
	<u>ASSETS</u>	<u>LIABILITIES</u>	<u>RESULT</u>
Social security contributions	-	1,558	-
Financial expenses	-	-	(2,934)
Social security contributions	-	-	(8,915)
	-	45,069	(11,849)
CAJUBI			
Accounts payable	-	6,641	-
Social security contributions	-	3,189	-
Other liabilities	-	449,594	-
Financial expenses	-	-	(150)
Social security contributions	-	-	(8,772)
	-	459,424	(8,922)
ENERPEIXE			
Accounts receivable	203	-	-
Permanent equity interest	509,139	-	-
Other assets	87	-	-
Equity in the results of investees	-	-	28,119
Services revenues	-	-	2,947
Revenues from electric network usage	-	-	1,980
	509,429	-	33,046
TRANSLESTE			
Interest on capital / dividends receivable	2,402	-	-
Permanent equity interest	22,047	-	-
Suppliers	-	(114)	-
Equity in the results of investees	-	-	2,364
Electric network usage charges	-	-	(534)
	24,449	(114)	1,830
TRANSUDESTE			
Interest on capital / dividends receivable	3,326	-	-
Permanent equity interest	13,170	-	-
Other assets	30	-	-
Suppliers	-	(69)	-
Equity in the results of investees	-	-	1,418
Services revenues	-	-	59
Electric network usage charges	-	-	(330)
	16,526	(69)	1,147
TRANSIRAPÉ			
Interest on capital / dividends receivable	2,432	-	-
Permanent equity interest	10,135	-	-

CONSOLIDATED			
	<u>ASSETS</u>	<u>LIABILITIES</u>	<u>RESULT</u>
Suppliers	-	(48)	-
Equity in the results of investees	-	-	1,089
Electric network usage charges	-	-	(230)
	<u>12,567</u>	<u>(48)</u>	<u>859</u>
CENTROESTE			
Advances for future capital increase	3,527	-	-
Permanent equity interest	15,624	-	-
Other assets	50	-	-
Suppliers	-	(48)	-
Equity in the results of investees	-	-	1,903
Services revenues	-	-	250
Electric network usage charges	-	-	(223)
	<u>19,201</u>	<u>(48)</u>	<u>1,930</u>
BAGUARI			
Consumers and resellers	83	-	-
Advances for future capital increase	82,632	-	-
Permanent equity interest	4,045	-	-
Equity in the results of investees	-	-	4,044
Revenues from electric network usage	-	-	83
	<u>86,760</u>	<u>-</u>	<u>4,127</u>
RETIRO BAIXO			
Accounts receivable	2,605	-	-
Advances for future capital increase	50,210	-	-
Permanent equity interest	55,533	-	-
Equity in the results of investees	-	-	(1,092)
	<u>108,348</u>	<u>-</u>	<u>(1,092)</u>
CHAPECOENSE			
Accounts receivable	7	-	-
Consumers and resellers	470	-	-
Permanent equity interest	283,129	-	-
Equity in the results of investees	-	-	3,611
Services revenues	-	-	832
Revenues from electric network usage	-	-	2,660
	<u>283,606</u>	<u>-</u>	<u>7,103</u>
MADEIRA ENERGIA			
Permanent equity interest	294,857	-	-
Equity in the results of investees	-	-	(58,478)
Services revenues	-	-	7,055
	<u>294,857</u>	<u>-</u>	<u>(51,423)</u>

CONSOLIDATED			
	<u>ASSETS</u>	<u>LIABILITIES</u>	<u>RESULT</u>
INAMBARI			
Accounts receivable	252	-	-
Permanent equity interest	5,631		
Equity in the results of investees	-	-	(178)
	<u>5,883</u>	-	<u>(178)</u>
TRANSENERGIA RENOVÁVEL			
Advances for future capital increase	11,760	-	-
Permanent equity interest	39,597	-	-
Other assets	(1,271)	-	-
Services revenues	-	-	130
Electric network usage charges	-	-	(21)
	<u>50,086</u>	-	<u>109</u>
MGE TRANSMISSÃO			
Permanent equity interest	9,667	-	-
Other assets	42	-	-
Equity in the results of investees	-	-	1,002
Services revenues	-	-	213
	<u>9,709</u>	-	<u>1,215</u>
GOIÁS TRANSMISSÃO			
Permanent equity interest	14,173	-	-
Other assets	48	-	-
Equity in the results of investees	-	-	1,004
Services revenues	-	-	681
	<u>14,221</u>	-	<u>1,685</u>
REI DOS VENTOS			
Advances for future capital increase	2,196	-	-
Permanent equity interest	(230)	-	-
Equity in the results of investees	-	-	(229)
	<u>1,966</u>	-	<u>(229)</u>
SEFAC ENERGIA			
Advances for future capital increase	47,677	-	-
Permanent equity interest	117,484	-	-
Other assets	42	-	-
Suppliers	-	(8,274)	-
Equity in the results of investees	-	-	(25,395)
Services revenues	-	-	322
Energy purchase	-	-	(49,932)
	<u>165,203</u>	<u>(8,274)</u>	<u>(75,005)</u>

CONSOLIDATED			
	<u>ASSETS</u>	<u>LIABILITIES</u>	<u>RESULT</u>
TRANS SÃO PAULO			
Advances for future capital increase	8,575	-	-
Permanent equity interest	5,136	-	-
Equity in the results of investees	-	-	600
	<u>13,711</u>	-	<u>600</u>
TRANS GOIÁS			
Permanent equity interest	2,795	-	-
Equity in the results of investees	-	-	26
	<u>2,795</u>	-	<u>26</u>
CALDAS NOVAS			
Permanent equity interest	50	-	-
	<u>50</u>	-	<u>-</u>
Key Personnel Compensation			

	CONSOLIDATED	
	<u>6/30/2011</u>	<u>6/30/2010</u>
Executive officers and board members compensation	12,975	11,109
Salaries and payroll charges	2,989	2,339
Other	1,479	1,314
	<u>17,444</u>	<u>14,763</u>

NOTE 42 - SUBSEQUENT EVENTS

I - TELES PIRES hydroelectric power plant:

On August 19, 2011, IBAMA (Brazilian Institute of Environment and Renewable Natural Resources) granted to the Companhia Hidrelétrica Teles Pires the Installation License for the construction of the Teles Pires Hydroelectric Power Plant (UHE) of 1,820 MW to be built over the Teles Pires River. The plant's dam will be located on the border between the States of Mato Grosso and Pará, comprising the municipalities of Paranaíta (State of Mato Grosso) and Jacareacanga (State of Pará).

Companhia Hidrelétrica Teles Pires is a Special Purpose Entity (SPE) and its stockholders are Neoenergia (50.1%), holding company of Grupo Neoenergia; Eletrobras Eletrosul (24.5%), Eletrobras Furnas (24.5%) and Odebrecht Participações e Investimentos (0.9%). These companies comprise the partnership called Consórcio Teles Pires Energia Eficiente, which won the concession in an auction conducted by ANEEL (Brazilian Electricity Regulatory Agency) in December 2010 to supply energy to the National Interconnected System (SIN).

II - COMPULSORY LOAN

The Brazilian Federal Supreme Court refused Eletrobras' Claim No. 12043. In said document, Eletrobras objects to the decision rendered by the Vice Chief Justice of the Superior Court of Justice, who rejected the remittance of the extraordinary appeal to the Supreme Court, which discusses the assumption of monetary restatement incurred on the electric compulsory loan, created by Law No. 4156/1962. Eletrobras alleges the decision that denied the entertainment of its interlocutory appeal infringed the jurisdiction of the Federal Supreme Court to analyze the matter. However, the Supreme Court resolved

that the matter related to the monetary restatement criteria employed to refund the compulsory loan incurred on the electricity consumption lacks general repercussion, thus, it rejected the Company's claim.

The decision only refers to the 3rd Conversion concerning the monetary restatement and Eletrobras can still appeal against this decision.

José da Costa Carvalho Neto

Chief Executive Officer

Armando Casado de Araújo

Chief Financial and Investor Relations Officer

Valter Luiz Cardeal de Souza

Engineering Officer

Miguel Colasuonno

Administrative Officer

Marcos Aurélio Madureira da Silva

Distribution Officer

José Antônio Muniz Lopes

Transmission Officer

João Vicente Amato Torres

Accountant

CRC-RJ-057.991/O-S-DF

Centrais Elétricas Brasileiras S.A. - Eletrobras

**IFRS Consolidated Financial Statements and
Report of Independent Registered Public
Accounting Firm for the year
ended December 31, 2010**

Centrais Elétricas Brasileiras S.A. - Eletrobras

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Centrais Elétricas Brasileiras S.A. - Eletrobras

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of comprehensive income and of cash flows present fairly, in all material respects, the financial position of Centrais Elétricas Brasileiras S.A. - Eletrobras and its subsidiaries at December 31, 2010, 2009 and January 1, 2009 and the results of their operations and their cash flows for the years ended December 31, 2010 and 2009, in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. Also, in our opinion the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), because material weaknesses in internal control over financial reporting existed as of that date, related to the following: (i) lack of an effective internal control environment, considering that internal control deficiencies were not remediated in a timely manner, the Company did not adequately define responsibility with respect to its internal controls over financial reporting and the necessary lines of communication throughout the organization, the Company did not adequately perform a risk assessment to identify risks so as to ensure that effective controls were adequately designed and implemented that would prevent and detect material misstatements to its financial statements, and the Company did not adequately design and maintain effective information technology policies, including those related to segregation of duties, security and granting and monitoring access to its financial application programs and data; (ii) lack of effective review and monitoring processes and documentation relating to the recording of recurring and non-recurring journal entries; (iii) lack of effective controls to ensure the completeness/accuracy of the judicial deposits and legal lawsuits, including periodic reviews/updates of them and the expected losses for accrual purposes; (iv) lack of effective controls to ensure the completeness/accuracy or the review/monitoring of the postretirement benefits plans (pension plans) sponsored by the Company, including detailed review of the actuarial assumptions, reconciliation between actuarial valuation reports and accounting records, as well as the cash flow for the contribution payments; (v) lack of effective controls at the Itaipu Binacional business unit with respect to its accounting for property, plant and equipment, (vi) lack of effective controls to ensure completeness, accuracy, validity and valuation of purchases and payments of goods and services in our subsidiary Furnas; (vii) lack of effective controls to ensure the completeness and accuracy of changes in transmission services revenue associated with the adjustment factor related to the availability of the transmission lines not included in the fixed transmission revenue fee (RAP); (viii) lack of effective controls to ensure the appropriate review/monitoring related to the preparation of financial statements in compliance with International Financial Reporting Standards (IFRS) and related disclosures and insufficient complement of internal personnel with a sufficient level of accounting knowledge in IFRS and lack of an adequate supervisory review of the accounting process to ensure the financial statements and disclosures were prepared in compliance with IFRS. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weaknesses referred to above are described in the accompanying "Management's Annual Report on Internal

Centrais Elétricas Brasileiras S.A. - Eletrobras

Control over Financial Reporting". We considered these material weaknesses in determining the nature, timing, and extent of audit tests applied in our audit of the 2010 consolidated financial statements, and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those consolidated financial statements. The Company's management is responsible for those financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in management's report referred to above. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion.

As disclosed in Note 15 to the financial statements, the subsidiaries in the distribution segment have suffered recurring losses from operations and have a net capital deficiency in the amount of R\$ 554,323 thousand at December 31, 2010.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Rio de Janeiro, October 14, 2011

PricewaterhouseCoopers
Auditores Independentes

Centrais Elétricas Brasileiras S.A. - Eletrobras

Consolidated Balance Sheet at December 31, 2010,
2009 and January 1, 2009

(continued)

In thousands of reais

(A free translation of the original in Portuguese)

	ASSETS	31/12/2010	31/12/2009	01/01/2009
	NOTE			
CURRENT				
Cash and cash equivalents	7	9,220,169	8,617,294	5,527,468
Restricted cash	7	2,058,218	1,341,719	734,386
Marketable securities	8	6,774,073	7,662,640	7,439,509
Accounts Receivable	9	4,016,006	3,102,079	3,118,392
Financial asset of concession agreements	17	726,507	715,720	522,852
Financial asset - Itaipu	18	997,015	854,656	1,100,155
Financings and loans	10	1,359,269	1,926,193	1,499,420
Fuel Consumption Account - CCC		3,041,484	877,833	550,894
Investments Remuneration	11	178,604	78,726	61,951
Taxes recoverable	12	1,825,905	1,326,933	509,883
Reimbursement Rights	13	324,451	221,519	527,809
Other debtors		478,367	602,731	373,070
Stock of Nuclear Fuel	14	297,972	324,634	286,903
Warehouse (storeroom)		378,637	350,470	309,008
Prepaid expenses		40,418	58,765	45,278
Financial instruments		283,220	227,540	52,640
Other		805,631	511,774	362,944
		32,805,946	28,801,226	23,022,562
NON-CURRENT				
LONG TERM ASSETS				
Financings and loans	10	8,300,171	9,839,828	13,405,178
Accounts Receivable	9	1,470,215	1,431,080	1,874,063
Marketable securities	8	769,905	687,188	618,474
Stock of Nuclear Fuel	14	799,556	755,434	720,294
Financial asset of concession agreements	17	24,995,625	22,352,103	20,821,243
Financial asset - Itaipu	18	15,648,087	16,744,836	24,119,962
Deferred Tax Assets	12	4,338,682	4,493,223	3,450,717
Escrow deposits		1,750,678	1,521,317	991,957
Fuel Consumption Account - CCC		1,156,926	1,173,580	572,279
Financial instruments		297,020	228,020	40,050
Other		889,931	766,145	1,012,241
		60,416,796	59,992,754	67,626,458
Advances for corporate shares		7,141	4,001	4,027
		60,423,937	59,996,755	67,630,485
INVESTMENTS	15	4,724,647	5,288,107	5,043,144
FIXED ASSETS	16	46,682,498	41,597,605	36,495,659
INTANGIBLE	19			
Concession Contracts		932,509	991,879	1,328,055
Other		1,331,463	1,032,804	786,539
		53,671,117	48,910,395	43,653,397
TOTAL ASSETS		146,901,000	137,708,376	134,306,444

Centrais Elétricas Brasileiras S.A. - Eletrobras

Consolidated Balance Sheet at December 31, 2010,
2009 and January 1, 2009

(continued)

In thousands of reais

(A free translation of the original in Portuguese)

LIABILITIES AND SHAREHOLDERS' EQUITY	NOTE	31/12/2010	31/12/2009	01/01/2009
CURRENT				
Borrowings	23	1,868,465	1,115,275	1,135,497
Compulsory loan	24	16,925	13,675	85,946
Suppliers	21	5,165,765	3,079,614	2,504,293
Advances from clients	22	341,462	63,400	53,159
Taxes and social contributions	26	1,102,672	963,365	810,536
Fuel Consumption Account - CCC	25	2,579,546	923,535	667,626
Shareholders' remuneration	28	3,424,520	3,214,450	1,687,448
National Treasury Credits	29	92,770	76,036	72,236
Estimated liabilities		772,071	672,214	600,661
Reimbursement Obligations		759,214	857,001	479,868
Complementary pension plans	30	330,828	351,149	510,197
Provisions for contingencies	31	257,580	252,708	303,452
Regulatory fees	27	584,240	589,433	695,247
Leasing		120,485	108,827	106,435
Financial instruments		237,209	40,050	296,134
Other		715,757	949,113	652,416
		18,369,509	13,269,845	10,661,151
NON-CURRENT				
Borrowings	23	31,269,971	28,392,542	26,910,231
National Treasury Credits	29	250,485	311,306	403,429
Compulsory loan	24	141,425	127,358	129,866
Taxes and social contributions	26	1,217,649	1,273,890	2,472,172
Shareholders' remuneration	28	5,601,077	7,697,579	-
Provision for decommission	32	375,968	323,326	266,168
Advances from clients	22	928,653	978,980	1,018,488
Fuel Consumption Account - CCC	25	1,876,598	1,344,380	1,413,039
Provisions for contingencies	31	3,901,289	3,528,917	3,769,666
Complementary pension plans	30	2,066,702	1,992,012	2,179,845
Leasing		1,694,547	1,639,448	1,685,071
Concessions payable	33	834,215	761,131	656,249
Advances for future capital increase	34	5,173,856	4,712,825	4,287,353
Financial instruments		303,331	228,020	40,050
Other		2,365,315	1,747,768	1,103,760
		58,001,081	55,059,482	46,335,387
SHAREHOLDERS' EQUITY				
Capital Stock	36	26,156,567	26,156,567	26,156,567
Capital reserves		26,048,342	26,048,342	26,048,342
Profit reserves		16,804,851	19,009,668	28,900,908
Retained earnings		-	(3,345,744)	(4,086,684)
Asset valuation adjustment		163,335	179,427	196,906
Additional Proposed Dividend		753,201	370,755	257,836
Other comprehensive income		377,818	827,491	(285,485)
Non-controlling shareholders' interest.		226,296	132,543	121,516
		70,530,410	69,379,049	77,309,906
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		146,901,000	137,708,376	134,306,444

Centrais Elétricas Brasileiras S.A. - Eletrobras

Consolidated Statement of Income for the Years Ended December 31, 2010 and 2009

In thousands of reais

(A free translation of the original in Portuguese)

	<u>NOTE</u>	<u>31/12/2010</u>	<u>31/12/2009</u>
NET OPERATING REVENUE	38	26,749,402	23,140,905
OPERATING EXPENSES			
Goods, Supplies and Services	40	7,370,713	6,486,218
Profit sharing for employees and management		296,270	284,534
Electricity Purchased for Reselling	41	4,315,084	3,581,396
Fuel for electricity production		743,761	756,285
Use of the Grid		1,353,839	1,263,408
Remuneration and indemnification		1,087,341	1,188,032
Depreciation and amortization		1,592,476	1,624,246
Construction		2,953,484	1,723,960
Operating provisions	42	1,529,549	2,140,406
Itaipu's income to offset		441,057	669,675
Donations and contributions		261,006	237,978
Other		1,063,205	704,447
		<u>23,007,785</u>	<u>20,660,585</u>
OPERATING INCOME BEFORE THE FINANCIAL RESULT		<u>3,741,617</u>	<u>2,480,320</u>
FINANCIAL RESULT			
Financial revenue			
Revenues from Interest, Commissions and Fees		781,872	1,035,487
Revenue from financial investments		1,537,435	1,464,782
Arrears surcharge on electricity		393,987	228,145
Monetary restatement		616,141	356,023
Other financial revenues		44,856	736,765
Financial expenses			
Debt charges		(1,675,821)	(1,758,473)
Leasing charges		(332,449)	(213,470)
Charges on shareholders' resources		(1,298,647)	(1,468,713)
Exchange rate variations		(431,497)	(4,018,643)
		<u>(364,123)</u>	<u>(3,638,097)</u>
Result/(loss) before of participation in associates and other investments		<u>3,377,494</u>	<u>(1,157,777)</u>
Result of participation in associates and other investments 39		<u>669,755</u>	<u>1,571,032</u>
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		<u>4,047,249</u>	<u>413,255</u>
Income Tax		(1,074,605)	635,875
Social contribution on the net income		(419,659)	201,010
NET INCOME OF THE YEAR		<u>2,552,985</u>	<u>1,250,140</u>
ATTRIBUTABLE TO CONTROLLING SHAREHOLDERS		2,247,913	911,467
ATTRIBUTABLE TO NON-CONTROLLING SHAREHOLDERS		<u>305,072</u>	<u>338,673</u>
NET INCOME PER SHARE		R\$2.25	R\$1.10

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

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Centrais Elétricas Brasileiras S.A. - Eletrobras

Consolidated Statement of Other Comprehensive Income for the Years Ended December 31, 2010 and 2009

In thousands of reais

(A free translation of the original in Portuguese)

	Year ended on December 31st,	
	2010	2009
Net income of the year	2,552,985	1,250,140
Other comprehensive income components		
Accumulated translation adjustments	(4,520)	(30,059)
Actuarial gains and losses adjustments	(345,034)	243,385
Fair value of financial instruments available for sale	(50,143)	440,775
Cash flow hedge adjustment	8,489	(13,540)
Comprehensive income of associated companies and jointly controlled entities	(58,466)	472,416
Other components of the comprehensive income of the year	(449,674)	1,112,977
Total comprehensive income of the year	2,103,311	2,363,117
Attributable		
Shareholders of the Company	1,798,239	2,024,445
Interest of non-controlling	305,072	338,672
	2,103,311	2,363,117

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

Centrais Elétricas Brasileiras S.A. - Eletrobras

Consolidated Statement of Shareholders Equity For the Years Ended December 31, 2010 and 2009

In thousands of reais

(A free translation of the original in Portuguese)

	PROFIT RESERVES										SHAREHOLDERS' EQUITY				
	CAPITAL STOCK	CAPITAL RESERVES	REVALUATION RESERVES	LEGAL	STATUTORY	UNDISTRIBUTED DIVIDENDS	PROFIT RETENTION	ADDITIONAL DIVIDENDS	ASSET VALUATION ADJUSTMENTS REFLEX	ACCUMULATED LOSSES	AFAC	OTHER COMPREHENSIVE INCOME	SHAREHOLDERS' EQUITY ATTRIBUTABLE TO SHAREHOLDERS	SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING SHAREHOLDERS	SHAREHOLDERS' EQUITY TOTAL
BALANCE ON 01/01/2009 BEFORE ADOPTING THE NEW PRACTICES															
ADOPTION OF THE NEW PRACTICES	26,156,567	26,048,342	196,906	2,037,862	17,038,712	9,336,858	487,476	-	28,285	-	4,287,353	-	85,618,361	-	85,618,361
Effects of adopting the new practices			(196,906)						168,621	(4,086,684)	(4,287,353)	(285,485)	(8,687,807)	121,516	(7,513,070)
Additional dividends								257,836					257,836		
On January 1st, 2009 (restated)	26,156,567	26,048,342	-	2,037,862	17,038,712	9,336,858	487,476	257,836	196,906	(4,086,684)	-	(285,485)	77,188,390	121,516	77,309,906
Additional dividends								(257,836)					(257,836)		(257,836)
Treasury stock					(879)								(879)		(879)
Accumulated translation adjustments												(29,790)	(29,790)		(29,790)
Other post-employment benefits												5,914	5,914		5,914
Fair value of financial instruments available for sale												206,662	206,662		206,662
Deferred taxes on other comprehensive income												(72,276)	(72,276)		(72,276)
Other comprehensive income reflex												1,002,466	1,002,466		1,002,466
Financial charges - Decree 2,673/98						926,581							926,581		926,581
Reversal for payment						(10,263,439)							(10,263,439)		(10,263,439)
Realization of the Revaluation Reserve									(17,479)	17,479			-		-
Reversal of reserves					(74,554)		(487,476)			562,030			-		-
Net income of the year										911,467			911,467	338,673	1,250,140
Allocation of income:															
Constitution of reserves				8,526						(8,526)			-		-
Shareholders' remuneration										(741,509)			(741,509)	(327,646)	(1,069,155)
Approval of additional dividend by the OSM								370,755					370,755		370,755
On December 31st, 2009 (restated)	26,156,567	26,048,342	-	2,046,388	16,963,279	-	-	370,755	179,427	(3,345,743)	-	827,491	69,246,506	132,543	69,379,049
Additional dividends								(370,755)					(370,755)		(370,755)
Accumulated translation adjustments												(4,453)	(4,453)		(4,453)
Other post-employment benefits												36,498	36,498		36,498
Fair value of financial instruments available for sale												104,740	104,740		104,740
Deferred taxes on other comprehensive income												(48,021)	(48,021)		(48,021)
Other comprehensive income reflex												(538,438)	(538,438)		(538,438)
Asset valuation adjustment									(16,092)				(16,092)		(16,092)
Realization of the Revaluation Reserve										16,092			16,092		16,092
Reversal of reserves					(2,204,815)					2,205,694			-		-
Net income of the year										2,247,913			2,247,913	305,072	2,552,985
Allocation of income:															
Shareholders' remuneration										(1,123,956)			(1,123,956)	(211,319)	(1,335,275)
Approval of additional dividend by the OSM								753,201					753,201		753,201
On December 31st, 2010	26,156,567	26,048,342	-	2,046,388	14,758,464	-	-	753,201	163,335	-	-	377,817	70,304,113	226,296	70,530,410

Centrais Elétricas Brasileiras S.A. - Eletrobras

Consolidated Statement of Cash Flow For the Years Ended December 31, 2010 and 2009

In thousands of reais

(A free translation of the original in Portuguese)

	31/12/2010	31/12/2009
OPERATIONAL ACTIVITIES		
Income before Income Tax and Social Contribution	4,047,250	413,255
Adjustments to reconcile income to the cash generated by operations:		
Depreciation and amortization	1,592,476	1,624,246
Net monetary/exchange rate variations	(387,617)	3,662,620
Financial charges	2,008,270	1,971,943
Return rates updating - Transmission	(501,058)	(535,842)
Construction revenue	(636,818)	(440,915)
Result of participation in associates and other investments	(601,165)	(1,571,031)
Resale Itaipu	548,554	1,335,177
Provision for unfunded liability	148,167	(74,859)
Provision for deferred taxes	828	(2,999)
Provision for doubtful accounts	463,201	772,214
Provisions for contingencies	460,628	96,752
Provision for impairment	82,402	(412,956)
Provision for post-employment benefits	(43,645)	942,772
Charges of Global Reversion Reserve	395,756	380,439
Present value adjustment - actuarial evaluation	(17,931)	31,485
Present value adjustment - leasing	332,449	213,470
Minority interest on income	(305,072)	(338,673)
Charges on shareholders' resources	1,298,647	1,468,710
Itaipu's income to offset	441,057	669,675
Gain/Loss in the sale of assets	(49,286)	203,918
Financial Instruments - Derivatives	(46,599)	(430,984)
Other	337,903	(417,427)
	<u>5,521,147</u>	<u>9,147,735</u>
Increase/(decrease) in operational assets		
Restricted cash	(716,499)	(607,333)
Consumers and resellers	(889,281)	16,315
Marketable securities	888,568	(223,131)
Fuel Consumption Account - CCC	(2,163,651)	(326,939)
Taxes recoverable	215,910	840,102
Reimbursement Rights	(102,932)	306,290
Other debtors	124,364	(229,661)
Warehouse (storeroom)	(1,505)	(79,193)
Prepaid expenses	18,347	(13,487)
Financial instruments	(55,680)	(174,900)
Financial asset of concession agreements	(10,787)	(192,869)
Financial asset - Itaipu	(142,359)	245,499
Other	(392,399)	241,806
	<u>(3,227,904)</u>	<u>(197,501)</u>
Increase/(decrease) in operational liabilities		
Compulsory loan	3,250	(72,271)
Suppliers	2,086,151	575,321
Advances from clients	278,062	10,241
Taxes and social contributions	193,323	(898,824)
Fuel Consumption Account - CCC	1,656,011	274,194
Concessions payable	247,786	5,314
Leasing	11,658	108,827
Estimated liabilities	99,857	71,553
Reimbursement Obligations	(97,787)	377,133
Research and development	-	-
Complementary pension plans	-	-
Regulatory fees	(5,194)	589,433
Financial instruments	197,159	40,049
Other	(481,282)	943,797
	<u>4,188,994</u>	<u>2,024,767</u>
Cash from operational activities	<u>10,529,487</u>	<u>11,388,256</u>
Payment of financial charges	(1,453,344)	(1,104,469)
Payment of Charges of Global Reversion Reserve	(864,871)	(788,445)
Receipt of financial charges	468,975	574,508
Payment of income tax and social contribution	(890,205)	(906,786)
Judicial Deposits	(146,131)	(354,036)
Cash from operational activities	<u>7,643,911</u>	<u>8,809,028</u>
FINANCING ACTIVITIES		
Long-term loans and financings	3,829,260	1,672,331
Payment of loans and financings - principal	(1,202,294)	(1,145,379)
Payment of shareholders' remuneration	(3,143,565)	(1,390,796)
Payment of refinancing of taxes and contributions - principal	(92,115)	(97,480)
Advances for future capital increase - AFAC	-	-
Compulsory loan and Global Reversion Reserve	1,049,035	896,445
Other	(346,433)	(1,416,057)
Net cash from financing activities	<u>93,888</u>	<u>(1,480,936)</u>

Centrais Elétricas Brasileiras S.A. - Eletrobras

Consolidated Statement of Cash Flow For the Years Ended December 31, 2010 and 2009

In thousands of reais

(A free translation of the original in Portuguese)

	<u>31/12/2010</u>	<u>31/12/2009</u>
INVESTMENT ACTIVITIES		
Granting of loans and financings	(142,291)	(216,056)
Granting of loans and financings	2,562,306	1,064,842
Renegotiated electricity credits received	342,745	563,460
Acquisition of property, plant and equipment	(6,256,197)	(5,262,299)
Acquisition of property, plant and equipment	(359,219)	(290,736)
Acquisition of financial asset - Transmission/Distribution	(266,146)	737,675
Acquisition/contribution of capital in equity interest	(628,455)	(1,018,951)
Granting of advance for future capital increase	(3,095,671)	0
Receipts of investment remuneration on equity investments	600,869	731,216
Other	107,136	(547,417)
Net cash from investing activities	<u>(7,134,923)</u>	<u>(4,238,266)</u>
Increase (decrease) on cash and cash equivalents	<u>602,876</u>	<u>3,089,826</u>
Cash and cash equivalents on the in the beginning of the year	8,617,294	5,527,468
Cash and cash equivalents on the in the beginning of the year	<u>9,220,169</u>	<u>8,617,294</u>
	<u>602,875</u>	<u>3,089,826</u>

(A free translation of the original in Portuguese)

Centrais Elétricas Brasileiras S.A. - Eletrobras

Explanatory Notes to the Consolidated Financial Statements for the year ended December 31, 2010 In thousands of reais

1 General Information

Centrais Elétricas Brasileiras S.A. ("Eletrobras" or "Company") is a corporation headquartered in Brasília - DF - Setor Comercial Norte, Quadra 4, Bloco B, 100, sala 203 - Asa Norte, registered at the Brazilian Securities and Exchange Commission (Comissão de Valores Mobiliários - CVM) and at the Securities and Exchange Commission - SEC, with shares traded in the stock exchanges in São Paulo (BOVESPA) - Brazil, Madrid (LATIBEX) - Spain and New York (NYSE) - United States of America. Its business purpose is studying, projecting, building and operating generating power plants, electric power transmission and distribution lines, as well as operating trading transactions arising from these activities. Its purpose is also granting funding, providing guarantees, in the Country and abroad, to electric energy public service companies under its control and on behalf of technical-scientific research entities; promoting and supporting research in the electric energy sector, especially the ones linked to generation, transmission and distribution activities, as well as performing studies of exploitation of watersheds for multiple purposes; contributing to the education of technical personnel required by the Brazilian electric energy sector, as well as preparing qualified workers, through specialized courses, it may also provide aid to schools in the Country or scholarships abroad and signing agreements with entities contributing to the training of specialized technical personnel; collaborate, technically and administratively, with companies in which it has a shareholding interest and with the Ministry of Mines and Energy.

The Company operates as a holding company, managing investments in equity interests, holding direct control in seven electric energy generation and/or transmission companies (Furnas Centrais Elétricas S.A. - FURNAS, Centrais Elétricas do Norte do Brasil S.A. - ELETRONORTE, Amazonas Energia - AME, Companhia Hidroelétrica do São Francisco - CHESF, Centrais Elétricas S.A. - ELETROSUL, Eletrobras Termonuclear S.A. - ELETRONUCLEAR, and Companhia de Geração Térmica de Energia Elétrica - CGTEE) and in four electric energy distributing companies Companhia de Eletricidade do Acre - Eletroacre, Centrais Elétricas de Rondônia - Ceron, Companhia Energética de Alagoas - Ceal and Companhia Energética do Piauí – Cepisa.

The Company is the parent company, also, of Eletrobrás Participações S.A. - Eletropar and, in a joint control regime, of Itaipu Binacional - Itaipú, in the terms of the International Treaty signed by the governments of Brazil and Paraguay, Inambari Geração de Energia S.A. and Centrales Hidroeléctricas de Centroamérica S.A. (CHC).

The Company indirectly controls the company Boa Vista Energia, a full subsidiary of Eletronorte, which operates in electricity generation and distribution in the State of Roraima and RS Energia and SC Energia, controlled by Eletrosul.

The Company also has a minority interest in companies in the segments of electricity generation, transmission and distribution, directly and indirectly, through its subsidiaries. (Note 16)

Eletrobras is authorized, directly or through its subsidiaries and controlled companies, to associate, with or without payment, to constitute business consortiums in companies, with or without controlling power, abroad, directly or indirectly destined to explore electricity production or transmission.

Centrais Elétricas Brasileiras S.A. - Eletrobras

Explanatory Notes to the Consolidated Financial Statements for the year ended December 31, 2010

In thousands of reais

The Company is also responsible for the management of sector resources, represented by Global Reversion Reserve - RGR, Energy Development Account - CDE, Use of Public Property - UBP and Fuel Consumption Account - CCC. These funds finance Federal Government programs universalizing the access to electricity, lighting efficiency, encouraging alternative sources of electricity, electricity conservation/saving and acquisition of fossil fuels used in isolated electricity generation systems, whose financial statements do not affect the results of the Company (except for administration fee in certain Funds).

Issuance of the Financial Statements of the Company was authorized by the Board of Directors of the Company on July 22, 2011.

Brazil's electric energy sector is regulated by the Federal Government through the Mining and Energy Ministry ("MME"), which has exclusive authority over the sector. The regulatory policy for the sector is implemented by the Brazilian National Electric Energy Agency ("ANEEL"). Retail supply of electric energy by the Company takes place in accordance with the clauses in the long-term electric energy Sales concession agreements. Under these agreements, the Company is authorized to charge its consumers a rate for electric energy supply that consists of two components: 1) a portion relating to the costs of generation, transmission and distribution that are non-manageable ("Parcel A Costs"); and (2) a portion of operational costs ("Parcel B Costs"). Both components are established as part of the original concession for given initial periods. Subsequent to the initial periods, and at regular intervals, ANEEL has the authority to review the Company's costs to determine inflation adjustments (or other similar adjustment factors), if any, applicable to the Parcel B Costs (the "Scalar Adjustment") for the subsequent period. This review may result in a positive, null or negative scalar adjustment. In addition to the adjustments relating to the Parcel A and Parcel B Costs mentioned above, the electric energy supply concessions have an annual tariff adjustment based on several factors, including inflation. Following regulatory changes made in December 2001, the Company may now apply for tariff adjustments arising from significant events that disrupt the economic-financial equilibrium of its business. Other normal or recurring events (such as increases in electricity purchased, taxes on revenue or even local inflation) may also be absorbed through specific tariff increases. When the Company requests a tariff adjustment, it is necessary to prove the financial impact resulting from these events in its operations.

2 Concessions of Electricity Public Service (Unaudited)

The Company, through its subsidiaries, holds several concessions of electricity public service, whose details, installed capacity and maturity dates are listed below:

I Electricity Generation

<u>Concessions/Permissions</u>	<u>Location</u>	<u>Installed Capacity (MW)</u>	<u>Maturity Year</u>
UHE (Hydroelectric Plant) Paulo Afonso I	BA	180.00	2015
UHE Paulo Afonso II	BA	443.00	2015
UHE Paulo Afonso III	BA	794.20	2015
UHE Paulo Afonso IV	BA	2,462.40	2015
UHE Apolônio Sales (Moxotó)	BA	400.00	2015
UHE Luiz Gonzaga (Itaparica)	BA	1,479.60	2015
UHE Xingó	AL / SE	3,162.00	2015
UHE Piloto	PE	2.00	2015
UHE Araras	CE	4.00	2015
UHE Funil	BA	30.00	2015
UHE Pedra	BA	20.01	2015
UHE Boa Esperança (Castelo Branco)	PI	237.30	2015
UHE Sobradinho	BA / PE	1,050.30	2022
UHE Curemas	PA	3.52	2024

Centrais Elétricas Brasileiras S.A. - Eletrobras

Explanatory Notes to the Consolidated Financial Statements for the year ended December 31, 2010

In thousands of reais

<u>Concessions/Permissions</u>	<u>Location</u>	<u>Installed Capacity (MW)</u>	<u>Maturity Year</u>
UTE (Thermoelectric Power Plant) Camaçari	BA	346.80	2027
UHE Belo Monte	PA	11,233.10	2045
EOL São Pedro do Lago	BA	28.80	2046
EOL Pedra Branca	BA	28.80	2046
EOL Sete Gameleiras	BA	28.80	2046
UHE - Tucuruí	PA	8,370.00	2024
UHE - Curuá-Una	PA	30.30	2028
UHE - Samuel	RO	216.75	2029
UHE - Coaracy Nunes	AP	76.95	2015
UTE - Rio Madeira	RO	119.35	Undetermined
UTE - Rio Acre	AC	45.49	Undetermined
UTE - Rio Branco I	AC	18.65	Undetermined
UTE - Rio Branco II	AC	31.80	Undetermined
UTE - Santana	AP	60.00	Undetermined
UTE - Electron	AM	120.00	Undetermined
UTE - Senador Arnon Afonso Farias	RR	85.99	Undetermined
UHE Dardanelos	MT	261.00	2042
UTE Serra do Navio	SE	23.30	2037
UTE PCH Capivara	SE	29.80	2037
Parque Eólico Miassaba 3	RN	50.40	2045
Parque Eólico Rei dos Ventos 3	RN	48.60	2045
UHE Passo São João	RS	77.00	2041
UHE Mauá	PR	361.00	2042
UHE São Domingos	MS	48.00	2037
PCH (Small Hydroelectric Plant) Barra do Rio Chapéu	SC	15.00	2035
PCH João Borges	SC	19.00	2035
EOI Coxilha Negra V	RS	30.00	2045
EOI Coxilha Negra VI	RS	30.00	2045
EOI Coxilha Negra VII	RS	30.00	2045
UHE Jirau	RO	3,300.00	2043
UTE Presidente Médici - Candiota	RS	446.00	2015
UTE São Jerônimo	RS	20.00	2015
UTE Nutepa	RS	24.00	2015
UTE Candiota (Phase C)	RS	350.00	2041
UHE Balbina	AM	277.50	2027
UHE Aparecida	AM	251.50	2015
UHE Aparecida	AM	251.50	2015
UTE Mauá	AM	711.40	2015
UHE Mauá	AM	711.40	2015
UTE Mauá	AM	711.40	2015
UTE Mauá	AM	711.40	2015
Other	AM	597.10	2015
UTE FLORES	AM	80.00	2015
UTE Cidade Nova	AM	20.00	2015
UTE Iranduba	AM	50.00	2015
UTE Distrito	AM	40.00	2015
UTE São Jorge	AM	50.00	2015
UHE Furnas	MG	1,216.00	2015
UHE Luiz Carlos Barreto de Carvalho	SP / MG	1,050.00	2015
UHE Marimbondo	SP / MG	1,440.00	2017
UHE Porto Colômbia	SP / MG	320.00	2017
UHE Mascarenhas de Moraes	MG	476.00	2023
UHE Funil	MG	216.00	2015
UHE Itumbiara	MG / GO	2,082.00	2020
UHE Corumbá I	GO	375.00	2014
UHE Manso	MG	212.00	2035
UHE Serra da Mesa	GO	1,275.00	2011

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<u>Concessions/Permissions</u>	<u>Location</u>	<u>Installed Capacity (MW)</u>	<u>Maturity Year</u>
UTE Santa Cruz	RJ	932.00	2015
UTE Campos (Roberto Silveira)	RJ	30.00	Extension granted
UHE Batalha	MG / GO	52.50	2041
UHE Simplicio/Anta	RJ / MG	333.70	2041
UHE Peixe Angical	TO	452.00	2036
UHE Baguari	MG	140.00	2041
UHE Foz do Chapecó	RS	855.00	2036
UHE Serra do Facão	GO	212.58	2036
UHE Retiro Baixo	MG	82.00	2041
UTN (Thermonuclear Power Plant) Angra I	RJ	640.00	Undetermined
UTN Angra II	RJ	1,350.00	Undetermined
UTN Angra III	RJ	1,405.00	Undetermined
UHE Santo Antônio	RO	3,150.10	2043

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Electricity generation considers the following assumptions:

- existence of periods, either throughout the day, or annually, in which there is higher or lower demand for electric power in the system for which the power plant, or generation system, was scaled;
- existence, as well, of periods in which machines are removed from operation for maintenance, either preventive or corrective; and
- water availability in the river where it is located.

Electric power production at the plants is the responsibility of the Electric Power Operation Planning and Programming, with spans and details ranging from annual to hourly and daily, currently prepared by ONS - the National Electric System Operation, which establishes the volumes and sources of generation required to meet the country's demand in an optimized manner, based on the water basins availability and machinery in operation, as well as generation costs and feasibility of transmission of this power through the interconnected system.

II Electric Power Transmission

	Location	Extension (km)	Maturity year of the concession
LT 230 kV - SE São Luís II / São Luís III	MA		2038
LT 230 kV - SE Ribeiro Gonçalves / SE Balsas			2039
LT 500 kV - LT Presidente Dutra - São Luís II / SE Miranda II	MA		2039
LT 500 kV - LT Jorge Teixeira - Lechuga, Double circuit	AM		2040
Transmission Lines Coxipó-Cuiabá-Rondonópolis (MT), and Disconnecter Cuiabá in 230 Kv	MT	193	2034
Transmission Lines Colinas, Miracema, Gurupi, Peixe Nova da Serra 2 (TO/GO) in 500 kV	TO/GO	695	2036
Transmission Lines Jauru-Juba-C2 (MT) and Maggi - Nova Mutum (MT), both in 230 kV, SE Juba and SE Maggi 30/138 kV	MT	402	2008
Transmission Lines Oriximiná - Itacoatiara -Cariri (PA/AM), in 500kV, SE Itacoatiara and SE Cariri	PA/AM	586	2038
Collecting LT Porto Velho (RO) - Araraquara (SP), 600kV	RO/SP	2375	2039
Converter Station 01 CA/CC 600/±500 kV Porto Velho(RO) and Inverting Station 01 CA/CC,600/±500 kV CC/500 kV (Araraquara-SP)	RO/SP		2039
LT Porto Velho - Samuel Ariquemes - Ji-Paraná -Pimenta Bueno - Vilhena (RO), Jaurú (MT), with 230 kV	RO/MT	987	2039
LT Porto Velho - Abunã (RO) - Rio Branco (AC),230 kV	RO/AC	487	2039
LT Jaurú - Cuiabá (MT), and SE Jaurú, with 500 kV	MT/SE	348	2039
LT 500 kV CA/±600 kV Collecting CC Porto Velho; LT ±600 kV CC/500 kV CA Substation Araraquara	RR		2039
LT 525 kV Campos Novos/Biguaçu/Blumenau	SC	359	2035
LT 525 kV Itá/Nova Santa Rita	SC, RS	314.8	2015
LT 525 kV Caxias/Itá	RS, SC	256	2015
LT 525 kV Areia/Curitiba I	PR	235.2	2015
LT 525 kV Areia/Bateias	PR	220.3	2015
LT 525 kV Campos Novos/Caxias	SC, RS	203.3	2015
LT 525 kV Itá/Salto Santiago	SC, PR	186.8	2015
LT 525 kV Areia/Campos Novos	PR, SC	176.3	2015
LT 525 kV Areia/Ivaiporã	PR	173.2	2015
LT 525 kV Ivaiporã/Salto Santiago	PR	167	2015
LT 525 kV Blumenau/Curitiba	SC, PR	136.3	2015
LT 525 kV Ivaiporã/Londrina	PR	121.9	2015
Other LT 525 kV		395.4	2015
LT 230 kV Presidente Médice/Santa Cruz 1	RS	237.4	2038
LT 230 kV Dourados/Guaíra	MS, PR	226.5	2015
LT 230 kV Monte Claro/Passo Fundo	RS	211.5	2015
LT 230 kV Anastácio/Dourados	MS	210.9	2015

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	Location	Extension (km)	Maturity year of the concession
LT 230 kV Passo Fundo/Nova Prata 2	RS	199.1	2015
LT 230 kV Areia/Ponta Grossa	PR	181.6	2015
LT 230 kV Campo Mourão/Salto Osório 2	PR	181.3	2015
LT 230 kV Campo Mourão/Salto Osório 1	PR	181.2	2015
LT 230 kV Salto Osório/Xanxerê	PR, SC	162	2015
LT 230 kV Areia/Salto Osório 1	PR	160.5	2015
LT 230 kV Areia/Salto Osório 2	PR	160.3	2015
LT 230 kV Londrina/Assis 1	PR, SP	156.6	2015
LT 230 kV Blumenau/Palhoça	SC	133.9	2015
LT 230 kV Biguaçu/Blumenau 2	SC	129.5	2015
LT 230 kV Areia/São Mateus do Sul	PR	129	2015
LT 230 kV Cascavel/Guaíra	PR	126.2	2015
LT 230 kV Lageado Grande/Siderópolis	RS, SC	121.9	2015
LT 230 kV Jorge Lacerda "B"/Palhoça	SC	121.3	2015
LT 230 kV Curitiba/São Mateus do Sul	PR	116.7	2015
LT 230 kV Blumenau/Jorge Lacerda "B"	SC	116.4	2015
LT 230 kV Campo Mourão/Apucarana	PR	114.5	2015
LT 230 kV Assis/Londrina	SP, PR	114.3	2015
LT 230 kV Atlântida 2/Gravataí 3	RS	102	2015
Other LT 230 kV	-	1,556	2015
LT 138 kV Jupia/Mimoso 1	SP, MS	218.7	2015
LT 138 kV Jupia/Mimoso 3	SP, MS	218.7	2015
LT 138 kV Jupia/Mimoso 4	SP, MS	218.7	2015
LT 138 kV Jorge Lacerda "A"/Palhoça 1	SC	108.6	2015
LT 138 kV Campo Grande/Mimoso 1	MS	108.3	2015
LT 138 kV Campo Grande/Mimoso 3	MS	108.3	2015
LT 138 kV Campo Grande/Mimoso 4	MS	108.3	2015
LT 138 kV Dourados das Nações/Ivinhema	MS	94.7	2015
Other LT 138 kV		657	2015
LT 132 kV frequency converter Uruguaiana/Paso de Los Libres	RS	12.5	2015
LT 69 kV Salto Osório/Salto Santiago	PR	56.2	2015
LT 345 kV Furnas - Pimenta II	MG	66	2035
LT 500 kV Rio Verde Norte - Trindade ; ; LT 500/230 kV - 1200 MVA Trindade Substation	GO	193	2040
LT 230 kV Trindade - Xavantes	GO	37	2040
LT 230 kV Trindade - Carajás	GO	29	2040
LT Collector Porto Velho - Araraquara 2; LT 500/±600 kV - 3,150 MW, rectifier Station Substation 2 CA/CC and LT ±600/500 kV - 2,950 MW, Inverting Station Substation 02 CC/CA	RO	2,375	2038
LT 500 kV Mesquita - Viana 2 ; LT 500/345kV 900 MVA - Viana 2	MG / ES	248	2040
LT 345 kV Viana 2 - Viana	MG / ES	10	2040
2 LT 138 kV Generating Unit - Interconnected National System; LT 138 kV, Elevating Substation		33	2035
LT 230 kV Serra da Mesa - Niquelândia; LT 230 kV, Serra da Mesa Substation	TO	105	2015
LT 230 kV Niquelândia - Barro Alto; LT 230 kV, Niquelândia Substation and LT 230 kV, Barro Alto Substation	TO	88	2015
LT 230 kV CS Barra dos Coqueiros - Quirinópolis	MS, GO, MT	NA	2039
LT 230 kV CD Chapadão - Jataí Taquari	MS, GO, MT	NA	2039
LT 230 kV CS Palmeiras - Edéia	MS, GO, MT	NA	2039
2 LT 500 kV in the division of LT Campinas - Ibiúna and SE Itatiba 500/138 kV; LT 500/138 kV, Itatiba Substation and LT 500 kV, Campinas Substation and SE Ibiúna	SP	1	2039
LT 230 kV Irapé - Araçuaí 2		61	2035
LT 345 kV Montes Claros - Irapé	MG	138	2034
LT 345 kV Itutinga - Juiz de Fora	MG	144	2035
LT 230 kV Milagres/Tauá (CE); LT 230 kV Tauá Substation (CE)	CE	208	2035
LT 230 kV Milagres/Coremas (CE/PB)	CE/PB	120	2035
LT 230 kV Paraíso/Açu II (RN)	RN	135	2037
LT 230 kV Funi/Itapebi (BA)	BA	197.80	2015
LT 230 kV Ibicoara/Brumado (BA); LT 500/230 kV Ibicoara Substation (PE)	BA / PE	95	2037
LT 230 kV Eunápolis/Teixeira de Freitas II (BA); LT 230/138 kV			

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	Location	Extension (km)	Maturity year of the concession
Substation Teixeira de Freitas II (BA)	BA	152	2038
LT 230 kV Picos/Tauá (PI/CE)	PI/CE	183.2	2037
LT 230 kV Jardim/Penedo (SE/AL)	SE/AL	110	2038
LT 500/230 kV Substations Suape II(PE); LT 230/69 kV Suape III (PE)	PE	24	2039
LT 230 kV Pau Ferro/Santa Rita II (PE/PB)	PE/PB	96.7	2039
LT 230 kV Paulo Afonso III/Zebu (AL); LT 230/69 kV Substations Santa Rita II; LT 230/69 kV Zebu (AL); LT 230/69 kV Natal III (RN)	AL/PB/RN	6	2039
LT 230 kV Eunápolis/Teixeira de Freitas II (BA)	BA	152	2038
LT 500/230 kV Substation Camaçari IV	BA	80.84	2040
LT 230/69 kV Substation Arapiraca III; LT 230kV Double Circuit Rio Largo II/Penedo	AL	45	2040
LT 230/69kV Substation Pólo (BA)	BA		2040
LT 230 kV Paraíso/Açu (RN), circuit 3	RN	123	2040
LT 230 kV Açu/Mossoró II (RN), circuit 2	RN	69	2040
LT 230 kV João Câmara / Extremoz II; LT 230 kV Substation João Câmara (RN); LT 230 kV Substation Extremoz II (RN)	RN	82	2040
LT 230 kV Igarorã/Bom Jesus da Lapa II (BA); LT 230 kV Substation Igarorã (BA)	BA	115	2040
LT 230 kV Sobral III/Acaraú II (CE); LT 230 kV Substation Acaraú (CE)	CE	97	2040
83 transmission substations; 15 elevating substations		18.260	2015
LT 500 kV Teresina(PI)/Sobral/Fortaleza(CE)	PI/CE	546	2034
LT 500 kV Colinas/Miracema/ Urupi/ Peixe 2/Serra da Mesa (TO/GO)	TO/GO	695	2036
LT 500 kV Oriximiná/Itacoatiara CD		375	2038
LT 500 kV Itacoatiara/Cariri (PA/AM); LT 500/138 kV substations Itacoatiara and LT 500/230 kV Cariri	PA/AM	212	2038
LT +/- 600 kV Collector Porto Velho (RO)/ Araraquara 2 (SP), 01 in CC; LT 500 kV +/- 600kV - 3,150 MW Rectifying Station 02 CA/CC; LT , +/- 600 kV/500kV - 2,950 MW Inverting Station 02 CC/CA,	RO/SP	2,375	2039
LT 230 kV São Luiz II/ São Luiz III (MA); LT 500 kV Substation Pecém II (CE) and LT 230 kV Aquiraz II (CE)	MA/ CE	96	2040
SE - Campos Novos	SC	2,466.00	2015
SE - Caxias	RS	2,016.00	2015
SE - Gravataí	RS	2,016.00	2015
SE - Nova Santa Rita	RS	2,016.00	2015
SE - Blumenau	SC	1,962.00	2015
SE - Curitiba	PR	1,344.00	2015
SE - Londrina	PR	1,344.00	2015
SE - Santo Ângelo	RS	1,344.00	2015
SE - Biguaçu	SC	300.00	2015
SE - Biguaçu	SC	672.00	2035
SE - Joinville	SC	691.00	2015
SE - Areia	PR	672.00	2015
SE - Itajaí	SC	525.00	2015
SE - Xanxerê	SC	450.00	2015
SE - Jorge Lacerda "A"	SC	399.80	2015
SE - Palhoça	SC	384.00	2015
SE - Siderópolis	SC	364.00	2015
SE - Assis	SP	336.00	2015
SE - Joinville Norte	SC	300.00	2015
SE - Atlântida 2	RS	249.00	2015
SE - Canoinhas	SC	225.00	2015
SE - Dourados	MS	225.00	2015
SE - Caxias 5	RS	215.00	2015
SE - Passo Fundo	RS	168.00	2015
SE - Tapera 2	RS	166.00	2015
SE - Gravataí 3	RS	165.00	2015
SE - Desterro	SC	150.00	2015
SE - Missões	RS	150.00	2039
SE - Anastácio	MS	150.00	2015

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	<u>Location</u>	<u>Extension (km)</u>	<u>Maturity year of the concession</u>
SE - Ilhota	SC	100,00	2015
Other substations		404,50	2015
*In pre-operating stage			

III Electric Power Distribution

<u>Company</u>	<u>Geographic Region</u>	<u>Municipalities Served</u>	<u>Maturity year of the concession</u>
Distribuição Acre	State of Acre	25	2015
Distribuição Rondônia	State of Rondônia	52	2015
Distribuição Alagoas	State of Alagoas	102	2015
Distribuição Piauí	State of Piauí	224	2015
Amazonas Energia	State of Amazonas	62	2015
Distribuição Roraima	State of Roraima	1	2015

The term of concession in the tables above represent the average maturity date of the concessions acquired for each company.

In case the concessions of the Company's subsidiaries are not renewed or are renewed at additional costs for the Company, the current levels of profitability and activity might be changed.

3 Summary of Significant Accounting Policies

3.1 Basis of preparation

These Consolidated Financial Statements are the first prepared in compliance with the International Financial Reporting Standards ("IFRS") as issued by International Accounting Board ("IASB"). All the effects of the first time adoption of IFRS are presented in the Note 6.2.1, ~~6.2.2 and 6.2.3~~

3.2 Compliance statement

The consolidated financial statements have been prepared under the historical cost convention, as modified by available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The Management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

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Explanatory Notes to the Consolidated Financial Statements for the year ended December 31, 2010 In thousands of reais

3.3 Basis of consolidation

The consolidated Financial Statements include the Financial Statements of the Company and of its subsidiaries, including special purpose entities. Control is obtained when the Company has the power to govern financial and operational policies of an entity in order to receive benefits from its activities.

The results of operations of subsidiaries acquired or sold during the year are included in the consolidated statements of operations and comprehensive income from the date of effective acquisition until the date of effective sale, as applicable.

Whenever necessary, the Financial Statements of subsidiaries are adjusted to align their accounting policies, assumptions and judgements to those established by the Company. All transactions, balances, revenues and expenses between subsidiaries of the Company are fully eliminated in the consolidated Financial Statements

The consolidated Financial Statements reflect the balances of assets and liabilities as of December 31, 2010 and 2009 and on January 1, 2009 (transition date), and of operations of the years ended December 31, 2010 and 2009, of the parent company, its directly and indirectly controlled subsidiaries and jointly controlled entities. The Financial Statements prepared in a functional currency different from the one used by the parent company are converted to the Group's presentation currency in Brazil, for equity accounting and consolidation purposes, and the resulting exchange differences are recognized in other comprehensive income.

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The Company adopts the following main consolidation practices:

- Elimination of investments of the investor in investees, as a counterpart to the investor's interest in investees' respective shareholders' equities.
- Elimination of intercompany accounts receivable and payable.
- Elimination of intercompany revenues and expenses.
- Recognition of the non-controlling shareholding interest of the investees in the Equity and in the Statement of Income.

The Company uses full and proportional consolidation criteria, as described in the table below. Ownership interest is presented based on the total capital of the investee entity.

Subsidiaries (Full consolidation)	December 31, 2010		December 31, 2009		January 1, 2009	
	Ownership interest		Ownership interest		Ownership interest	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
Amazonas Energia	100%		100%		100%	
Ceal	100%		75%		75%	
Cepisa	100%		99%		99%	
Ceron	100%		100%		100%	
CGTEE	100%		100%		100%	
Chesf	100%		99%		99%	
Eletoacre	93%		93%		93%	
Eletronorte	99%		99%		99%	
Eletronuclear	100%		100%		100%	
Eletropar	84%		82%		82%	
Eletrosul	100%		100%		100%	
Furnas	100%		100%		100%	
RS Energia		100%		100%		49%
Porto Velho Transmissora		100%		49%		49%
Boa Vista		100%		100%		100%
Estação Transmissora		100%		49%		49%
Jointly Controlled Entities (Proportional consolidation)	December 31, 2010		December 31, 2009		January 1, 2009	
	Ownership interest		Ownership interest		Ownership interest	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
Itaipu	50%		50%		50%	
Inambari	29%	49%	29%	49%		
Norte Energia	15%	49%				
CHC	50%					
Amapari		49%		49%		49%
Amazônia Eletronorte		49%		49%		49%
Artemis		49%		49%		49%
Baguari		31%		31%		31%
Brasnorte		50%		50%		50%
Chapecoense		40%		40%		40%
Cia de Transm. Centroeste de Minas		49%		49%		49%
Construtora Integração		49%		49%		49%
Enerpeixe		40%		40%		40%
Eólica Cerro Chato I		90%				
Eólica Cerro Chato II		90%				
Eólica Cerro Chato III		90%				
Energia Sustentável		40%		40%		40%
Goiás Transmissão		49%				
Integração Transmissora		49%		49%		49%
Interligação Elétrica do Madeira		49%		49%		25%

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Jointly Controlled Entities (Proportional consolidation)	December 31, 2010		December 31, 2009		January 1, 2009	
	Ownership interest		Ownership interest		Ownership interest	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
Linha Verde Transmissora		49%		49%		
Madeira Energia		39%		39%		39%
Manaus Construtora Ltda		20%		20%		20%
Manaus Transmissora		50%		50%		50%
MGE Transmissão		49%				
Norte Brasil Transmissora		49%		49%		49%
Pedra Branca		49%				
Retiro Baixo		49%		49%		49%
Rio Branco Transmissora		49%		49%		49%
São Pedro do Lago		49%				
SC Energia (Incorporated in the year 2009)		0%		0%		49%
Serra do Facão		50%		50%		0%
Sete Gameleiras		49%				
Sistema de Transmissão Nordeste		49%		49%		49%
Transmissão Delmiro Gouveia		49%		49%		49%
Transenergia Goiás		49%		49%		
Transenergia Renovável		49%		49%		
Transenergia São Paulo		49%		49%		
Transudeste		25%		25%		25%
Uirapuru		49%		49%		49%

3.3.1 Proportional consolidation procedures of Itaipu Binacional, jointly controlled entity

- (a) The Financial Statements of Itaipu Binacional, jointly controlled entity, are originally prepared in United States dollars (functional currency). Assets and liabilities were converted into Brazilian reais at the exchange rate on December 31, 2010 - US\$ 1.00 - R\$ 1.6662, defined by the Brazilian Central Bank (December 31, 2009 - US\$ 1.00 - R\$ 1.7412 and US\$ 1.00 - R\$ 2.3370 on January 1, 2009), and income statement items at the monthly average exchange rate.
- (b) The compensating result of Itaipu Binacional is presented in financial assets.
- (c) Remuneration on capital (dividends as established by the bilateral treaty Brazil - Paraguay) being paid by Itaipu Binacional and accounted for as a revenue in the parent company is eliminated at consolidation.
- (d) All the results generated by Itaipu Binacional in the consolidated statements, proportional to the shareholding interest of the Company (50%) are eliminated at consolidation against line item of Compensating Result of Itaipu Binacional.

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3.4 Investments in associates

An associate is an entity over which the Company has significant influence and that does not qualify as a subsidiary or as an entity under joint control (joint venture). Significant influence is the power to participate in decisions on financial and operational policies of the investee, without exercising individual or joint control over these policies.

Investments in associates are accounted for under the equity method and include goodwill on the acquisition, net of any accumulated impairment losses. Under the equity method, investments in associates are initially accounted for at cost and then adjusted to reflect participation of the Company in profits or losses and other comprehensive results of the associates. When the Company's share of losses of an associate exceeds its interest in that associate (including any long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses are recognized solely to the extent that the Company has incurred legal or constructive obligations or has made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Whenever necessary, the Financial Statements of our associates are adjusted so as to align their accounting policies, assumptions and judgements to those established by the Company, which apply the equity method of accounting in compliance with IAS 28.

3.5 Joint ventures

A joint venture is a contractual agreement through which the Company and other parties exercise an economic activity subject to joint control, a situation in which the decisions on financial and operational strategic policies related to the activities of the joint venture require the approval of all parties sharing control.

Whenever a subsidiary of the Company directly performs its activities through a joint venture, interest of the Company in jointly controlled assets and any liabilities jointly incurred with the other controlling shareholders is accounted for in the Financial Statements of the respective subsidiary and classified according to their nature. Incurred liabilities and expenditures directly related to the interest in joint venture are accounted for on an accrual basis. Any gains from the sale or use of the Company's share in revenues from jointly controlled assets and its share in any expenses incurred by the joint venture are recognized when it is probable that the economic benefits associated to the transactions will be transferred to/from the Company and its value can be reliably measured.

The Company accounts for its interest in jointly controlled entities, in its consolidated financial statements, using the proportional consolidation method. The Company's share in assets, liabilities and results of jointly controlled entities are added up to corresponding items in the consolidated Financial Statements of the Company, line by line.

3.6 Foreign currency translation

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). All the entities of the Group have Brazilian reais as their functional currency, except for ITAIPU, whose functional currency is dollar of the USA. The consolidated financial statements are presented in Brazilian reais, which is the group's presentation currency.

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In preparing the Financial Statements of each company, transactions in foreign currency, that is any currency different from the functional currency of each company, are translated into functional currency using the exchange rates prevailing at the date of each transaction. At the end of each fiscal year, monetary items denominated in foreign currency are translated using the exchange rates prevailing at the end of the year. Non-monetary items measured at historical cost in a foreign currency are translated, using the exchange rate at the date of transaction.

Foreign exchange gain and losses on monetary items are recognized in the statement of income in the period when they are incurred, except for those arising from borrowings in foreign currency related to the assets in construction for future productive use, which are included in the cost of these assets whenever they qualify as adjustments to interest costs of the referred borrowings.

Assets and liabilities of the Company's foreign investments are translated into reais, using the exchange rates prevailing at the end of the year. The income statement items are translated at the average exchange rate for the year, unless the exchange rates have fluctuated significantly during the year; in this case, the exchange rates at the date of the transaction will be used. All the resulting exchange differences, if any, are recognized in other comprehensive income.

3.7 Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits, other highly liquid short-term investments with original maturities of three months or less, which are readily convertible into a known cash amount and which are subject to an insignificant risk of change in value.

3.8 Accounts receivable and allowance for impairment

The accounts receivable from clients (consumers and resellers) are comprised by receivables arising from electricity provision and supply, including those related to energy traded in the scope of the Electricity Trading Chamber - CCEE.

They are initially recognized at fair value and, subsequently, measured at amortized cost less the allowance for impairment. In practical terms, they are usually recognized at the invoiced value adjusted by the impairment provision. The policy of analysis of impairment of financial assets is presented in Nota 3.22.2

The accounts receivable are normally settled within a period of up to 45 days, which is the reason why the book values substantially represent the fair values on the fiscal year closing dates given the fact that the effect of their discount is immaterial.

They also include receivables from services rendered and not yet invoiced, arising substantially from distribution activities and which are measured by estimates based on historical MW consumption.

3.9 Fuel Consumption Account - CCC

Under Law No. 8.631, of March 4, 1993, the Company manages the amounts related to the payments made by the electricity public utility concessionaires, in favour of the Fuel Consumption Account - CCC, corresponding to annual quotas allocated to fuel expenditures applied for electricity generation. The amounts registered in current assets, in compensation for the current liability, correspond to the availability of resources maintained in a respective bank account, and to quotas

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not paid by the concessionaires. The amounts registered in current assets are adjusted by the yield of the respective investment and represent restricted cash, not available for use for other purposes.

3.10 Judicial deposits

Aimed at legal and/or contractual compliance. They are measured at acquisition cost plus interest and monetary restatement based on legal provisions and adjusted for impairment whenever applicable. Such assets are considered loans and receivables, and their redemption is conditioned to closure of the judicial proceedings to which these deposits relate.

3.11 Warehouse

Warehouse materials, classified in current assets, are registered at average acquisition cost, which does not exceed their replacement costs or net realizable value.

3.12 Nuclear Fuel inventory

Uranium concentrate inventory, the related services and other elements of nuclear fuel used in thermonuclear power plants Angra I and Angra II are recorded based on their acquisition costs.

In its initial phase of formation, uranium ore and services necessary to its manufacturing are acquired and accounted for as non-current long-lived assets, under line item Nuclear Fuel Inventories. After concluding the manufacturing process, the part related to the consumption forecast for the next 12 months is classified in current assets, under line item Warehouse.

Consumption of nuclear fuel elements is allocated to the income statement in a proportional manner, considering electricity effectively generated per month in relation to total electricity forecasted for each fuel element. The Company performs periodic inventory counts and evaluations of nuclear fuel elements that passed through electricity generation process and are stored in the used fuel warehouse.

3.13 Fixed assets

At the transition date the Company has concluded that the generation assets, including those of nuclear generation and certain corporate assets are out of the scope of IFRIC 12 "Service concession arrangements" (Note 3.14), thus being demonstrated at cost, less accumulated depreciation and impairment. In the case of qualifying assets, the borrowing costs are capitalized according to the requirements of IAS 23 "Borrowing costs", which is described below in the Note 3.13.1. Such fixed assets are classified in adequate categories of fixed assets when they are concluded and ready for the intended use. Depreciation of these assets starts when they are ready for the intended use on the same basis as other fixed assets. Land is not subject to depreciation.

Depreciation is calculated based on the estimated useful life of each asset, using the straight line method, so that the carrying value of the asset less its residual value, after the end of its useful life, is fully written off (except for land and construction in progress). The Company believes that the estimated useful life of each asset is similar to depreciation rates established by ANEEL, which are deemed as acceptable by the market. Additionally, in connection with the Company's understanding of the current legislation on concession arrangements and based on an opinion of an independent legal advisor, it was considered the indemnification at the end of the concession based on the residual book value, and this factor was also considered in measuring fixed assets (see details in Note 17).

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Assets held through financial leasing are depreciated by the expected useful life, as assets owned by the Company, or for a shorter period, if applicable, under the terms of the respective leasing contract.

A fixed asset item is written off after sale or when there are no future economic benefits resulting from continuous use of the asset. Any gains and losses on sales or write-off of fixed asset items are determined by the difference between the amounts received from the sale and the book value and are included in the income statement of the year.

3.13.1 Borrowing costs

Monthly interest payable on borrowings is added to the acquisition cost of fixed assets in progress and, if applicable, foreign exchange gains and losses on borrowings considering the following criteria for capitalization:

- (a) The capitalization period occurs when the qualifying asset is under construction, and the capitalization of interest is terminated when the item is available for use.
- (b) Interest is capitalized based on the weighted average rate of the borrowings outstanding on the capitalization date.
- (c) Interest capitalized monthly do not exceed the amount of the interest expenses incurred in the capitalization period.
- (d) Capitalized interest is depreciated under the same criteria and estimated useful lives established for the items to which it was incorporated.

Gains on investments arising from temporary application of resources from specific borrowings, not yet used for the qualifying asset are deduced from borrowing costs eligible for capitalization, whenever the effect is material.

All other borrowing costs are recognized in the income statement of the year they are incurred.

3.14 Concession contracts

The Company has concession contracts in the segments of generation, transmission and distribution of electricity, signed with the grantor at the Brazilian Federal Government level, for periods ranging from 20 to 35 years, all contracts being, by segment, very similar in terms of rights and obligations of the concessionaire and of the grantor.

The electricity distribution tariff system is controlled by the National Electricity Agency - ANEEL, and such tariffs are adjusted annually and reviewed at the end of each four year period, aimed at maintaining the economical-financial balance of the Company, considering conservative investments made and the cost and expense structure of the reference company. The services are charged directly to the users, based on the volume of consumed electricity multiplied by the authorized tariff.

The electricity transmission tariff system of the old contracts is regulated by ANEEL and there are periodic tariff reviews, and for new transmission contracts there is an Allowed Annual Revenue - RAP, which is valid for the entire concession term, being adjusted annually by an inflation rate and subject to periodic reviews to cover new investments and occasional issues of economic-financial balance of the concession contracts.

The electricity generation tariff system was, in general, based on regulated tariff until 2004, and after this date, in connection with the changes in regulations for this sector, it changed from tariff

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basis to a price system, and the electricity generating companies have the liberty to participate in electricity auctions for the regulated market, with, in this case, a basic price, and the final price is established in a competition between the participants in the auction. Additionally, electricity generating companies may sign bilateral sale agreements with consumers being qualified to the category of free consumers (definition based on demanded power in MW).

The terms of the main concession arrangements are described in Note 2.

Concession contracts regulate the exploitation of public services of electricity distribution and transmission by the Company, where:

Electricity distributing companies

- The contract establishes which services the operator shall render and to whom (consumer class) the services shall be rendered.
- The contract establishes performance standards for public service, related to maintaining and improving service quality to the consumers, and the operator is obligated, at the end of the concession, to return the infrastructure in the same condition as it had received it when signing these contracts. To comply with this obligation, constant investments are made during the term of the concession. Thus, assets linked to the concession might be replaced, sometimes, until the end of the concession.
- At the end of the concession, assets linked to infrastructure must be handed over to the grantor, under penalty of indemnification.

Electricity transmission companies

- The price is regulated (tariff) and is denominated Allowed Annual Revenue (RAP). The electricity transmission company can not negotiate prices with users. For some contracts, RAP is fixed and monetarily adjusted by price indexes once a year. For the remaining contracts, RAP is monetarily adjusted by a price index once a year, and is reviewed each five years. Generally, RAP for any electricity transmission company is subject to an annual review due to increasing assets and operational expenses arising from changes, enhancements and enlargement of facilities.
- Assets are handed over at the end of the concession, with a right to receive indemnification (cash) from the grantor for investments not yet recovered.

IFRIC 12 – “Service Concession Arrangements” is applicable to public-private concession contracts in which the public entity:

- Controls or regulate the type of services that may be rendered, with resources to underlying infrastructures.
- Controls or regulates the price for services rendered.
- Controls/holds significant interest in the infrastructure at the end of the concession.

A public-private concession shall present, typically, the following characteristics:

- An underlying infrastructure to the concession, which is used to render services.
- An agreement/contract between grantor and operator.

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- The operator renders a set of services during the concession.

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- The operator receives a compensation throughout the term of the concession contract, either directly from the grantor, or from users of the infrastructure, or from both.
- Infrastructures are transferred to the grantor at the end of the concession, usually gratuitously or also by payment.

According to IFRIC 12, concession infrastructures within the scope of the interpretation, are not recognized by the operator as fixed assets, since the operator is deemed not to be in control of such assets, being then recognized according to one of the accounting models, depending on the form of operator's compensation commitment assumed by the grantor in the scope of the contract:

(a) Financial asset model

This model is applicable when the operator has an unconditional right to receive certain monetary amounts regardless of the level of use of the infrastructures under the concession and results in registering a financial asset, which is classified as loans and receivables.

(b) Intangible asset model

This model is applicable when the operator, in the scope of the concession, is compensated based on the degree of usage of infrastructures (demand risk) related to the concession and results in registering an intangible asset.

(c) Mixed model

This model is applied when the concession includes simultaneously compensation obligations guaranteed by the grantor and compensation obligations depending on usage level of the concession infrastructure.

Based on the characteristics established in the electricity distribution concession contracts of the Company and its subsidiaries and in the requirements of the interpretation, the following assets are recognized in the electricity distribution business:

- Estimated part of the investments made and not recovered or depreciated until the end of the concession is classified as a financial asset, for being an unconditional right to receive cash or other financial asset directly from the grantor.
- Remaining part of the financial asset (residual value) shall be classified as an intangible asset due to its recovery being conditioned to the use of the public service, in this case, electricity consumption by consumers.

The infrastructure received or built for the distribution activity is recovered through two cash flows:

- Partly through electricity consumption by consumers (monthly invoicing based on the measure of electricity and power consumed/sold) during the term of concession.
- Partly as an indemnification of the reversible assets at the end of the concession, to be received directly from the grantor or from whom it delegates this task.

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This indemnification will be paid based on the portion of investments linked to reversible assets, not yet recovered or depreciated, which have been made aiming at assuring continuity and updated conditions of the services.

The electricity distribution concessions of the Company and its subsidiaries are not onerous. Therefore, there are no fixed financial obligations and payments to be made to the grantor.

For electricity transmission activities, the Allowed Annual Revenue - RAP is received from companies using its infrastructure, through a tariff for transmission system use (TUST). This tariff results from dividing some specific values amongst transmission users; (i) the RAP of all transmission companies; (II) the services rendered by the National Electric System Operator - ONS; and (III) regulatory charges.

The grantor has delegated to generators, distributors, free consumers, exporting and importing companies the monthly payment of RAP, which, by being guaranteed by the transmission regulatory framework, constitute an unconditional contractual right to receive cash or other financial asset, thus resulting in low credit risk.

Considering the Company is not exposed to credit risks and the demand and revenue is earned based on the availability of transmission lines, the whole infrastructure was registered as financial assets.

The financial asset includes the indemnification that shall be paid based on parts of investments linked to reversible assets, not yet recovered or depreciated, which have been made aiming at assuring continuity and updated conditions of the services.

In the electricity generation business, except for Itaipu and Amazonas Energia, IFRIC 12 is not applicable, and the infrastructure remains classified as fixed assets. However, the rule is applicable to electricity distribution and transmission, and these businesses qualify in the mixed model (bifurcated) and in the financial model, respectively.

Regarding the generation activity, the Company considered the following aspects:

- Hydraulic and thermal generation - not applicable due to price characteristics instead of regulated tariff. The only exception refers to generation by Amazonas Energia, which is destined exclusively to the distribution operation and which has a specific tariff mechanism.
- Nuclear generation - It has a defined tariff system, however, it differs from other generation contracts for being a permission instead of a concession, without an established term for the end of the permission as well as the characteristics of significant control of the assets by the grantor at the end of the permission period.

Regarding Itaipu, all the infrastructure was classified as being in the scope of IFRIC 12 due to the following specific facts:

- Itaipu Binacional is governed by a Bilateral Treaty signed in 1973 in which there were established tariff conditions, being the basis for formation of certain tariff exclusively to cover expenses and the debt service of this Company.
- Tariff basis and trading terms are in force until 2023, which corresponds to a significant part of the useful life of the plant.

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The infrastructure was classified as a financial asset taking into consideration the following aspects:

- The financial flow was established mainly to enable payment of the debt service, with final maturity in 2023.
- The trading of electricity from Itaipu was subrogated to the Company, however it arose from contracts previously signed with distributors, under previously defined payment conditions.
- Under Law No. 10,438, of April 26, 2002, the commitments of acquisition and transfer to distribution concessionaires of electricity services from Itaipu Binacional signed by Furnas and Eletrosul, subsidiaries of Eletrobras, with electricity distribution concessionaires were transferred to the Company.

Debt arising on electricity trading from Itaipu Binacional was renegotiated with the Company, originating financing contracts. Such debts were initially accounted for at fair value, and subsequently measured at amortized cost using the effective interest rate method.

- The terms of the treaty guarantee reimbursement of the Company even in events of lack of generating capacity or operational problems with the plant.

3.15 Financial asset - Concession arrangements

The Company recognizes a receivable from the grantor (or from whom the grantor has granted) when it has an unconditional right to receive cash at the end of the concession as an indemnification for investments made by electricity distribution and transmission companies and not recovered through services related to the concession. These financial assets are accounted for at present value of the rights and are calculated based on the estimated part of investments made and not yet recovered or depreciated until the end of the concession. Assets related to electricity distribution are compensated based on the WACC regulatory remuneration, this factor being included in the tariff basis and assets related to electricity transmission are compensated based on the internal rate of return of the enterprise.

These accounts receivable are classified as current and non-current considering the receiving expectation of these amounts, based on the termination date of the concessions.

The Company recognizes as an intangible asset the right to charge users for providing electricity distribution services. The intangible asset is determined as the residual value of the construction revenue earned for the construction or acquisition of infrastructure made by the Company and the amount of the financial asset related to the unconditional right to receive cash at the end of the concession as an indemnification.

The asset is presented net of accumulated amortization and impairment losses, when applicable.

The amortization of the intangible asset reflects the pattern in which the future economic benefits of the asset are expected to be consumed by the Company, or the final term of the concession, whichever occurs first. The consumption pattern of the assets is related to its economic useful life in which the assets built by the Company comprise the calculation basis for measuring the tariff for rendering the services of the concession.

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The amortization of the intangible asset starts when it is available for use, in its location and under the conditions necessary to be capable of operating in the expected manner by the Company. Amortization ceases when the asset has been fully consumed or written off, no longer comprising the calculation basis of the tariff for rendering the services of the concession, whichever occurs first.

The Company performs annually the impairment test on their assets, using the method of present value of future cash flows generated by the assets (see Note 20).

3.16 Intangible assets

Intangible assets are basically comprised by usage rights of the concession, goodwill on the acquisition of investments and specific expenditures associated with the acquisition of rights (software), plus the respective implementation costs, when applicable.

Intangible assets with finite useful lives acquired separately are registered at cost, less accumulated amortization and impairment losses. Amortization is accounted for by the straight line method based on the estimated useful life of the assets. The estimated useful life and the amortization method are reviewed at the end of each fiscal year and the effects of any changes are accounted for on a timely basis.

Intangible assets with indefinite useful lives are registered at cost, less accumulated impairment. These intangible assets are not subject to amortisation and are tested annually for impairment.

The Company and some subsidiaries have costly concession contracts with the Government for usage of public property for electricity generation in certain plants.

These assets are registered in intangible assets with corresponding entry in non-current liability.

3.16.1 Expenditures with studies and projects

The amounts spent on studies and projects, including feasibility and hydroelectric utilization and inventories for transmission lines are recognized as operating expenses when incurred, until the economic feasibility of their exploitation or the bestowal of concession or authorization are effectively proved. From the concession and/or authorization for the exploitation of the electricity public utility, or the confirmation of the project's economic feasibility, the expenses incurred are capitalized as project development cost. Currently, the Company does not have capitalized amounts referring to expenses with studies and projects.

The Company recognizes as an intangible asset the right to charge users for providing electricity distribution services. The intangible asset is determined as the residual value of the construction revenue earned for the construction or acquisition of infrastructure made by the Company and the amount of the financial asset related to the unconditional right to receive cash at the end of the concession as an indemnification.

The asset is presented net of accumulated amortization and impairment losses, when applicable.

The amortization of the intangible asset reflects the pattern in which the future economic benefits of the asset are expected to be consumed by the Company, or the final term of the concession, whichever occurs first. The consumption pattern of the assets is related to its economic useful life in which the assets built by the Company comprise the calculation basis for measuring the tariff for rendering the services of the concession.

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The amortization of the intangible asset starts when it is available for use, in its location and under the conditions necessary to be capable of operating in the expected manner by the Company. Amortization ceases when the asset has been fully consumed or written off, no longer comprising the calculation basis of the tariff for rendering the services of the concession, whichever occurs first.

It includes, yet rights arising from concessions acquired and payable, substantially through special purpose entities (SPE).

3.17 Impairment of non financial assets, excluding goodwill

At the end of each fiscal year, the Company evaluates if there is any evidence that its non financial assets have suffered any impairment losses. In case there is such evidence, the recoverable amount of the asset is estimated, in order to measure the amount of this loss, if any. When it is not possible to individually estimate the recoverable amount of an asset, the Company calculates the recoverable amount of the cash generating unit to which the asset belongs.

When a reasonable and consistent allocation basis can be identified, corporate assets are also allocated to individual cash generating units or to the smallest group of cash generating units to which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the highest between fair value less costs to sell or the value in use. In the evaluation of the value in use, future estimated cash flows are discounted at present value at a discount pre-tax rate which reflects an updated appraisal of the time value of money and specific risks related to the asset for which the estimated future cash flows were not adjusted.

If the calculated recoverable amount of an asset (or cash-generating unit) is lower than its book value, the book value of the asset (or cash-generating unit) is reduced to its recoverable amount. The loss corresponding to the reduction to the recoverable value is immediately recognized in the income statement.

When the impairment loss is subsequently reversed, there is an increase in the book value of the asset (or cash-generating unit) to the revised estimate of its recoverable amount, given that it does not exceed the book value that would have been determined if no impairment loss was accounted for the asset (or cash-generating unit) in previous fiscal years. The reversal of the impairment loss is immediately recognized in the income statement.

Due to historical operating losses on distribution companies, the Company annually performs the impairment test using the method of the present value of future cash flows generated by the assets, resulting in an amount higher than the book value (see explanatory Note 20).

3.18 Goodwill

Goodwill resulting from a business combination is presented at cost on the date of the business combination, net of the accumulated impairment loss, when applicable.

For impairment test purposes, goodwill is allocated to each of the cash-generating units of the Company (or groups of cash-generating units) that will benefit from the synergies arising from the combination.

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Considering that the investing operations of the Company are linked to operations under concession contracts, goodwill arising from the acquisition of such entities represents the concession right with defined useful life, being recognized as an intangible asset of the concession and amortized according to the term of the concession.

3.19 Business combinations

Goodwill and negative goodwill arisen on acquisitions of interest from non-controlling shareholders after January 1, 2009 were fully allocated to the concession contract and recognized as intangible assets.

3.20 Taxation

Expenses with income tax and social contribution represent the sum of current and deferred taxes.

3.20.1 Current taxes

Provision for income tax and social contribution (IRPJ and CSLL) is based on the taxable income of the year. Taxable income differs from the net income presented in the income statement, since it excludes revenues or expenses taxable or deductible in other years as well as excluding items non taxable or non deductible permanently. Provision for income tax and social contribution is individually calculated to each subsidiary of the Company based on the rates prevailing at the end of the fiscal year.

3.20.2 Deferred taxes

Deferred income tax and social contribution ("deferred taxes") are recognized based on temporary differences at the end of each reporting period between the balances of assets and liabilities recognized in the Financial Statements and the corresponding tax basis used in the calculation of the taxable income, including the balance of tax losses, when applicable. Deferred tax liabilities are generally recognized on all taxable temporary differences and deferred tax assets are recognized on all deductible temporary differences, to the extent that it is probable that the company will have a sufficient future taxable income against which such deductible temporary differences can be utilized.

The recovery of deferred tax assets is reviewed at the end of each reporting period and, when it is no longer probable that future taxable income will be available to allow the full recovery of asset, or part of it, the balance of the asset is adjusted by the amount expected to be recovered.

Deferred tax assets and liabilities are measured by applicable tax rates in the period in which it is expected that the liability is settled or the asset is realized, based on tax rates established by tax legislation prevailing at the end of each reporting period, or when new legislation has been substantially enacted. Measurement of deferred tax assets and liabilities reflects tax consequences resulting from the manner in which the Company expects, at the end of each reporting period, to recover or settle the book value of these assets and liabilities.

Current and deferred taxes are recognized in the income statement, except when they relate to items registered in Other Comprehensive Income, or directly in equity, in which case current and deferred taxes are also recognized in Other Comprehensive Income or directly in equity, respectively.

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3.21 Payables due to onerous concession contracts

The Company and some subsidiaries have costly concession contracts with the Government for usage of public property for electricity generation in certain plants.

The amounts identified in the contracts are presented at future prices and, therefore, the Company and these subsidiaries have adjusted these contracts to present value applying the discount rate prevailed at the date of the obligation.

The adjustment of the obligation to present value and monetary adjustments are being capitalized in the assets during the construction of the power plants and will be, from the date of the beginning of commercial operations, recognized directly in the income statement.

These assets are registered in intangible assets with the corresponding entry in non-current liability.

3.22 Financial instruments

Financial assets and liabilities are recognized whenever an entity of the Company is part of the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition or issuance of financial assets and liabilities (except for financial assets and liabilities at fair value through profit or loss) are added to or deduced from the fair value of financial assets or liabilities, if applicable, on initial recognition. Transaction costs directly attributable to acquisition of financial assets or liabilities at fair value through profit or loss are immediately recognized in the income statement.

3.22.1 Financial assets

Financial assets are classified in the following specific categories: financial assets at fair value through profit or loss, investments held to maturity, financial assets available for sale and loans and receivables. Classification depends on the nature and purpose of the financial assets and is determined at the date of the initial recognition.

(a) Financial assets at fair value through profit or loss

The financial assets are classified at fair value through profit or loss when they are held for trading in the short-term or designated at fair value through profit or loss.

The financial assets at fair value through profit or loss are carried at fair value, and any resulting gains or losses are recognized in the income statement. Net gains and losses recognized in the income statement incorporate dividends or interest earned by the financial assets, being included in the line item "Other financial revenues and expenses", in the income statement.

(b) Investments held to maturity

Investments held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity date, which the Company has the intention and financial capability to maintain until maturity. After initial recognition, investments held to maturity are measured at amortized cost using the effective interest method, less occasional impairment losses.

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(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and that are not quoted in an active market. Loans and receivables (including accounts receivable from clients and others, cash and cash equivalents, and others) are measured at amortized cost using the effective interest method, deduced of any impairment losses.

Interest income is recognized using the effective interest method.

(d) Financial assets available for sale

Financial assets available for sale correspond to non-derivative financial assets designated as "available for sale" or not classified as:

- Financial assets at fair value through profit or loss.
- Investments held to maturity.
- Loans and receivables.

They are initially registered at their acquisition cost, which is the fair value of the price paid, including transaction expenses. After initial recognition, they are measured at fair value by reference to their market value, without any deductions related to transaction costs that might be incurred until its sale.

3.22.2 Impairment of financial assets

Financial assets, except those designated at fair value through profit or loss, are evaluated for impairment indicators at the end of each reporting period. Impairment losses are recognized if, and only if, there is objective evidence of impairment of the financial asset resulting from one or more events that have occurred after its initial recognition, with impact on the estimated future cash flows of this asset.

The criteria that the group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio; and
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is also evidence that the assets have been deteriorated. If there is evidence of this type for financial assets available for sale, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognized in the income statement - will be removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on

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equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases, and this increase can be objectively related to an event that occurred after the impairment loss had been recognized in the income statement, the impairment loss is reversed through the income statement.

3.22.3 Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from this asset expire, or when it transfers the asset, and substantially all risks and benefits of ownership to another company. If the Company does not transfer or does not hold substantially all risks and benefits of ownership of the financial asset, but remains controlling the transferred financial asset, the Company recognizes the interest held and the respective liability in the amounts it will pay. If it holds substantially all risks and benefits of ownership of the transferred financial asset, the Company continues recognizing this asset, as well as a guaranteed loan for the revenue earned.

On the derecognition of a financial asset, the difference between the book value of the asset and the consideration received and receivable and the accumulated gain or loss recognized in Other Comprehensive Income and accumulated in equity, is recognized in the income statement.

3.22.4 Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss or borrowings.

(a) Financial liabilities at fair value through profit or loss

The financial liabilities are classified at fair value through profit or loss when they are held for trading in the short-term or designated at fair value through profit or loss. The financial liabilities at fair value through profit or loss are carried at fair value, and the respective gains or losses are recognized in the income statement.

(b) Borrowings

Borrowings are measured at amortized cost using the effective interest method.

The effective interest method is used to calculate the amortized cost of a financial liability and to allocate its interest expense throughout the respective period. The effective interest rate is the rate discounting exactly the estimated future cash flows (including fees and points paid or received, that are an integral part of the effective interest rate, transaction costs and other premiums or discounts) throughout the estimated life of the financial liability or, when appropriate, for a shorter period, for initial recognition of the net book value.

3.22.5 Financial guarantee contracts

Financial guarantee contracts consist of contracts that require the issuing company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, according to the original or modified terms of a debt instrument.

Financial guarantees are initially recognized in the financial statements at fair value at the date of issuance of the guarantee. Subsequently, liabilities related to guarantees are measured at the higher of the amount initially recognized, less, when appropriate, cumulative amortization and the amount determined as the best estimate of the amount required to settle the guarantee.

These estimates are established based on the experience with similar transactions and on the history of past losses together with judgment by the Company's Management. The commissions received are

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recognized based on the linear method throughout the life of the guarantee. Any increase in the liabilities related to guarantees are presented when incurred, in operating expenses.

3.22.6 Derivative financial instruments

The Company does not have derivative financial instruments to hedge its exposure to interest rate and exchange rate risks, including exchange contracts, interest rate and currency swaps. Note 43 includes detailed information regarding derivative financial instruments. Certain jointly controlled companies entered into derivative contracts, and in some cases the hedge accounting policy was applied.

Initially, the derivatives are recognized at fair value on the date a derivatives contract is entered into and, subsequently, are re-measured to their fair value at the end of the fiscal year. Occasional gains or losses are immediately recognized in the income statement, except when the derivative has been designated as a hedge instrument and the hedge is effective; in this case, the moment of recognition in the income statement depends on the nature of the hedge relationship.

3.22.7 Embedded derivatives

Embedded derivatives in non-derivative contracts are treated as a separate derivative instrument when their risks and characteristics are not closely related to the host instrument and these are not designated at fair value through profit or loss.

3.22.8 Hedge accounting

The Company has a hedge accounting policy, however, except for operations of certain SPEs, it does not have transactions classified as such. Derivative financial instruments designated for hedge operations are initially recognized at fair value on the date the derivative contract is signed, being subsequently remeasured, also at fair value. Derivative instruments are shown in the consolidated financial statements as financial assets when represent a right of collection and as financial liabilities when represent an obligation to pay cash.

At the beginning of the hedge relation, the Company documents the relation between the hedge instrument and the hedged item with its risk management objectives and its strategy to assume various hedge operations. Additionally, at the beginning of the hedge and continuously, the Company evaluates if the hedge instrument used in a hedge operation is highly effective at offsetting changes in the fair value or in the cash flows of the hedged item, attributable to risks inherent to the hedge.

For hedge accounting purposes, the Company uses the following classifications:

(a) Fair value hedges

Changes in the fair value of derivatives designated and qualified for fair value hedge are accounted for in the income statement, with any changes in the fair value of the hedged items attributed to the risk being hedged. Changes in the fair value of hedge instruments and in the hedged item attributable to the hedged risk are recognized in the income statement.

(b) Cash flow hedges

The effective portion of the gain or loss of hedging instrument designated and qualified as cash flow hedge is recognized in other comprehensive income. Gains or losses related to the ineffective part are immediately recognized in the income statement.

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The amounts previously recognized in other comprehensive income and accumulated in the equity are reclassified to the income statement in the period when the hedged item is recognized in the income statement.

3.23 Employees benefits

3.23.1 Pension obligations

The subsidiaries of the Company sponsor a number of pension plans, which are generally funded by contributions to insurance companies or trust funds, determined by periodic actuarial calculations. The Company sponsors defined benefit and also defined contribution plans. A defined contribution plan is a pension plan under which the Company pays fixed contributions to a separate entity. The Company does not have any legal or constructive obligation to pay contributions if the fund does not possess sufficient assets to pay, to all employees, benefits related to the services rendered by the employees in current and previous years. A defined benefit plan is different from a defined contribution plan, given that such defined benefit plans establish the value of a benefit an employee will receive upon retirement, usually depending on one or more factors, such as age, service time and remuneration.

The liability recognized in the balance sheet related to defined benefit plans is the present value of the defined benefit liability at the balance sheet date, less the fair value of the plan assets and any past service costs not yet recognized. The defined benefit liability is calculated annually by independent actuaries, using the projected unit credit method. The present value of the defined benefit liability is determined by discounting the estimated future cash outflow, using interest rates consistent with market yields, which are denominated in the currency in which the benefits will be paid and that have maturities close to those liability of the respective pension plan.

Actuarial gains and losses arising from adjustments based on experience and changes in actuarial assumptions are accounted for in Other Comprehensive Income.

Past service costs are immediately recognized in the income statement, unless the changes to the pension plan are conditioned to the employee's continuity in the job, for a specific period of time (the period in which the right is vested). In this case, past service costs are amortized by the linear method during the period in which the right was earned.

Regarding defined contribution plans, the Company pays contributions to public or private pension plans on a compulsory, contractual or voluntary basis. As soon as the contributions have been made, the Company has no additional payment-related obligations. The contributions are recognized as pension plan expenses, when incurred. Pre-paid contributions are recognized as assets as a cash reimbursement or a reduction of future payments is available. The Company adopts the practice of fully accounting for actuarial gains and losses in other comprehensive income.

3.23.2 Other post-employment liabilities

Some subsidiaries of the Company offer post-retirement medical assistance benefits to its employees, as well as life insurance for active and inactive employees. The right to these benefits is, usually, conditioned to the employee's continuity in the job until retirement age and conclusion of a minimum service time. The expected costs of these benefits are accumulated during the employment period, under the same accounting methodology used for defined benefit pension plans. Actuarial gains and losses arising from adjustments based on experience and in changes to actuarial assumptions are accounted for in Other Comprehensive Income. These liabilities are measured, annually, by qualified independent actuaries.

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3.23.3 Profit sharing

The Company recognizes a profit sharing liability and expense based on a formula that takes into account the income attributable to the shareholders of the Company after certain adjustments. The Company recognizes a provision when it is contractually bound or when there is a past practice that created constructive liability.

3.24 Provisions

Provisions are recognized for present obligations (legal or constructive) resulting from past events, in which it is possible to reliably estimate the amounts and for which settlement is probable. The amount recognized as a provision is the best estimate of the amount to settle a liability at the end of each reporting period, considering the risks and uncertainties related to the liability. When the provision is measured based on the estimated cash flows to settle the liability, its book value corresponds to the present value of these cash flows (where the effect of time value of money is relevant).

3.24.1 Decommissioning liability

As provided for in IAS 37, a provision is constituted throughout the economic useful life of thermonuclear plants, aiming at allocating to the respective operating period, the costs to be incurred with their technical-operational deactivation, at the end of their useful life, estimated at 40 years.

The amounts are charged to the income statement of the year at present value, based on annual quotas denominated in U.S. dollars, at the rate of 1/40 of the estimated expenses, being immediately registered and converted at the exchange rate at the end of each period. The liability related to decommissioning is adjusted based on changes in U.S. dollar exchange rate (see Note 33).

3.24.2 Provision for legal liabilities linked to judicial proceedings

Provisions for legal actions are constituted when the loss is considered to be probable, causing a probable outflow of resources to settle the liability and when the amounts involved can be reliably measured, taking into account the opinion of legal counsel, nature of proceedings, similarity with previous proceedings, complexity and the position of the courts.

3.24.3 Onerous contracts

Present obligations resulting from onerous contracts are recognized and measured as provisions. An onerous contract exists when the unavoidable costs of meeting the obligations of the contract exceed the economic benefits expected to be received under it.

3.25 Advances for future capital increase - AFAC

Advances of proceeds received from the controlling shareholder and intended for capital contribution, are irrevocably granted. They are classified as non-current liabilities and initially recognized at fair value and subsequently adjusted at the SELIC interest rate.

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3.26 Share Capital

Common and preferred shares are classified as equity.

Incremental costs attributable to the issue of new shares are presented in equity as a deduction of the amount received, net of taxes.

When the Company purchases its own shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income tax), is deducted from the equity attributable to the Company's equity holders until these shares are cancelled or reissued. When these shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax and social contribution effects, is included in the equity attributable to the Company's equity holders.

3.27 Interest on Capital - JCP and dividend distribution

The JCP imputed as dividends of the fiscal year is calculated having a percentage on the shareholders' equity as a limit, using the Long-Term Interest Rate - TJLP, established by the Brazilian Government, as legal requirement, limited to 50% of the net profit of the fiscal year or 50% of the profit reserves, before including the profit of the fiscal year itself, whichever is higher

The amount of dividends above the minimum mandatory dividend established by Law or other legal instrument, not yet approved at the Annual General Meeting, will be presented in shareholders' equity, in a specific account denominated Additional dividends proposed.

3.28 Other comprehensive income

Other comprehensive income is comprised of revenue and expense items not recognized in the income statement. Components of other comprehensive income include:

- Actuarial gains and losses on defined benefit pension plans.
- Gains and losses from translation of financial statements of foreign operations.
- Valuation adjustments related to gains and losses in the remeasurement of financial assets available for sale.
- Valuation adjustment related to the effective portion of gains and losses from hedge instruments on cash flow hedge.

3.29 Revenue recognition

Revenue is measured at fair value of the consideration received or receivable, reduced by any applicable deductions.

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3.29.1 Sale of electricity and services

(a) Generation and Distribution:

Revenue is measured at fair value of the consideration received or receivable, net of taxes and eventual discounts on it. Revenue from sales of electricity and services is recognized when it is probable that the economic benefits associated to the transactions will flow to the Company; the amount of the revenue can be reliably measured; the risks and benefits related to the sale were transferred to the purchaser; the costs incurred or to be incurred related to the transaction can be reliably measured; and the Company no longer has control and responsibility over the electricity sold. It also includes revenue from construction linked to the segment of electricity distribution.

(b) Transmission

- Financial revenue arising from remuneration of the financial asset until the end of the period of concession based on effective interest method, that takes into account the average rate of return of the investments.
- Revenue to cover operating and maintenance expenses based on incurred costs.
- Revenue from construction for expansions which generate additional revenue. Considering that these services are rendered by third parties, the Company does not apply margins on constructions.

3.29.2 Dividend and interest income

Interest income on financial assets is recognized when it is probable that the future economic benefits will flow to the Company and the amount of the revenue can be reliably measured. Interest income is recognized using the effective interest method over the outstanding principal amount, the effective interest rate being that which discounts exactly the estimated future cash receiving during the estimated life of the financial asset related to the initial net book value of this asset.

3.30 Lease

Leasing is classified as finance lease whenever the terms of the leasing agreement transfer substantially all ownership risks and benefits to the tenant. All other leasing agreements are classified as operating.

Payments related to operating lease are recognized as expenses by the linear method throughout the period the agreement is in force, except when another basis is more representative to reflect the moment when the economic benefits of the leased asset are consumed. Contingent payments arising from operating lease agreements are recognized as expenses in the year they are incurred.

Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

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3.31 Government grant

Government grants are recognized systematically in the income statement during the fiscal years in which the Company recognizes as expenses the related costs that the grants are intended to compensate. Government grant receivable as a compensation for already incurred expenses with the purpose of offering immediate financial support to the Company, without corresponding future costs, are recognized in the income statement in the period they are received and subsequently are allocated to revenue reserves not subject to dividend distribution.

3.32 Registration of income and expenses of the fiscal year

The income and expenses are registered on accrual basis.

3.33 Scheduled Shutdowns

The costs incurred before and during the scheduled shutdowns of power plants and transmission lines are accounted for in the income statement of the period in which they are incurred.

3.34 Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the income attributable to the shareholders of the Company by the weighted average number of outstanding shares (total shares less treasury shares). Diluted earnings per share are calculated adjusting the weighted average number of outstanding shares, to the extent of the conversion of potentially diluted shares, according to IAS 33.

3.35 Presentation of segment reports

Operating segments are defined as business activities where it is possible to earn revenues and incur expenses, whose operating reports are supplied to the chief operating decision maker. The chief operating decision maker, responsible for allocating resources and for evaluating the performance of operating segments is the Board of Directors, which is also responsible for the Company's strategic decision making.

4 Accounting Estimates and Judgment

Accounting estimates are those arising from the application of subjective and complex judgments by the Company's Management and its subsidiaries, frequently arising from the need to reflect significant impacts in order to adequately demonstrate the financial position and results of the entities. The accounting estimates become critical as the number of variables and assumptions affecting the future condition of these uncertainties increases, turning judgments even more subjective and complex.

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When preparing the current Financial Statements of the Company and its subsidiaries, the Management adopted estimates and assumptions based on historical experience and other factors that it understands as reasonable and relevant to its adequate presentation. Even though these estimates and assumptions are permanently monitored and revised by the Management of the Company and its subsidiaries, the determination of the book value of assets and liabilities and the result of operations is inherently uncertain, due to its arising from judgment.

As far as the most critical accounting estimates are concerned, the Management of the Company and its subsidiaries base their judgments on future events, variables and assumptions, as follows:

I Deferred tax

The balance sheet liability method is applied for determining the deferred income tax and social contribution asset based on temporary differences between the book value of assets and liabilities and their respective tax bases and for compensation of tax losses and negative social contribution bases. Deferred tax assets and liabilities are calculated and recognized using the tax rates applicable to the taxable profit in the years in which these temporary differences should be realized. The future taxable profit may be higher or lower than the estimates considered by the Management when defining the amount of deferred tax asset to be registered.

II Impairment of long-lived assets

The Management of the Company and its subsidiaries adopt variables and assumptions to perform an impairment test of long-lived assets to recognize impairment, when necessary. In this procedure, judgments based on historical experience with asset management, groups of assets or cash-generating units, which may occasionally not happen in the future, are applied, even concerning the estimated economic useful life of its long lived assets, which represents the current practices determined by ANEEL applicable to the assets linked to the concession of the electricity public utility, which may vary due to the periodic analysis of the economic useful life of assets. Many inherently uncertain events also impact the determination of variables and assumptions used by the management to determine the discounted future cash flow, for purposes of recognition of the impairment of long lived assets. Among these events, it is worth emphasizing the maintenance of the electricity consumption levels, national economic activity growth rate, availability of hydric resources, in addition to those inherent to the expiration of the electricity public utility concession terms held by the Company's subsidiaries, especially regarding the value of its hand over at the end of the concession term. Hereupon, the Management adopted the contractually forecasted indemnification assumption, when applicable, by the residual book value at the end of the electricity generation, transmission and distribution concession term.

III Decommissioning liabilities

The Company recognizes liabilities for decommissioning of the assets related to their thermonuclear power plants. In order to calculate the amount of the provision, assumptions and estimates are made regarding the discount rates, the expected cost to deactivate and remove the entire plant from the location and the expected time for the outlay of the referred costs.

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IV Calculation basis for indemnification by the grantor of public utility concessions

The Company adopts the assumption that the assets are subject to hand over at the end of the concession contracts, with the right to receive full indemnification from the grantor for the investments not yet recovered. There is a discussion on the legal and regulatory interpretation of the calculation basis of the indemnifiable amount, with different interpretations. Based on contractual provisions and on legal and regulatory interpretations, the Company, supported by the opinion of an independent legal advisor, adopted the assumption that it would be indemnified by the residual book value at the end of the concession. This decision impacted the formation basis of the generation of assets that have indemnification clauses provided for in their contracts and the electricity transmission and distribution operations in the scope of IFRIC-12.

V Actuarial liabilities

Actuarial liabilities are determined by actuarial calculations prepared by independent actuaries and future results of the accounting estimates used in these Financial Statements may be different, compared to variables, assumptions and conditions from those existing and being used at the time of judgment.

VI Useful life of property, plant and equipment

The subsidiaries of Eletrobras use criteria established in the ANEEL Resolution No. 367, of June 2, 2009, to determine the estimated useful life of property, plant and equipment.

5 Standards, Amendments and Interpretations to Standards Not Yet Effective

The following amendments and interpretations were published and are mandatory for reporting periods starting after January 1, 2011, and there was no early adoption of these standards by the Company, except for IAS 24.

(a) IAS 12 “Income tax”

Amended in December, 2010, the standard clarifies on the difficulty to determine if the realization of an asset will be through sale or its use when an asset is classified as property investment. The assumption set out in this amendment is that the value of this asset will be usually realized through sale. The Management of the Company is assessing this impact on the Financial Statements.

(b) IAS 24 (Revised) “Related Party Disclosures”

IAS 24 revised was issued in November, 2009 and replaces IAS 24, Related Party Disclosures, which was issued in 2003. IAS 24 (revised) is mandatory for periods starting on or after January 1st, 2011. Given that early adoption, fully or partly, is allowed, there was an early adoption of this standard. The effects of the amendment to this standard will be on disclosures and will not significantly impact the Financial Statements of the Company.

(c) IFRS 9 “Financial instruments”

Issued in November, 2009, this standard introduces new requirements to classify and measure financial assets. The standard is effective since January 1, 2013, and its early adoption is allowed. The Company is assessing the possible effects that may arise from the adoption of this standard. No significant impact is expected on the Financial Statements of the Company.

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(d) IFRIC 19 “Extinguishing financial liabilities with equity instruments”

This interpretation is effective for annual periods beginning on or after July 1, 2010. It clarifies the accounting treatment in situation when an entity renegotiates the terms of a financial liability with its creditor, and the creditor agrees to accept shares of the entity or other equity instruments to totally or partially settle the financial liability. The Company will apply this interpretation from January 1, 2011. The Company is assessing the possible effects arising from the adoption of this interpretation and does not expect it to significantly impact the Financial Statements of the Company.

(e) Amendments to IFRIC 14 “IAS 19 - The limit on a defined benefit assets, minimum funding requirements and their interaction”

Removes unintended consequences arising from the treatment of prepayments, where there is a minimum funding requirement. The results from prepayment of contributions in certain circumstances are recognized as assets, instead of expenses. The amendments are effective from January 1, 2011. The Company is assessing the possible effects arising from this amendment and does not expect it to significantly impact the Financial Statements of the Company.

(f) Amendments to IFRS 7 “Financial instruments”

Emphasizes the interaction between quantitative and qualitative disclosure about the nature and extension of risks associated with financial instruments. The pronouncement is effective from January 1, 2011, retrospectively. The Company is assessing the possible effects arising from this amendment and does not expect it to significantly impact the Financial Statements of the Company.

(g) Amendments to IAS 1 “Presentation of financial statements”

It clarifies that an entity will present an analysis of each of the component of other comprehensive income, either in the statement of changes in equity or in the explanatory notes to the financial statements. The amendment is effective from January 1, 2011, retrospectively. The Company is assessing the possible effects arising from this amendment and does not expect it to significantly impact the Financial Statements of the Company.

(h) Amendments to IAS 34 “Interim financial reporting”

Provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements regarding: a) circumstances probably affecting the fair value of financial instruments and their classification; b) transfers of financial instruments between different levels of the fair value; c) changes in the classification of financial assets; and d) changes in contingent liabilities and assets. The amendment is applicable from January 1, 2011. The Company is assessing the possible effects arising from this amendment and does not expect it to significantly impact the Financial Statements of the Company.

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(i) Amendment to IFRIC 13 “Customer loyalty programs”

The meaning of "fair value" is clarified in the context of measuring award credits under a customer loyalty programs. The amendment is effective from January 1, 2011. The Company is assessing the possible effects arising from this amendment and does not expect it to significantly impact the Financial Statements of the Company.

(j) Amendments to IAS 32 “Financial instruments: presentation - classification of rights issue”

Amendment issued in October, 2009. The amendment is effective for annual periods starting on or after February 1, 2010. Early adoption is allowed. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuing entity. Given that certain conditions are met, such rights issues are now classified as equity, regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment is applied retrospectively, according to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The Company is assessing the possible effects arising from this amendment and does not expect it to significantly impact the Financial Statements of the Company.

There are no other standards and interpretations issued and not yet adopted that may, in the Management's opinion, have a significant impact on the results or on the balance sheet presented by the Company in its Financial Statements.

6 Transition to IFRS

6.1 Basis of transition to IFRS

6.1.1 Application of IFRS 1

The financial statements of the Company for the year ended December 31, 2010 are the first annual consolidated Financial Statements in compliance with the IFRSs. The Company applied IFRS 1 in the preparation of these Financial Statements.

The transition date of the Company is January 1, 2009. The Company has prepared its opening balance sheet in compliance with the IFRS on this date.

In preparing the Financial Statements in compliance with the IFRS 1, the Company applied the relevant mandatory exceptions and certain optional exemptions related to full retrospective application of the IFRS.

6.1.2 Exemptions of full retrospective application adopted by the Company

The Company has chosen to apply the following exemptions related to retrospective application:

(a) Exemption of pension benefits

The Company has chosen to recognize all past actuarial gains and losses cumulatively at January 1, 2009. The application of this exemption is detailed in Note 31.

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(b) Exemption for presentation of cumulative translation differences

The Company chose to adjust to zero the cumulative translation differences at the transition date for IFRS

(c) Exemption for capitalization of borrowing costs

The Company has chosen to apply the exemption provided for in IFRS 1 related to borrowing costs and did not reprocess interest capitalizations before the transition date.

(d) Exemption for initial treatment of IFRIC 12

The Company has chosen to apply the exemption provided for in IFRS 1 related to the infrastructure of assets classified as concession assets on the transition date and made the corresponding reclassifications based on the residual book value on January 1, 2009, due to the concession contracts of the Company being substantially old without any possibility to perform a retrospective adjustment.

(e) Use of deemed cost

The Company did apply “deemed cost” exemption on its fixed assets. Given the imminence of the end of the concessions of a relevant part of the operations of the Company (in the year 2015) and considering the uncertainties related to the amount of the indemnification, the historical cost was maintained as the base value of fixed assets. The Company understands that the fair value of its assets exceeds their book value, however, conservatively and taking into account the opinion of independent legal advisor as well as the assessment of the realization capability of its assets, the Company has concluded that the historical cost represents, at this moment, the best basis for the accounting measurement of fixed assets. The consideration of indemnification at book value was maintained uniformly for various relevant assumptions adopted in the impairment of assets and inclusion in the formation of the residual value of the assets.

Other exemptions provided for in IFRS 1 are not applicable to the Company and its subsidiaries.

6.1.3 Exceptions of retrospective application followed by the Company

The Company has applied the mandatory exception related to estimates in retrospective application, given that the estimates in compliance with the IFRS on January 1, 2009 and on December 31, 2009, are consistent with the estimates made on the same dates according to accounting standards adopted in Brazil.

Other mandatory exceptions in IFRS 1 were not applied, since there were no significant differences related to accounting standards adopted in Brazil in these areas or were not applicable to the Company:

- Hedge accounting.
- Derecognition of financial assets and liabilities.
- Non-controlling interest.

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7 Cash, Cash Equivalents and Restricted Cash

	<u>December 31, 2010</u>	<u>December 31, 2009</u>	<u>January 1, 2009</u>
I - Cash and Cash Equivalents:			
Cash and Banks	762,332	705,126	477,357
Financial Investments	<u>8,457,837</u>	<u>7,912,168</u>	<u>5,050,111</u>
	<u>9,220,169</u>	<u>8,617,294</u>	<u>5,527,468</u>
II - Restricted Cash:			
CCC (Fuel Consumption Account)	1,287,255	475,565	156,354
Trading of Itaipu's Electricity	13,175	145,497	151,135
PROINFA	<u>757,788</u>	<u>720,657</u>	<u>426,897</u>
	<u>2,058,218</u>	<u>1,341,719</u>	<u>734,386</u>
	<u>11,278,387</u>	<u>9,959,013</u>	<u>6,261,854</u>

Financial resources are held with the Banco do Brasil S.A., according to specific laws for mixed capital corporations under federal government control, enacted by Decree-law No. 1.290, of December 3, 1973, and amendments from Resolution 2.917 of December 19, 2001 of the Brazilian Central Bank, which set forth new mechanisms for companies under indirect federal administration

The financial investments, with immediate liquidity, are in extra-market investment funds, whose yield is based on the average SELIC interest rate.

8 Marketable Securities

Eletrobras and its subsidiaries classify the securities as held to maturity, based on the management strategies for these assets.

The securities held to maturity are recognized initially at fair value, which is their acquisition cost, plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest method.

An adjustment to the present value is made regarding the founders' shares.

Securities presented in current assets are held for trading.

CFT-E1 securities and investment certificates arising from FINOR (Northeast Investment Fund) and FINAM (Amazon Investment Fund) tax incentives are adjusted by provisions for losses upon their realization, and therefore, are presented at net amount:

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	December 31, 2010	December 31, 2009	January 1, 2009
Current			
LFT	6,281,655	7,403,318	6,669,806
LTN	426,077	222,117	656,088
NTN	66,528	37,188	114,684
Future ID (Interbank Deposits)	(187)	17	(1,069)
	<u>6,774,073</u>	<u>7,662,640</u>	<u>7,439,509</u>
Non-current			
CFT	248,950	225,176	208,760
FINAM	620	620	6,422
FINOR	2,945	3,488	3,398
NTN	158,403	149,794	137,427
Return on Partnership	158,884	149,818	165,442
Founders' Shares	194,761	157,685	90,697
Others	5,342	607	6,328
	<u>769,905</u>	<u>687,188</u>	<u>618,474</u>

The details of marketable securities are as follows:

Securities	Trustee	Maturity	Index	December 31, 2010	December 31, 2009	January 1, 2009
Current						
LFT	Banco do Brasil			6,281,655	7,403,318	6,669,806
LTN	Banco do Brasil			426,077	222,117	656,088
NTN- B	Banco do Brasil			51,616		
NTN- F	Banco do Brasil			14,912	37,188	114,684
Future ID (Interbank Deposits)	Banco do Brasil			(187)	17	(1,069)
				<u>6,774,073</u>	<u>7,662,640</u>	<u>7,439,509</u>
Non-current						
CFT-EI	Banco do Brasil	08/01/2012	IGP-M	248,950	225,176	208,760
FINAM	Banco da Amazônia			620	620	6,422
FINOR	Banco do Nordeste			2,945	3,488	3,398
NTN-P: 740100	Banco do Brasil	03/21/2018		2	2	2
NTN-P: 741536	Banco do Brasil	03/01/2012		80,733	75,650	69,408
NTN-P: 741566	Banco do Brasil	06/01/2012		58,471	54,790	50,269
NTN-P: 741806	Banco do Brasil	02/26/2012		15,865	14,878	13,651
NTN-P: 741806	Banco do Brasil	07/09/2012		28	27	24
NTN-P: 741806	Banco do Brasil	11/17/2014				6
NTN-P: 741806	Banco do Brasil	12/28/2014		7	7	
NTN-P:	Banco do Brasil	03/21/2018	TR+6% py	2	1	1
NTN-P:	Banco do Brasil	12/28/2015	TR+6% py	126	122	120
NTN-P:	Banco do Brasil	12/28/2014	TR+6% py	3	3	3
NTN-P:	Banco do Brasil	03/21/2018	TR+6% py		1,331	1,279
ELET	Banco do Brasil					876
NTN-P 740100	Banco do Brasil	12/28/2015	TR+6% py	772	724	673
NTN-P 740100	Banco do Brasil	01/01/2020	TR+6% py	1	1	1
NTN-P 740100	Banco do Brasil	01/01/2021	TR+6% py	1	1	1
NTN-P 741806	Banco do Brasil	07/09/2012	TR+6% py	744	697	653
NTN-P 741806	Banco do Brasil	07/22/2013	TR+6% py	3	3	3
NTN-P 741806	Banco do Brasil	06/16/2015	TR+6% py	27	26	24
TDA	Banco do Brasil	Until 2019	TR+3% py	4,739	-	-
NTN-P:	Banco do Brasil	07/09/2012	TR+6% py	358	344	330
NTN-P:	Banco do Brasil	07/09/2014	TR+6% py	170	164	157
NTN-P:	Banco do Brasil	12/28/2015	TR+6% py	318	304	291
NTN-P 741806	Banco do Brasil	07/09/2012	TR+6% py	610	571	531
NTN-B 760199	Banco do Brasil	05/15/2017	TR+6% py	117	106	
NTN-P 740100	Banco do Brasil	01/01/2024	TR+6% py	7	6	
NTN-P 740100	Banco do Brasil	01/01/2025	TR+6% py	38	36	
Telemar NL ON TMAR3	BNDES			2	2	2
Telemar NL PNA TMAR5	BNDES			20	25	25
ELET'S NTB-B 760199	Banco do Brasil			94	94	94
CPRM - CERT, 023,994,1	Unidentified			3	3	3

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Amazônia Celular TMAC3B	BNDES			20	
Amazônia Celular TMAC11B	BNDES			12	
Partnership Yields	Banco do Brasil		158,884	149,818	165,442
Founders' Shares	Banco do Brasil	10/02/2032	194,761	157,685	90,697
Other	Banco do Brasil		484	483	5,296
			<u>769,905</u>	<u>687,188</u>	<u>618,474</u>

- (a) CFT- E1 - Public securities with remuneration equivalent to the IGP-M variation, interest-free, with redemption date fixed as of August 2012. The parent company maintains a provision for market value adjustment on the reference date of December 31, 2010, in the amount of R\$ 93,673 (December 31, 2009 - R\$ 84,728 and January 1, 2009 – R\$105,465), calculated based on discounts applied in the capital market and presented as reduction of respective asset.
- (b) NTN-P - Public securities received as payment for transfer of equity investments in the scope of the National Privatization Program - PND. These securities have a remuneration equivalent to the variation in the Referential Fee - TR, disclosed by the Brazilian Central Bank, with an interest rate of 6% per annum (p.a.) on the adjusted value with a redemption date fixed as of February 2012.
- (c) PARTNERSHIP YIELDS - Refers to yields arising from investments in partnership regimes, corresponding to an average remuneration equivalent to the variation in the IGP-M plus interest of 12% and 13% p.a. on the transferred capital, as shown below:

	December 31, 2010	December 31, 2009	January 1, 2009
EATE	23,214	41,327	49,353
Tangará	96,782	73,320	64,620
Elejor			16,226
Guascor	38,187	29,680	26,396
Other	701	5,491	8,846
	<u>158,884</u>	<u>149,818</u>	<u>165,441</u>

- (d) FOUNDERS' SHARES - Securities acquired due to restructuring of Eletrobras' investment in INVESTCO S.A. These assets provide annual yields equivalent to 10% of the profit of the companies mentioned below, paid along with the dividends, and will be redeemed at maturity, anticipated for October 2032, by means of its conversion into preferred shares of the aforementioned companies' share capital, as shown below:

	December 31, 2010	December 31, 2009	January 1, 2009
Paulista Lajeado	506,350	506,350	506,350
Ceb Lajeado	151,225	151,225	151,225
Face Value	<u>657,575</u>	<u>657,575</u>	<u>657,575</u>
Present value adjustment	<u>(457,815)</u>	<u>(494,890)</u>	<u>(561,878)</u>
Fair Value	<u>199,760</u>	<u>162,685</u>	<u>95,697</u>

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- (e) OTHERS - Substantially refers to investment certificates arising from FINOR/FINAM tax incentives destined for projects in the operating area of the subsidiaries Chesf and Eletronorte. The Company maintains a provision for losses on its realization, established based on market value, in the amount of R\$ 291,772 (December 31, 2009 - R\$ 291,817 and January 1, 2009 - R\$ 283,690) and presented as reduction of the respective asset.

The exclusive funds portfolio is classified in the table above according to its nature.

9 Accounts Receivable

I Electricity trading - PROINFA

The electricity trading within the scope of PROINFA (Brazilian Renewable Energy Incentive Program) generated a negative net result in the fiscal year 2010 of R\$ 97,787 (December 31, 2009 - positive R\$ 377,133 and January 1, 2009 - R\$ 35,643), not causing any effect on the net result of Eletrobras' fiscal year. This amount was included under the item "Reimbursement Obligations".

II Operations at the Electricity Trading Chamber - CCEE

The amounts related to the operations practiced within the scope of CCEE are recorded based on information made available by the Chamber.

The subsidiary Furnas maintains accounts receivable in the amount of R\$ 293,560, related to electricity trading in the scope of the MAE (Agency of Energy Wholesale Traders), concerning the period from September 2000 to September 2002, whose financial settlement is suspended due to restraining orders granted in lawsuits proposed by electricity distribution concessionaires against ANEEL and MAE, now known as CCEE. Given the uncertainty of its realization, the subsidiary Furnas maintains Allowances for Doubtful Accounts, in an amount equivalent to the total accounts receivable, established in 2007.

According to the rules established in the Electricity Sector General Agreement, the resolution of these disputes would imply a new calculation, which would be the object of a settlement between the parties without CCEE's intervention. In this situation, it is the Management's intention to maintain negotiations, with ANEEL's and CCEE's participation, aiming at restructuring the accounts receivable, so as to enable a negotiated solution for its settlement.

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Explanatory Notes to the Consolidated Financial Statements for the year ended December 31, 2010

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III Allowance for doubtful accounts

The Subsidiaries establish and maintain allowances, in compliance with ANEEL rules, based on the analysis of the amounts of past due accounts receivable and the history of losses, the amount of which is deemed by the Subsidiaries' management as sufficient to cover occasional losses on the realization of these assets. The balance is composed as follows:

	<u>December 31, 2010</u>	<u>December 31, 2009</u>	<u>January 1, 2009</u>
Consumers and Resellers			
Companhia Energética do Amapá	912,041	727,425	871,017
Renegotiated Receivables	20,356	23,576	13,582
Others	<u>188,859</u>	<u>160,593</u>	<u>88,369</u>
	<u>1,121,256</u>	<u>911,594</u>	<u>972,968</u>
Distributors' Consumers	<u>716,080</u>	<u>768,185</u>	<u>630,237</u>
CCEE (Electricity Trading Chamber) - Short-term Energy	<u>293,560</u>	<u>293,560</u>	<u>293,560</u>
	<u><u>2,130,896</u></u>	<u><u>1,973,339</u></u>	<u><u>1,896,765</u></u>

Changes in the allowance of doubtful accounts of electricity consumers and resellers are as follows:

Balance at January 1, 2009	<u>1,896,765</u>
(+) Complement	346,207
(-) Reversals/Write-off	<u>(269,633)</u>
Balance at December 31, 2009	1,973,339
(+) Complement	338,042
(-) Reversals/Write-off	<u>(180,485)</u>
Balance at December 31, 2010	<u><u>2,130,896</u></u>

Increase and decrease in the allowance of doubtful accounts were registered in the income statement as "Operating Provisions" (Note 42). The amounts recognized as allowance for doubtful accounts are registered as a definite loss when there is no expectation to recover the resources.

For tax purposes, the amount of provision that exceeds the one established in relation to the provisions of Law No. 9.430/1996, has been added to the Real Profit calculation for purposes of calculating the Income Tax - IRPJ and, also, set the calculation basis for the Social Contribution on the Net Income - CSLL.

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Explanatory Notes to the Consolidated Financial Statements for the year ended December 31, 2010 In thousands of reais

	12/31/2010			12/31/2010	1/1/2009
	Maturing	Past due until 90 days	+ than 90 days	Total	Total
CURRENT					
AES ELETROPAULO	117,182	-	-	117,182	79,761
AES SUL	28,064	-	-	28,064	19,071
AMPLA	42,731	-	-	42,731	35,394
ANDE	42,224	-	-	42,224	55,251
EBE	13,546	-	1,601	15,147	13,043
CEA	14,325	35,010	877,031	926,366	566,283
CEB	11,650	-	-	11,650	25,961
CEEE-D	37,878	-	12	37,890	28,576
CELESC	50,436	-	-	50,436	14,835
CELG	43,489	-	-	43,489	36,541
CELPA	47,125	-	-	47,125	43,364
CELPE	44,451	-	-	44,451	48,250
CEMAR	32,427	-	-	32,427	30,259
CEMIG	85,137	-	-	85,137	71,246
CESP	2,799	-	-	2,799	2,798
COELCE	31,451	-	-	31,451	30,752
COELBA	75,665	-	1,733	77,398	64,685
COPEL	101,704	-	-	101,704	81,710
CPFL	19,400	-	-	19,400	20,280
ELEKTRO	55,185	-	-	55,185	47,779
ENERSUL	14,587	-	-	14,587	13,048
ESCELSA	24,464	-	2,834	27,298	16,776
LIGHT	84,798	-	-	84,798	66,521
PIRATININGA	3,379	-	-	3,379	3,883
RGE	3,907	-	-	3,907	6,357
CCEE (Electricity Trading Chamber) Trading	229,121	43,681	296,148	568,950	308,646
Use of the Grid	435,840	4,481	28,318	468,639	414,424
PROINFA	287,444	7,672	133,513	428,629	39,530
Consumers	422,100	211,393	317,948	951,441	917,876
Government	74,103	46,834	333,397	454,334	487,281
Celg	-	-	52,474	52,474	24,460
AES SUL	-	-	-	-	-
CEMIG	-	-	-	-	16,624
States debt rollover	-	-	128,635	128,635	128,399
National Treasury	-	-	96,459	96,459	113,236
Casal	-	-	7,000	7,000	6,463
Agepisa	-	-	-	-	-
Other	555,533	54,352	434,230	1,044,116	1,139,358
(-) PCLD	-	-	(2,130,896)	(2,130,896)	(1,896,765)
	3,032,145	403,423	580,437	4,016,006	3,102,079
NON-CURRENT					
Celg	-	-	141,037	141,037	286,097
AES SUL	-	-	-	-	-
Foreign Debt Restructuring Agreement - Guarantee	-	-	119,769	119,769	171,810
States debt rollover	-	-	544,043	544,043	547,831
National Treasury	-	-	455,789	455,789	458,379
Casal	-	-	107,266	107,266	97,542
Other	-	-	102,311	102,311	312,404
	-	-	1,470,215	1,470,215	1,431,080
	3,032,145	403,423	2,050,652	5,486,220	4,992,455

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IV Renegotiated receivables

Renegotiated credits are formalized by means of contracts for installments of debts accumulated by the debtors, subject to interest and monetary adjustments, fixed terms to for principal repayment and charges, and they are considered recoverable by the Company's Management, highlighting the following:

(a) Derived from electricity transferred to CELG

In 2003, Eletrobras renegotiated receivables derived from the transfer of energy from Itaipu Binacional to CELG, subrogated by Furnas to Eletrobras, in the amount of R\$ 392,021. The renegotiation provides for the realization of these receivables upon direct transfer by the distributor's collecting financial institution, of 3.34% of its monthly gross revenue. The installments have an estimated term of 216 months for their total discharge, starting in January 2004, and are indexed by the variation of the US dollar. The balance at December 31, 2010, corresponds to R\$ 80,604 (December 31, 2009 - R\$ 140,555 and January 1, 2009 - R\$ 244,924), of which R\$ 35,247 is recorded in non-current assets (December 31, 2009 - R\$ 143,448 and January 1, 2009 - R\$ 181,307).

Similarly, the subsidiary Furnas renegotiated, in December, 2003, the amount of R\$ 378,938, related to its own electricity receivables, with an estimated term for payment of 216 months, indexed monthly by IGP-M and with interest of 1% per month (p.m.). The monthly payment corresponds to 2.56% of the gross revenue of CELG and is backed by a linked bank account guarantee, and the balance of this debt, at December 31, 2010, corresponds to R\$ 193,511 (December 31, 2009 - R\$ 220,009 and January 1, 2009 - R\$ 310,557), of which R\$ 141,037 is registered in non-current assets (December 31, 2009 - R\$ 170,182 and January 1, 2009 - R\$ 286,097).

(b) States debt rollover

In compliance with the Program for Financial Improvement of the Public Sector, implemented by Law No. 8727/93, the subsidiary Furnas signed a credit assignment with the Government, to reschedule CELG debts existing at that time, relating to energy purchase, to be paid in 240 months, starting in April 1994. The credits are indexed by IGP-M, with annual interest of 11%, amounting to R\$ 552,298 at December 31, 2010 (December 31, 2009 - R\$ 536,870 and January 1, 2009 - R\$ 727,184).

The subsidiary Eletrosul, in the scope of the same financial improvement program, holds receivables with the Government indexed by IGP-M, with annual interest of 12.68%, in the amount of R\$ 672,678 at December 31, 2010 (December 31, 2009 - R\$ 641,004 and January 1, 2009 - R\$ 676,230), of which R\$ 128,638 are under non-current assets (December 31, 2009 - R\$ 150,286 and January 1, 2008 - R\$ 547,831), to be paid in 240 months, starting in April 1994, as a result of the subsidiary's rights assumption with electricity state concessionaries.

The legislation in force provides that if the 20 year-term expires and the balance to be received still remains outstanding, the financing may be extended for another 10 years. This hypothesis is likely to occur, since the Government transfers only the resources effectively received from the States which, in turn, are limited by law to the levels of commitment of their revenues.

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Explanatory Notes to the Consolidated Financial Statements for the year ended December 31, 2010

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10 Financing and Loans Granted

The financing and loans granted are made with the Company's own funds, in addition to sector funds, foreign funds obtained by means of international development agencies, financial institutions, as well as those arising from the offering of securities on the international financial market.

All the financing and loans are supported by formal agreements executed with borrowers. The amounts receivable are mostly repayable in monthly installments, within a ten (10) year average term, and the average interest rate weighed by the portfolio balance is 6.15% p.a.

The financing and loans granted with a currency adjustment clause, account for nearly 52% of the total portfolio. Those providing for adjustment based on indexes that represent domestic price-levels account for 2.77% of the portfolio balance.

The market values of these assets are equivalent to their book value, since these are specific operations of the sector and are partly funded with resources from Sector Funds, and which do not have similar conditions as an assessment parameter.

I Receivable from AES-Eletropaulo - Lawsuit

In 1989, Eletrobras brought before the court an ordinary lawsuit against Eletropaulo, aiming at recovering receivables from financings not paid on their respective maturities, according to criteria agreed upon in the articles and conditions established.

After the deed went through the legal channels, in April 1999, a verdict was disclosed sentencing Eletropaulo to pay the amount financed and not paid. Afterwards, the verdict was confirmed to be *res judicata*, meaning that Eletropaulo lodged no appeal at the first-level court decision. Consequently, the writ of execution was proposed by Eletrobras before the Fifth Civil Court of Rio de Janeiro, determining the payment.

However, in January 1998, the partial division of Eletropaulo's assets took place, originating three distinct companies - EMAE - Empresa Metropolitana de Águas e Energia S.A., EPTE - Empresa Paulista de Transmissão de Energia S.A. and EBE - Empresa Brasileira de Energia S.A., whereas Eletropaulo - Eletricidade de São Paulo S.A. changed its trade name to Eletropaulo Metropolitana Eletricidade de São Paulo S.A.

Eletropaulo questioned the illegitimacy of the Partial Division Protocol, the continuation of the execution being overruled and determined. In December 2003, an Interlocutory Appeal was lodged by Eletropaulo, requiring the suspending effect of the decision determining the continuation of the execution, which was accepted under the assumption that Eletropaulo would not be eligible to meet the executive demand, instead, it would be CTEEP - Companhia de Transmissão de Energia Elétrica Paulista (former EPTE), pursuant to the above mentioned protocol.

Extraordinary and Special Appeals were filed by the Company, contesting the judgment of Eletropaulo's Appeal, affirming that the execution should go on and Eletropaulo's defense should be attacked for injunction procedure by the debtor with no exceptions. From this decision, Eletropaulo managed declaration injunctions, afterwards, a Regulatory Appeal and, eventually, divergence injunctions whose final decision was disclosed in November 2007, rejecting, in every way, the Appeal from Eletropaulo. After exhausting all possibilities of success before the Superior Court of Justice - STJ, Eletropaulo presented an extraordinary appeal to the Supreme Federal Court - STF, whose continuation was rejected in a monocratic fashion by the Minister, according to the decision disclosed on March 28, 2008.

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Facing this scenario, Eletrobras' Management will proceed with the execution process and, supported by its legal advisors' opinions, considers the realization of the receivables as practically certain.

These credits amounted to, at December 31st, 2010, R\$ 410,017 (December 31, 2009 - R\$ 397,594), which represents the best estimate of the realizable value for the Company in the present stage of the proceedings.

II Allowance for doubtful accounts

The Company recognizes an allowance for doubtful accounts of R\$ 228,477 (December 31, 2009 - R\$ 192,232) corresponding to the principal and the servicing of the debt of defaulting companies. The amount of the provision is deemed sufficient by the Company's Management to cover losses with these assets, based on the portfolio trend analysis.

Changes in the allowance for doubtful accounts on financing and loans granted by the Company are as follows:

Balance at December 1, 2009	<u>117,676</u>
(+) Complement	137,534
(-) Reversals	<u>(62,978)</u>
Balance at December 31, 2009	192,232
(+) Complement	50,409
(-) Reversals	<u>(14,164)</u>
Balance at December 31, 2010	<u><u>228,477</u></u>

Increase and decrease in the allowance of doubtful accounts were registered in the income statement as "Operating Provisions" (Note 42). The amounts recognized as allowance for doubtful accounts are registered as definite loss when there is no expectation to recover the resources.

III Capitalization of AFAC

The Board of Directors of Eletrobras approved, in October, 2009, capitalization of subsidiaries, in the amount of R\$ 11,770,400, corresponding to advances for future capital increase (AFAC), in the amount of R\$ 2,945,835 and part of financing granted to subsidiaries, in the amount of R\$ 9,043,089.

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	12/31/2010				12/31/2009				1/1/2009			
	CHARGES		PRINCIPAL		CHARGES		PRINCIPAL		CHARGES		PRINCIPAL	
	CURRENT		CURRENT	NON	CURRENT		CURRENT	NON	CURRENT		CURRENT	NON
	Aver. Rate	Amount	CURRENT	CURRENT	Aver. Rate	Amount	CURRENT	CURRENT	Aver. Rate	Amount	CURRENT	CURRENT
Subsidiaries and Jointly Controlled												
FURNAS	7.13	-	-	-	7.58	-	-	-	10.00	-	-	-
CHESF	7.17	-	-	-	8.75	-	-	-	11.47	-	-	-
ELETROSUL	6.86	-	-	-	7.46	-	-	-	7.56	-	-	-
ELETRONORTE	7.45	-	-	-	13.07	-	-	-	13.58	-	-	-
ELETRONUCLEAR	8.99	-	-	-	11.73	-	-	-	12.69	-	-	-
CGTEE	3.57	-	-	-	2.54	-	-	-	6.39	-	-	-
CEAL	7.63	-	-	-	6.61	-	-	-	10.49	-	-	-
CERON	6.72	-	-	-	8.45	-	-	-	12.57	-	-	-
CEPISA	7.06	-	-	-	9.39	-	-	-	11.43	-	-	-
ELETROACRE	10.40	-	-	-	7.39	-	-	-	12.03	-	-	-
AMAZONAS	7.37	-	-	-	7.95	-	-	-	11.02	-	-	-
ITAIPU	7.09	0	448,544	5,223,083	7.09	-	571,519	5,913,466	7.08	-	30,472	9,177,791
		0	448,544	5,223,083		-	571,519	5,913,466		-	30,472	9,177,791
OTHER												
CEMIG	6.44	2,140	74,962	340,569	6.22	222	57,735	343,741	6.76	2,456	63,022	372,732
COPEL	7.40	1,882	47,497	258,771	8.39	14	37,627	261,716	10.21	2,103	38,771	272,558
CEEE	6.44	736	8,130	99,471	8.01	538	26,779	56,955	9.33	275	67,280	46,810
DUKE	-	-	-	-	10.00	2,049	126,593	362,530	10.00	2,375	168,691	439,233
AES Eletropaulo	10.38	299,218	108,840	2,639	10.48	286,780	108,062	513	10.00	274,406	117,931	-
TRACTBEL	12.00	(0)	10,796	-	12.00	435	32,711	10,796	12.00	707	29,611	41,114
CELPE	6.10	1,070	16,976	53,350	6.00	961	16,976	62,286	-	867	17,173	77,957
CEMAR	5.85	1,654	48,214	367,187	5.94	-	30,225	363,860	6.00	1,154	26,352	317,532
CESP	9.38	958	33,406	185,709	9.34	1,067	30,778	201,823	5.09	1,167	28,121	235,273
OTHER	6.36	120,881	361,830	1,771,646	3.33	117,111	670,248	2,262,142	9.36	104,862	639,299	2,424,178
(-) PCLD		(101,124)	(127,341)	(2,254)		(82,257)	(109,975)	-		(58,221)	(59,454)	-
		327,415	583,310	3,077,088		326,915	1,027,759	3,926,362		332,151	1,136,797	4,227,387
		327,415	1,031,854	8,300,171		326,915	1,599,278	9,839,828		332,151	1,167,269	13,405,178

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11 Investment Remuneration

The amounts below refer to dividends and interest on capital, net of withholding tax, as applicable, resulting from permanent investments held by Eletrobras.

	<u>December 31, 2010</u>	<u>December 31, 2009</u>	<u>January 1, 2009</u>
Itaipu	39,736	27,287	13,184
CTEEP	114,061		
Other	<u>24,807</u>	<u>51,439</u>	<u>48,767</u>
	<u>178,604</u>	<u>78,726</u>	<u>61,951</u>

12 Income Tax and Other Taxes Recoverable or to Compensate

Taxes recoverable or to be compensated are presented at amount, net of occasional realization losses and were thus presented:

	<u>December 31, 2010</u>	<u>December 31, 2009</u>	<u>January 1, 2009</u>
Current assets			
Withholding tax	1,440,502	1,124,526	244,399
Advances of IRPJ and CSLL	36,220	24,565	82,186
PASEP/COFINS to be offset	215,828	84,392	85,528
Recoverable ICMS	21,683	13,024	61,418
Others	<u>111,672</u>	<u>80,426</u>	<u>36,352</u>
	<u>1,825,905</u>	<u>1,326,933</u>	<u>509,883</u>
Non-current assets			
Withholding tax			
Tax credits			
Recoverable ICMS	1,124,202	863,525	746,334
Recoverable PIS/COFINS	401,439	522,631	475,499
Deferred tax assets	<u>2,813,041</u>	<u>3,107,067</u>	<u>2,228,884</u>
	<u>4,338,682</u>	<u>4,493,223</u>	<u>3,450,717</u>
	<u>6,164,587</u>	<u>5,820,156</u>	<u>3,960,600</u>

I Deferred tax assets

The Deferred tax assets are used in connection with the realization of the events that gave rise thereto take place. Considering the profitability history of the Company, as well as the expectation of generating taxable profit over the coming years, the recognition of these assets is based on the realization capacity of the assets, identified with future trend analysis, supported by a technical study prepared based on in-house assumptions and macroeconomic, business and tax scenarios that may change in the future.

Centrais Elétricas Brasileiras S.A. - Eletrobras

Explanatory Notes to the Consolidated Financial Statements for the year ended December 31, 2010

In thousands of reais

II Recoverable ICMS, PIS/PASEP AND COFINS on fuel purchase

Through Normative Resolution 303/2008, ANEEL established methodologies and procedures for computation, presentation and validation of the ICMS amount recorded as a cost arising from the purchase of fuel, as well as computation, presentation, supervision and payment of liabilities to be reimbursed to CCC-ISOL by the beneficiary agents who received ICMS amounts of reimbursement superior to the effective cost incurred with this tax.

The Directive Release 2775/2008 - SFF/ANEEL regulates the refund to the Fuel Consumption Account - CCC of amounts corresponding to PIS/PASEP and COFINS credits taken on the fuel acquired for electricity generation under the non-cumulative system between 2004 to 2008.

The management of the subsidiary Amazonas Energia until 2007 understood that the fuel acquired for electricity generation purposes subsidized by CCC was not entitled to PIS/PASEP and COFINS credits. In view of the new facts, in 2008, the subsidiary's management, supported by its legal advisors' opinion, recognized the tax credit over all the company's fuel oil acquisitions during the period determined by ANEEL, computing a tax credit of R\$ 498,171.

The utilization of recognized tax credits is conditioned to future operations that originate realization, which according to the opinion of the subsidiary's management, will occur even under the assumption of replacement of fuel oil with natural gas as input in the electricity generation and Manaus entry into the National Interconnected System - SIN. Law No. 12111/09 establishes mechanisms that enable the account of recoverable tax from fuel purchase not to undergo any increases, starting to be realized in distribution operations in an estimated period of 4 years. In 2010, the amount of R\$ 267,490 corresponds to credits related to the years 2006, 2007 and 2008 which, due to the forecast of utilization, raise opinions as not being capable of recovery and thus become subject to impairment.

III PIS/PASEP and COFINS unconstitutionality

The Federal Supreme Court - STF declared the unconstitutionality of paragraph 1 of Article 3 of Law No. 9718/98, which increased PIS/PASEP and COFINS calculation basis and created, at that time, a new concept of invoicing, which then covered the total revenues earned by the legal entity, regardless the type of activity and the accounting classification adopted. Such provision did not have any constitutional ground to support it, later being constitutionally amended.

Based on the Brazilian National Tax Code - CTN, Eletrobras system companies seek recognition of their credit rights and the refund of the amount overpaid as a result of the unconstitutional increase of these contributions calculation basis. Until the conclusion of these financial statements, there was not a final decision on such issue.

Eletrobras System companies have, therefore, potential tax credits for PIS/PASEP and COFINS, which are still being determined and, accordingly, are not recognized in these Financial Statements, since the declaration of unconstitutionality only benefits the companies that are claimant of the judged extraordinary appeals.

Centrais Elétricas Brasileiras S.A. - Eletrobras

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13 Reimbursement Rights

I CCC-Isol Reimbursement

The Law No. 12,111/2009 and the Decree No. 7,246/2010 have changed the subvention systematic of isolated systems. The CCC subvention, which formerly subsidized only the costs with fuel, will now reimburse the amount corresponding to the difference between the total cost of electricity and the valuation of the corresponding quantity of electricity at the average cost of power and energy traded in the Regulated Contracting Environment - ACR of the National Interconnected System - SIN.

The following related costs must be included in the total cost of electricity generation in Isolated Systems:

- (a) contracting of energy and associated power;
- (b) own generation to supply the electricity distribution public utility;
- (c) charges and taxes; and
- (d) investments made.

According to the regulations, other costs related to electricity services rendered in remote regions of Isolated Systems, characterized by a great dispersion of consumers and lack of economy of scale, are also included in the total cost of generation.

14 Nuclear Fuel Inventory

Below there is a breakdown of the long-term nuclear fuel inventory for the operations of the thermonuclear power plants UTN Angra I and UTN Angra II:

	<u>December 31, 2010</u>	<u>December 31, 2009</u>	<u>January 1, 2009</u>
Current			
Ready elements	297,972	324,634	286,903
Non-current			
Nuclear Fuel Inventory			
Uranium concentrate	65,179	111,199	104,442
Ready elements	392,133	239,771	141,888
Warehouse materials	275,599	267,303	259,213
In progress - nuclear fuel	66,645	137,161	214,751
	<u>799,556</u>	<u>755,434</u>	<u>720,294</u>
	<u>1,097,528</u>	<u>1,080,068</u>	<u>1,007,197</u>

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15 Investments

15.1 Investments break down

	December 31, 2010	December 31, 2009	January 1, 2009
Equity accounted			
Associates			
Celipa	305,304	339,796	320,172
CEEE-GT (15.2)	627,300	539,023	189,178
Cemat	480,650	473,037	429,876
Emae	328,656	324,131	329,870
CTEEP	1,632,607	1,665,285	1,580,581
Cemar	302,263	244,749	197,649
Lajeado Energia	539,588	527,677	231,366
Ceb Lajeado	72,907	73,151	69,478
Paulista Lajeado	26,900	27,862	27,357
CEEE-D (15.2)	377,518	415,005	5,913
Serra do Facão			274,425
Intesa			68,673
AETE			25,200
Norte Brasil			
Transmissora		15,190	
Porto Velho			
Transmissora		9,190	
Transmissora			
Matogrossense de Energia		735	
Retiro Baixo		57	58
Centroeste de Minas		84	1,941
Brasnorte		89,009	89,009
Brasventos Eolo	2,232		
Rei Dos Ventos 3	2,196		
Brasventos Miassaba 3	3,335		
Baguari	82,172	79,225	61,925
Águas da Pedra	125,089	123,602	123,970
Chapecoense	57	3,981	270,630
Amapari	27,997	32,236	37,488
Other	24	23	
	<u>4,936,795</u>	<u>4,983,048</u>	<u>4,334,759</u>
Subtotal	<u>4,936,795</u>	<u>4,983,048</u>	<u>4,334,759</u>
At fair value			
Celesc	165,711	145,593	144,786
Cesp	161,439	181,872	88,382
Coelce	153,430	163,746	119,359
AES Tietê	725,821	604,743	449,024
EEVP	17,657	15,895	7,979
Energisa (Saelpa + CELB)	68,966	77,552	213,030
CELG	322	276	287
CELPE	51,321	52,546	34,909
COPEL	58,169	55,873	33,677
AES Eletropaulo	67,291	72,300	54,319
Energias do Brasil	19,170	16,615	11,192
CPFL Energia	35,094	30,077	25,682
Guascor	3,300	3,300	3,300
EATE	5,344	5,344	16,961
Tangara	21,738	21,738	21,738
Elejor			9,829
CDSA	11,801	11,801	11,801
CEA	20	20	20

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	December 31, 2010	December 31, 2009	January 1, 2009
CEB	3,528	3,528	3,528
CER	102	102	102
Other	114,557	167,196	126,916
	<u>1,684,781</u>	<u>1,630,117</u>	<u>1,376,821</u>
Subtotal	<u>6,621,576</u>	<u>6,613,165</u>	<u>5,711,580</u>
Allowance for impairment	<u>(802,138)</u>	<u>(576,537)</u>	
Investments Adjustments (15.2)	<u>(1,094,789)</u>	<u>(748,521)</u>	<u>(668,436)</u>
	<u>4,724,647</u>	<u>5,288,107</u>	<u>5,043,144</u>

15.2 Investments Adjustments

	<u>31/12/2010</u>	<u>31/12/2009</u>	<u>01/01/2009</u>
Eletronorte	93,500	-	-
CERON	149,700	-	-
CELPA	65,192	27,709	6,048
CEMAT	48,917	42,777	34,130
CTEEP	<u>737,480</u>	<u>678,035</u>	<u>628,258</u>
	1,094,789	748,521	668,436
	<u>31/12/2010</u>	<u>31/12/2009</u>	<u>01/01/2009</u>
CEEE-GT (1)	128,300	149,169	-
CEEE-D (1)	191,775	222,996	

(1) Adjustment through associates shareholder's equity

Centrais Elétricas Brasileiras S.A. - Eletrobras

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15.3 Investee Information

Associate/Subsidiary	% Interest	December 31, 2010	
		Asset	Liability
Amapari	49	120,287	38,547
Amazônia Eletronorte Transmissora	49	174,953	48,824
Artemis Transmissora	49	280,905	126,239
Baguari Energia	31	261,447	101
Boa Vista Energia	100	261,507	356,583
Brasnorte Transmissora	50	269,994	92,649
CEB lajeado	40,07	363,643	30,470
CELPA	34,24	2,861,740	3,327,588
Ceron	100	1,256,754	983,982
CEMAT	40,92	3,328,329	2,159,719
Chapecoense	40	2,721,112	2,008,691
Chesf	100	20,688,689	3,472,528
Cia de Transm, Centroeste de Minas	49	49,132	13,932
CEEE-GT	100	3,918,135	1,599,016
Transirapé	25	85,492	43,340
Transleste	24	157,284	62,514
Transudeste	25	98,701	44,715
CGTEE	99,96	1,801,847	1,447,762
Ceal	100	888,341	614,381
CEMAR	33,57	2,807,608	1,899,555
Cepisa	100	816,746	1,021,224
CEEE-D	32,59	4,019,615	2,272,782
Construtora Integração	49	11,470	2,302
CTEEP	35,42	6,931,418	2,367,583
ELETROPAR	83,71	211,190	31,948
ELETRONUCLEAR	99,80	7,806,727	4,860,487
Eletrosul	99,75	7,082,630	4,446,278
Empresa de Transmissão do Alto Uruguai	27	118,686	53,272
EMAE	35,02	1,133,069	320,369
Águas da Pedra	49	781,878	531,731
Enerpeixe	40	2,080,693	878,144
Eólica Cerro Chato I	90	23,299	23,408
Eólica Cerro Chato II	90	23,422	23,523
Eólica Cerro Chato III	90	23,465	23,569
ESBR	40	6,624,371	4,564,365
Estação Transmissora	100	640,056	535,384
Goiás Transmissão	49	28,372	1,496
Inambari	49	30,046	1,167
Integração Transmissora	49	619,698	381,944
IE Madeira	49	681,938	421,900
Lajeado Energia	40,07	2,346,448	548,458
Linha Verde Transmissora	49	104,393	27,234
Madeira Energia	39	8,393,184	8,294,170
Manaus Construtora	50	33,221	2,714
Manaus Transmissora	50	714,067	807,333
MGE Transmissão	49	18,675	992
Norte Brasil Transmissora	49	249,196	201,980
Norte Energia	30	312,263	147,076
Paulista Lajeado	40,07	128,943	11,837

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Associate/Subsidiary	% Interest	December 31, 2010	
		Asset	Liability
Pedra Branca	49	338	15
Porto Velho Transmissora	100	195,046	2,287
Retiro Baixo	49	441,469	223,555
Rio Branco Transmissora	49	72,496	34,495
RS Energia	100	274,719	131,307
São Pedro do Lago	49	338	16
SC Energia	100	274,719	131,307
Serra do Facão	50	1,132,462	768,603
Sete Gameleiras S,A	49	340	16
STN	49	676,560	282,185
TDG	49	26,631	62
Transenergia Goiás	49	5,801	152
Transenergia Renovável	49	225,370	144,560
Transenergia São Paulo	49	9,470	211
Uirapuru	49	103,053	55,803

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	December 31, 2009		
Associate/Subsidiary	% Interest	Asset	Liability
Amazonas Energia	100	5,151,982	5,601,207
Artemis Transmissora	49	289,335	140,816
Boa Vista	100	260,717	243,069
CEB lajeado	40.07	373,820	40,038
CELPA	34.24	3,070,671	2,997,241
Ceron	100	797,926	1,656,856
CEMAT	40.92	3,186,916	2,030,911
Chapecoense	40	2,208,139	1,569,231
Chesf	100	19,266,180	6,241,895
Cia de Transm, Centroeste de Minas	49	36,350	3,746
CEEE-GT	100	3,777,734	1,665,449
Transirapé	25	83,291	42,030
Transleste	24	155,511	65,205
Transudeste	25	95,397	43,325
CGTEE	99.96	1,243,165	954,071
Ceal	100	787,325	992,702
CEMAR	33.57	2,429,211	1,719,998
Cepisa	99	683,074	1,572,148
CEEE-D	32.59	4,027,902	2,070,243
CTEEP	35.33	6,388,075	1,725,064
Boa Vista	100	260,480	242,385
ELETROPAR	83.71	185,281	90,040
ELETRONUCLEAR	99.80	7,374,177	4,239,917
Eletrosul	100	4,691,829	2,267,096
Empresa de Transmissão do Alto Uruguai	27	123,836	58,844
EMAE	39.02	1,130,957	329,109
Águas da Pedra	49	720,568	469,073
Enerpeixe	40	2,080,612	976,365
ESBR	40	3,003,984	1,992,041
Estação Transmissora	49	265,348	189,154
Inambari	49	25,355	2,531
Integração Transmissora	49	623,378	406,332
Madeira	49	115,986	11,395
Madeira Energia	39	4,311,059	4,210,952
Manaus Construtora	50	15,864	5,926
Manaus Transmissora	50	574,814	619,632
Norte Brasil Transmissora	49	63,039	18,280
Paulista Lajeado	40.07	131,586	12,077
Porto Velho Transmissora	100	65,560	907
Retiro Baixo	49	426,886	223,746
RS Energia	100	272,695	148,296
SC Energia	100	433,183	248,123
Serra do Facão	50	983,221	673,031
STN	49	653,735	309,182
Transenergia Goiás	49	284	232
Transenergia Renovável	49	32,773	27,674
Transenergia São Paulo	49	553	360
Uirapuru	49	105,356	61,996

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January 1, 2009

Associate/Subsidiary	% Interest	Asset	Liability
Amazonas Distribuidora de	100	4,734,996	5,042,701
Artemis Transmissora	49	298,034	160,915
Baguari	31		
Boa Vista	100	193,896	178,179
CEB	40.07	346,317	21,701
CELPA	34.24	3,040,951	2,713,994
Ceron	100	541,904	1,391,206
CEMAT	40.92	3,116,771	2,066,244
Chapecoense	40	239,684	2,609
Chesf	100	18,981,571	6,658,488
Cia de Transm, Centroeste de Minas	49	13,372	78
CEEE-GT	100	2,116,748	1,535,650
Transirapé	25	67,098	47,295
Transleste	24	149,624	70,284
Transudeste	25	18,917	50,882
CGTEE	99.80	855,660	691,349
Ceal	100	697,402	922,914
CEMAR	33.57	2,110,565	1,489,159
Cepisa	99	620,656	1,399,379
CEEE-D	32.59	1,824,998	1,806,853
CTEEP	35.33	5,620,335	1,213,222
Boa Vista	100	193,896	178,179
ELETROPAR	83.71	160,347	82,546
ELETRONUCLEAR	99.80	6,896,916	3,966,349
Eletrosul	100	4,356,555	2,012,780
Empresa de Transmissão do Alto Uruguai	27	119,697	70,100
EMAE	39.02	1,129,026	318,519
Águas da Pedra	49	554,087	301,840
Enerpeixe	40	2,117,187	1,111,159
Inambari	49	1,948	2,468
Integração Transmissora	49	614,919	419,315
Lajeado Energia	40.07	1,973,777	668,301
Madeira Energia	39	447,287	447,187
Manaus Transmissora	50	536,445	514,723
Paulista Lajeado	0	126,128	7,880
RS Energia	100	254,064	133,173
SC Energia	100	443,199	268,195

I Distribution Companies:

- (a) Distribuição Alagoas - holds the concession for electricity distribution in all municipalities of the State of Alagoas, granted by the National Electricity Agency - ANEEL, through the Concession Agreement 07/2001-ANEEL, and its first amendment signed, respectively, on May 15th, 2005 and on June 8th, 2010, in force until July 7, 2015. Its main purpose is projecting, building and exploring the distribution public utility to end users of electricity. The Company holds 100% of its share capital.

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- (b) Distribuição Rondônia - holds the concession for electricity distribution in all municipalities of the State of Rondônia, granted by the National Electricity Agency - ANEEL, through the Concession Agreement 05/2001-ANEEL, and its amendments signed, respectively, on February 12th, 2001 and on November 11th, 2005, with maturity on July 7, 2015. Its main purpose is projecting, building and exploring the distribution public utility to end users of electricity. The Company holds 100% of its share capital.
- (c) Distribuição Piauí - In compliance with the Concession Agreement No. 04/2001-ANEEL, signed with the National Electricity Agency - ANEEL, on February 12, 2001, Cepisa holds the concession for electricity distribution in the entire territory of the State of Piauí, in force until July 7, 2015, with a possibility of extension for a period of up to 20 years. Cepisa's main activity is electricity distribution, supplying all 224 municipalities of the State of Piauí, with a concession area of 251.5 km² and 3,032 thousand inhabitants, serving more than 892 thousand consumers, through lines and substations, on voltages of 138/69/34,5/13,8/7,97 kV. The Company holds 100% of its share capital.
- (d) Amazonas Energia - its main activities are electricity generation, distribution and trading in the State of Amazonas. Amazonas Energia has its own generation (1,600.60 MW) and complements its needs to serve the consumers buying electricity from independent producers. The Company holds 100% of its share capital.
- (e) Eletrobras Distribuição Roraima - it is a closed capital company controlled by Eletrobras Eletronorte, operating in the city of Boa Vista - RR. As per its By-laws, its main purposes are: exploring electricity services, carrying on, thus, studies, projects, substations, electricity transmission lines and distribution networks and performing commercial actions inherent to these activities. Eletrobras Distribution Roraima holds the concession with the National Electricity Agency - ANEEL, through the Concession Agreement 21/2001-ANEEL on March 21, 2001 and 1st Amendment on October 14, 2005, for electricity distribution in the municipality of Boa Vista - RR, in force until 2015, serving approximately 98% of the total consumers.

The subsidiaries in the distribution segment have suffered recurring losses and based on consolidated figures have a net capital deficiency in the amount of R\$ 554,323 thousand and Provision for unfunded liabilities on subsidiaries in the amount of R\$ 201,827 at December 31, 2010. Management expects that the full implementation of the provisions of Law 12.111 will increase the reimbursement basis for the subsidiaries in the distribution segment (see note 13 – Reimbursement Rights). In addition, management is implementing an investment strategy, it is obtaining (up to now didn't use any resources from this loan), a new loan from the World Bank (see note 23 – Borrowings), that objectives reduce technical and commercial losses for the subsidiaries in the distribution segment.

(f)

II Generation and Transmission Companies:

- (a) Eletrobras Termonuclear S.A. (ELETRONUCLEAR) - controlled by ELETROBRAS, has the main purpose of building and operating nuclear power plants, generating electricity from them and rendering engineering and similar services, under regulations and supervision by the National Electricity Agency - ANEEL, linked to the Ministry of Mines and Energy. Within the scope of this purpose, the Company has been basically working in the activities of operating the Angra 1 and Angra 2 power plants, with nominal power of 1,990 MW, as well as maintaining good conditions for construction of the third nucleoelectric unit, denominated Angra 3 plant. The electricity generated by the Company is supplied exclusively to the subsidiary Furnas - Centrais Elétricas S.A. (related party), by means of electricity purchase and sale agreement.
- (b) Eletrosul Centrais Elétricas S.A. (ELETROSUL) - its main purpose is electricity transmission and generation in the States of Santa Catarina, Paraná, Rio Grande do Sul and Mato Grosso do Sul, and through interest in Special Purpose Companies in the States of Rondônia, Paraná, Santa Catarina

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and Rio Grande do Sul. The Company may, yet, conduct studies, projects, construction, operation and maintenance of the facilities of electricity transmission and generation systems, activities regulated by the National Electricity Agency (ANEEL), linked to the Ministry of Mines and Energy (MME). Additionally, the concessionaire is authorized to participate in consortiums or in other companies, with the purpose of developing activities in energy areas. Eletrosul is a closed capital company controlled by Eletrobras.

- (c) Itaipu Binacional (ITAIPU) - binational entity created and managed, with equal rights and obligations, by the Treaty signed on April 26, 1973, between the Federative Republic of Brazil and the Republic of Paraguay, also referred to as High Contracting Parties, and its capital belongs, in equal parts, to Centrais Elétricas Brasileiras S.A. - ELETROBRAS and to Administración Nacional de Electricidad - ANDE, also referred to as Parties.

Its purpose is the hydroelectric use of water resources of the Paraná River, belonging to both countries as a condominium, from and including Salto de Guaíra to the mouth of the Iguacu River, by building and operating a Hydroelectric Central, with a total available capacity of trading 12.6 million kW, generating qualified electricity, with social and environmental responsibility, boosting economic, tourist and technological sustainable development in Brazil and in Paraguay.

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- (d) Companhia Hidroelétrica do São Francisco (Chesf) - electricity public utility concessionaire controlled by Eletrobras, whose purpose is generating, transmitting and trading electricity. Its generating system is hydrothermal, predominantly in hydroelectric plants, responsible for more than 97% of its total production. Chesf's transmission system is comprised by 18,723 km of operating transmission lines, of which 5,122 km are 500 kV transmission circuits, 12,792 km are 230 kV transmission circuits, 809 km are low tension transmission circuits, 100 substations with voltages higher than 69 kV and 762 transformers effectively operating in all voltage levels, totaling a transformation capacity of 44,181 MVA, plus 5,683 km of optic fiber cables.
- (e) Centrais Elétricas do Norte do Brasil S.A. (Eletronorte) - an electricity public utility concessionaire controlled by Eletrobras, operating in the States of Acre, Amapá, Amazonas, Maranhão, Mato Grosso, Pará, Rondônia, Roraima and Tocantins. Since 2003, with the gradual release of its supply agreements - initial agreements - to the ratio of 25% per year, as established in the Law 9,648, of May 27, 1998, the Company started to serve other regions in the country.

The operations of the Company with electricity generation comprise 4 hydroelectric plants, with installed capacity of 8,694.00 MW and 7 thermoelectric plants, with installed capacity of 600.33 MW, with a total installed capacity of 9,294.33 MW. Electricity transmission is done through a system comprised by 9,192.13 Km of transmission lines, 43 substations in the National Interconnected System - SIN, 695.89 Km of transmission lines, 10 substations in the isolated system, totaling 9,888.02 Km of transmission lines and 53 substations.

The Company holds share control of the full subsidiary Boa Vista Energia S.A., of Estação Transmissora de Energia S.A. and an equity interest in electricity generation and transmission Special Purpose Companies - SPEs.

- (f) Furnas Centrais Elétricas S/A. (FURNAS) - controlled by Eletrobras, operates in generating, transmitting and trading in the region comprised by the Federal District and the States of São Paulo, Minas Gerais, Rio de Janeiro, Paraná, Espírito Santo, Goiás, Mato Grosso and Tocantins and interest in Special Purpose Companies in the regions of Tocantins, Rondônia and the boarder between the States of Santa Catarina and Rio Grande do Sul. Electricity is traded with electricity distribution companies and consumers in the whole national territory. The electricity production system of FURNAS is comprised by 8 (eight) exclusively owned hydroelectric plants, 2 (two) plants in partnerships with private companies, with installed power of 8,662 MW, and 2 thermoelectric plants with 796 MW of capacity, totaling 9,458 MW.

III Other Companies

- (a) Companhia Energética do Maranhão (CEMAR) - an electricity public utility concessionaire aimed at projecting, building and exploring systems of electricity sub-transmission, transformation, distribution and trading. The shares of the company are traded solely in the Organized Counter Market of BM&FBovespa.
- (b) Eletrobras Participações S.A. (ELETROPAR) - controlled by ELETROBRAS, is linked to the Ministry of Mines and Energy and its main business purpose is holding equity interests in the capital stock of Eletropaulo - Eletricidade de São Paulo S.A. and other companies.

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- (c) Companhia Estadual de Geração e Transmissão de Energia Elétrica (CEEE-GT) - a publicly-held company whose controlling shareholder is the State of Rio Grande do Sul, through Companhia Estadual de Energia Elétrica - CEEE-Par, a company holding 65.92% of its total share capital. The Concessionaire's purpose is projecting, building and exploring electricity production and transmission systems, as well as developing activities aiming at identical purposes; rendering public or private services in the electricity sector; exploring its infrastructure to generate alternative, complementary or accessory revenues, including the ones arising from associated projects.
- The company holds the concession for electricity distribution in 217 municipalities in the State of Maranhão, covering a concession area of 333 thousand Km², ruled by the Concession Agreement No. 060, of August 28, 2000, signed by ANEEL, CEMAR and the controlling shareholder, which remains in force until August, 2030, with a possibility of extension for another 30-year period.
- (d) Companhia Transmissão de Energia Elétrica Paulista (CTEEP) - a publicly-held corporation, authorized to operate as an electricity public utility concessionaire, with the main purpose of planning, building and operating electricity transmission systems.
- (e) Centrais Elétricas do Pará S.A. (CELPA) - a publicly-held company, under control of the company QMRA Participações S.A., operating in electricity distribution and generation in its concession area, comprising the entire State of Pará, serving consumers in 143 municipalities. According to the Concession Agreement for Electricity Distribution 182/1998, signed on July 28, 1998, the term of the concession is 30 years, maturing in July 28, 2028, renewable for an equal period. In addition to the distribution agreement, the Company signed a Generation Concession Agreement 181/98, of 34 Thermoelectric Plants, 11 owned and 23 from third parties, for exploring electricity generation, for a term of 30 (thirty) years, maturing on July 28, 2028, renewable for an equal period.
- (f) Empresa Metropolitana de Águas e Energia S.A. (EMAE) - is a concessionaire of a hydroenergetic complex located on the Alto Tietê river, based on the Hydroelectric Plant Henry Borden. EMAE has, also, two small hydroelectric plants, UHE Rasgão and UHE Porto Góes, both on the Tietê River. At the Paraíba Valley, in the municipality of Pindamonhangaba, is located UHE Isabel, currently not operational.
- (g) Lajeado Energia S.A. (Lajeado) - a privately-held company, controlled by EDP Energias do Brasil S.A., with the purpose of generating and trading electricity from any source or nature, preparing feasibility studies and projects, building, operating and maintaining generation plants. The Company holds 73% of the share capital of Investco S.A., a publicly-held company which the main purpose are studying, planning, preparing projects, constituting and exploring systems of electricity production, transmission, transformation, distribution and trading, especially exploring Luís Eduardo Magalhães Hydroelectric Plant and the Associated Transmission System (UHE Lajeado), in the State of Tocantins, under the terms of the Concession Agreement for Use of Public Property 05/97 - ANEEL for a period of 35 years, in force until 2033.
- (h) Centrais Elétricas Matogrossenses S.A. (CEMAT) - a publicly-held company, under share control of the companies Rede Energia S.A. and Inepar S.A. - Indústria e Construções, operating in the electricity distribution segment, in addition to its own electricity generation through thermoelectric plants for serving isolated systems in its legal concession area comprising the entire State of Mato Grosso, serving consumers in 141 municipalities. According to the Concession Agreement for Electricity Distribution 03/1997, signed on November 12, 1997, the term of the concession is 30 years, maturing in November 12, 2027, renewable for an equal period. In addition to the distribution agreement, the Company signed the Generation Concession Agreement 04/1997, of 7 Thermoelectric Plants, with the respective associated substations, maturing in December 10, 2027.

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Throughout the last years, Eletrobras invested in project partnerships with private companies, where the Company is a minority shareholder, holding preferred shares. These enterprises have the purpose to operate in the electricity generation and transmission segments, and respective holdings are classified as Assets - Investments.

In the same sense, considering the need to expand investments in the Electricity Segment, companies controlled by Eletrobras participate, also as minority shareholders, with common shares, in companies with concessions of electricity public utility services, classified as Assets - Investments.

- (1) STN - It refers to the Special Purpose Company created by Chesf and by the Technical Company of Electrical Engineering - Alusa, to explore the concession of a transmission line of 546 km, 500 kV, in the stretches Teresina (PI) - Sobral and Fortaleza (CE). The capital of the company Sistema de Transmissão Nordeste is divided according to the following proportion: Alusa, 51% and Chesf, 49%. The project was concluded in December 2005 and commercial operation started in January, 2006.
- (2) Manaus Construtora Ltda Special Purpose Company, established on April 6th, 2009, of which the Company is a shareholder with 195 shares, together with Abengoa Holding, with 505 shares, and Eletronorte, with 300 shares. This company aims to manufacture, assemble and supply materials, labor and equipment for Oriximiná/Cariri 500 kV transmission line, Itacoatiara substation 500/138 kV and SE 500/230 kV, to be integrated into the National Interconnected System Basic Network.
- (3) Artemis Transmissora de Energia - a company whose purpose is exploring transmission lines of 525 kV, connecting Salto Santiago to Ivaiporã and Ivaiporã to Cascavel D'Oeste, where the subsidiary Eletrosul holds 49% of the capital shares, having started its operations in October 2005.
- (4) Uirapuru Transmissora de Energia - Special Purpose Company, established in 2004 to construct, operate and maintain 120 km of a 525 kV transmission line, Ivaiporã (PR) - Londrina (PR), with a 30-year concession. Eletrosul holds 49% of the shares representing Uirapuru capital, leaving Cymi Holding S.A. with 51%. The transmission line became operational in 2006.
- (5) ETAU - Empresa Transmissora do Alto Uruguay - Special Purpose Company established to construct, operate and maintain 187 km of a 230 kV transmission line, in Campos Novos (SC) - Barra Grande (SC) - Lagoa Vermelha (RS) - Santa Marta (RS), with a 30-year concession. Eletrosul holds 27.4% of ETAU's capital, the remaining companies Terna Participações S.A. with 52.6%, DME Energética Ltda with 10%, and Companhia Estadual de Energia Elétrica - CEEE with 10%. The transmission line became operational in 2005.
- (6) Energia Sustentável do Brasil - Special Purpose Company which aims at exploring the concession and trading the energy from Jirau Hydroelectric Plant, in Rio Madeira (RO), with minimum installed power of 3,300 MW, and expected to start operations in 2013. Eletrobras System holds 40% of the company's capital (Chesf - 20% and Eletrosul - 20%), together with the companies Suez Energy South America Participações Ltda. (50.1%) and Camargo Corrêa S.A. Investimentos em Infraestrutura S.A. (9.9%). The concession period of the project is 35 years.
- (7) Norte Brasil Transmissora de Energia - Special Purpose Company which aims at constructing, implementing, operating, and maintaining the Electricity Transmission Public Utility of the Interconnected Electric System Basic Network, consisting of the collector Transmission Line Porto Velho - Araraquara, stretch 02, with Direct Current, at approximately 600 KV, with concession for 35 years. Eletrobras System holds 49% of the capital (Eletrosul holds 24.5% and Eletronorte, 24.5%), the remaining Andrade Gutierrez Participações with 25.5% and Abengoa Concessões do Brasil Holding S/A with 25.5%.

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- (8) Estação Transmissora de Energia - Special Purpose Company which aims at the construction, implementation, operation, and maintenance of the Electricity Transmission Public Utility of the Basic Network Interconnected System, consisting of the station Refiticadora No. 1 with alternating current/direct current, and of the Inverter Station No. 1 with direct current/alternating current, 600/500 KV - 2950 MW, with a concession for 35 years. Eletrobras System holds 49% of the capital (Eletrosul holds 24.5% and Eletronorte, 24.5%), the remaining Andrade Gutierrez Participações with 25.5% and Abengoa Concessões do Brasil Holding S/A with 25.5%.
- (9) Porto Velho Transmissora de Energia - Special Purpose Company which aims at implementing, operating and maintaining Collector Transmission Line Porto Velho (RO), Collector Substation Porto Velho (RO), at 500/230 KV, and two Converter AC/DC/AC Back-to-Back, at 400 MW, as well as the other facilities, with a concession for 35 years. Eletrobras System holds 49% of the capital (Eletrosul holds 24.5% and Eletronorte, 24.5%), the remaining Andrade Gutierrez Participações with 25.5% and Abengoa Concessões do Brasil Holding S/A with 25.5%.
- (10) Amazônia Eletronorte Transmissora de Energia - Special Purpose Company established with the purpose of constructing, operating and maintaining 2 transmission lines at 230 KV, Coxipó (MT) - Cuiabá (MT), with a length of 25 km, and Cuiabá (MT) - Rondonópolis (MT) with a length of 168 km, having started its operations in August, 2005. Eletronorte holds 49% of AETE'S capital.
- (11) Intesa - Integração Transmissora de Energia - Special Purpose Company established for constructing, implementing, operating, and maintaining an Electricity Transmission Line at 500kV, in the stretches Colinas - Serra da Mesa 2, 3rd circuit, with a concession for 30 years. The capital of Intesa is divided as follows: Eletrobras System, with 49% (Chesf - 12% and Eletronorte - 37%) and Brasil Energia Private Equity Investment Fund - FIP, with 51%. Intesa's commercial operations started in 2008.
- (12) Energética Águas da Pedra - Special Purpose Company originated from Aripuanã Consortium, which was relating to contracts of energy from new projects, with subsequent granting for HEP Dardanelos implementation, under the Regulated Contracting Environment. Eletrobras System holds a share of 49% (Chesf - 24.50% and Eletronorte - 24.50%) together with Neoenergia S.A., which holds 51%. The power plant will be implemented in Rio Aripuanã, located in northern Mato Grosso State, with power of 261 MW and average total ensured power of 154.9 MW. The first machines are estimated to start operating in 2011, and an average of 147 MW was traded for the period between 2011 and 2041, with a concession for 35 years.
- (13) Amapari Energia - Special Purpose Company established in 2007 in a partnership between MPX Energia S.A. and Eletronorte, which aims to establish itself as an Electricity Independent Producer (PIE), with initial installed capacity of 23.33 MW. This is a diesel oil thermal power plant (UTE) in the city of Serra do Navio, State of Amapá. Eletronorte holds an equity interest of 49% and MPX Energia holds 51%.
- (14) Brasnorte Transmissora de Energia - Special Purpose Company established in 2007 aiming at exploring the concession of Juba - Jauru Transmission Line, 230 kV, with a length of 129 km; Maggi - Nova Mutum Transmission Line, 230 kV, length of 273 km; Juba Substation, 230/138 kV and Maggi Substation, 230/138 kV. Eletronorte holds a capital stock interest of 49.71%, Terna Participações S/A holds 38.70% and Bimetal Ind. e Com. de Produtos Metalúrgicos LTDA holds 11.62%.

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- (15) Manaus Transmissora de Energia - Special Purpose Company, established in 2008 by the Amazônia Consortium, with Eletronorte holding an equity interest of 30%, Abengoa Concessões Brasil Holding 50.50% and Chesf holding 19.50%. It aims at constructing, operating and maintaining Oriximiná(PA)/Itacoatiara(AM) Transmission Line, double circuit, 500KV, with a length of 374 km; LT Itacoatiara(AM)/Cariri(AM), double circuit 500KV, with a length of 212 km; and Itacoatiara Substation, at 500/230 KV, 1.800MVA.
- (16) Enerpeixe - It refers to the Special Purpose Company called Enerpeixe S.A., which aims at constructing and operating the UHE Peixe Angical, located on the Tocantins River, whose generation capacity is 452 MW, having Furnas holding 40% of the capital, having started its operations in May, 2006.
- (17) Transleste - Special Purpose Company established in 2003, aiming at implementing and operating, for a period of 30 years, the transmission line connecting Montes Claros (MG) to Irapé (MG), at 345 kV of voltage and with a length of 150 km. The subsidiary Furnas holds 24% of the capital. The transmission line became operational in 2005.
- (18) Transudeste - a company established in 2004, aiming at implementing and exploring, for a period of 30 years, the transmission line connecting Itutinga (MG) to Juiz de Fora (MG), at 345 kV of voltage and with a length of 140 km. The subsidiary Furnas holds 25% of the capital. The transmission line became operational in 2007.
- (19) Transirapé - a company established in 2004 which aims at constructing, operating and maintaining the Irapé (MG) - Araçuaí (MG) electricity transmission line facilities, at the voltage of 230 kV, with 65 km of length. The subsidiary Furnas holds 24.5% of the capital. The transmission line became operational in May, 2007.
- (20) Chapecoense - Refers to the Special Purpose Company called Chapecoense Geração S.A., which aims at constructing and operating the UHE Foz do Chapecó, located on the Uruguay River. Furnas holds 49.9% of the capital stock of the company managing the plant, with capacity of 855 MW, which will be operated by the Chapecoense consortium composed by CPFL (51%), Chapecoense (40%), and CEEE-GT (9%), Furnas being responsible for the owner's engineering activities through services. The first machine became operational in August, 2010.
- (21) Serra do Facão - Special Purpose Company established with the objective of constructing and operating the UHE Serra do Facão, with installed power of 210 MW, located on the São Marcos River in the State of Goiás. Furnas holds 100% of the consortium shares. The first machine became operational in May, 2010.
- (22) Retiro Baixo - Special Purpose Company, called Retiro Baixo Energética S.A., established to implement and manage the UHE Retiro Baixo, with installed power capacity of 82 MW, located on the Paraopeba River, in Minas Gerais cities of Curvelo and Pompeu. FURNAS holds 49% of the capital stock and the works began in March, 2007, and the commercial operation of the first machine started in 2010.
- (23) Baguari Energia - It is a Special Purpose Company, established to implement and explore the UHE Baguari, located on the Doce River, in the State of Minas Gerais, with a capacity of 140 MW and with implementation estimated to 2009. Furnas holds 30.61% of the capital and the amount of investment on December 31, 2009 is fully registered as an advance for future capital increase.

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- (24) Centroeste de Minas - a company established in 2004, aiming at implementing and exploring, for a period of 30 years, the transmission line connecting Furnas (MG) to Pimenta (MG), at 345 kV of voltage and with a length of 75 km. The subsidiary Furnas holds 49% of the capital.
- (25) Consórcio Madeira Energia S.A. (MESA) - Special Purpose Company established in 2007 aiming to perform and operate the construction project of the HEP Santo Antônio, on the Madeira River, (RO). The capital of Consórcio MESA is shared by Furnas (39%), Odebrecht Investimentos (17.6%), Andrade Gutierrez Participações (12.4%), Cemig (10%), Fundos de Investimentos e Participações da Amazônia (20%), and Construtora Norberto Odebrecht (1%).
- (26) IE Madeira - Special Purpose Company established with the purpose of constructing, implementing, operating, and maintaining the electricity transmission power of the National Interconnected System basic network, LT Collector Porto Velho - Araraquara, stretch 01, DC, 600 KV, Retifier Station number 02 AC/DC, 500 KV/+ 600KV - 3,150 MW; Inverter Station number 02 AC/DC, 600KV/5020KV - 2,950. Eletrobras System holds 49% of the capital (Furnas, 24.5% and Chesf, 24.5%), and CTEEP, 31%.
- (27) IGESA - Special Purpose Company established in 2008, which aims to study the technical and economic, environmental and legal feasibility of the hydroelectric utilization of Inambari (Peru), on the Inambari River, and of the Exclusive Use Transmission system, interconnecting Peru to Brazil, as well as the import and export of goods and services. Eletrobras System holds 49% of the capital (Furnas, 19.6% and Eletrobras, 29.4%) and the company is in the pre-operational stage.
- (28) Transenergia - Special Purpose Company established with the purpose of constructing, implementing, operating, and maintaining the electricity transmission line of the Brazilian Interconnected Electric System basic network, lot C, of the Auction No. 008/2008-ANEEL. The subsidiary Furnas holds 49% of the capital.
- (29) Norte Energia S.A. - On August 26, 2010, a Special Purpose Company, Norte Energia S.A., of which Eletrobras is a shareholder (49,98%), signed a Concession Agreement for Use of Public Property for electricity generation, aimed at regulating the exploration of the hydroelectric potential on the Xingu River, denominated Belo Monte Hydroelectric Plant, as well as the respective Transmission Facilities Restricted to the Hydroelectric Plant, for a period of 35 years.

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The Company has a number of judicial proceedings, in various judgment phases, where it is a plaintiff (see Note 32), in which there were blocked, as a guarantee to the resources of these judicial proceedings, assets representing 5.25% (6.37 in 2009) of the total investment portfolio, as described below:

	December 31, 2010		
<u>Equity interest</u>	<u>Amount of the investment</u>	<u>Blocked percentage</u>	<u>Blocked investment</u>
CTEEP	1,616,274	97.53%	1,576,419
EMAE	317,116	100.00%	317,116
CESP	264,446	95.88%	253,561
AES TIETE	23,046	88.94%	20,496
COELCE	15,329	41.02%	6,288
DUKE (Paranapanema Gen.)	3,344	63.25%	2,115
CEMAT	480,650	86.64%	416,452
CEB	72,907	50.00%	36,453
CELPA	305,304	5.31%	16,201
CELPE	4,689	70.32%	3,297
CELESC	28,242	15.24%	4,304
CEEE-GT	627,300	10.08%	63,241
CEMAR	302,263	24.80%	74,976
SUBTOTAL	<u>4,060,908</u>		<u>2,790,919</u>
Other Investments	<u>47,975,072</u>		
Total	<u><u>52,035,980</u></u>	5.36%	<u><u>2,790,919</u></u>

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In thousands of reais

	December 31, 2009		
Equity interest	Amount of the investment	Blocked percentage	Blocked investment
CTEEP	1,478,447	88.93%	1,314,783
EMAE	316,815	100.00%	316,815
CESP	269,680	95.82%	258,407
AES TIETE	23,046	89.22%	20,562
COELCE	15,328	100.00%	15,328
DUKE (Paranapanema Gen.)	3,344	62.48%	2,089
CEMAT	512,872	86.64%	444,352
CEB	3,528	50.00%	1,764
CELPA	396,393	5.31%	21,048
CELPE	4,689	70.32%	3,297
CELESC	28,241	15.24%	4,304
CEEE-GT	494,046	87.39%	431,747
SUBTOTAL	<u>3,546,429</u>		<u>2,834,496</u>
Other Investments	<u>39,850,260</u>		
Total	<u><u>43,396,689</u></u>	6.53%	<u><u>2,834,496</u></u>

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16 Fixed Assets

The fixed asset items presented below refer to the infrastructure of the electricity generation segment:

	December 31, 2010			
	Cost	Accumulated depreciation	(-) Special obligations	Net value
In service				
Generation	53,940,091	(23,344,259)	(357,343)	30,238,489
Administration	1,894,993	(1,065,400)	(35,558)	794,035
Trading	128,090	(44,847)		83,243
	<u>55,963,174</u>	<u>(24,454,506)</u>	<u>(392,901)</u>	<u>31,115,767</u>
In progress				
Generation	8,808,957			8,808,957
Administration	276,340		(32)	276,308
Trading	10,252			10,252
Leasing	1,212,002			1,212,002
	<u>10,307,551</u>		<u>(32)</u>	<u>10,307,519</u>
Investee's Balance	<u>5,259,212</u>			<u>5,259,212</u>
	<u>71,529,937</u>	<u>(24,454,506)</u>	<u>(392,933)</u>	<u>46,682,498</u>

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	December 31, 2009			
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>(-) Special obligations</u>	<u>Net value</u>
In service				
Generation	54,222,482	(22,628,381)	(316,638)	31,277,463
Administration	632,283	(347,392)	(139,935)	144,956
Trading	128,152	(40,540)		87,612
	<u>54,982,917</u>	<u>(23,016,313)</u>	<u>(456,573)</u>	<u>31,510,031</u>
In progress				
Generation	5,330,686			5,330,686
Administration	202,849			202,849
Trading	7,001			7,001
Leasing	1,258,618			1,258,618
	<u>6,799,154</u>			<u>6,799,154</u>
Investee's Balance	<u>3,288,420</u>			<u>3,288,420</u>
	<u>65,070,491</u>	<u>(23,016,313)</u>	<u>(456,573)</u>	<u>41,597,605</u>
				January 1, 2009
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>(-) Special obligations</u>	<u>Net value</u>
In service				
Generation	34,311,782	(13,969,792)	(1,030,877)	19,311,113
Administration	18,881,658	(7,739,950)	(139,938)	11,001,770
Trading	127,405	(35,891)		91,514
	<u>53,320,845</u>	<u>(21,745,633)</u>	<u>(1,170,815)</u>	<u>30,404,397</u>
In progress				
Generation	3,280,342			3,280,342
Administration	479,853			479,853
Trading	45,368			45,368
Leasing	1,305,235			1,305,235
	<u>5,110,798</u>			<u>5,110,798</u>
Investee's Balance	<u>980,464</u>			<u>980,464</u>
	<u>59,412,107</u>	<u>(21,745,633)</u>	<u>(1,170,815)</u>	<u>36,495,659</u>

Items comprising the fixed assets of the Company can not be sold or pledged as guarantee.

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(a) Changes in fixed assets

	January 1, 2009						December 31, 2009
		Additions	Transfer progress/ service	Write-off	Depreciation	Capitalizations	Final balance
Consolidated							
Generation							
In service	52,661,823	312,968	1,613,468	(361,345)	(2,493)	(4,432)	54,219,989
Accumulated depreciation	(21,397,298)	(476,285)	766	140,677	(876,265)	327	(22,608,078)
In progress	3,586,025	4,032,356	(1,610,225)	(531,740)		(150,658)	5,325,758
Special obligations							
Total	<u>34,850,550</u>	<u>3,869,039</u>	<u>4,009</u>	<u>(752,408)</u>	<u>(878,758)</u>	<u>(154,763)</u>	<u>36,937,669</u>
Administration							
In service	531,617	108,113	36,437	(43,871)	(13)		632,283
Accumulated depreciation	(304,071)	(17,787)	215	8,459	(25,261)		(338,445)
Special obligations	(9,920)				2		(9,918)
In progress	174,170	84,600	(50,988)	(6)			207,776
Total	<u>391,796</u>	<u>174,926</u>	<u>(14,336)</u>	<u>(35,418)</u>	<u>(25,272)</u>		<u>491,696</u>
Trading							
In service	127,405	747					128,152
Accumulated depreciation	(35,891)	(4,649)					(40,540)
In progress	45,368	112,532		(150,899)			7,001
Total	<u>136,882</u>	<u>108,630</u>		<u>(150,899)</u>			<u>94,613</u>
Special obligations							
Impairment	(742,021)			616,573	3,308		(122,140)
Reversal of impairment				61,552			61,552
Depreciation of the Assets under the provision				13,410			13,410
Accumulated Reintegration	(8,373)			171	(743)		(8,945)
Leasing	1,305,235				(46,617)		1,258,618
Total	<u>554,841</u>			<u>691,706</u>	<u>(44,052)</u>		<u>1,202,495</u>
Special obligations	<u>(418,874)</u>	<u>1,586</u>					<u>(417,288)</u>
Total	<u>35,515,195</u>	<u>4,154,181</u>	<u>(10,327)</u>	<u>(247,019)</u>	<u>(948,082)</u>	<u>(154,763)</u>	<u>38,309,185</u>
Investee's Balance	<u>980,464</u>						<u>3,288,420</u>
Total Consolidated	<u>36,495,659</u>						<u>41,597,605</u>

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	December 31, 2009			December 31, 2010			
	Final balance	Additions	Transfer progress/ service	Write-off	Depreciation	Capitalizations	Final balance
Consolidated							
Generation							
In service	54,219,989	425,008	524,524	(82,023)		1,773	55,089,271
Accumulated depreciation	(22,608,078)	(700,049)	(230)	41,406	(639,756)	(29,555)	(23,936,262)
In progress	5,325,759	4,754,629	(530,968)	(295,762)		(352,890)	8,900,768
Special obligations							
Total	36,937,670	4,479,588	(6,674)	(336,379)	(639,756)	(380,672)	40,053,777
Administration							
In service	632,284	113,909	29,454	(34,603)	(9)		741,034
Accumulated depreciation	(338,447)	(23,945)	2,271	(75,398)	(22,407)		(457,925)
Special obligations	(9,917)		9,758		1		(158)
In progress	207,776	73,392	(49,138)	(47,501)			184,529
Total	491,696	163,356	(7,655)	(157,502)	(22,415)	-	467,480
Trading							
In service	128,152			(62)			128,090
Accumulated depreciation	(40,540)	(4,307)					(44,847)
In progress	7,001	3,251					10,252
Total	94,613	(1,056)	-	(62)	-	-	93,495
Special obligations		(32)					(32)
Impairment	(122,140)	92,771		29,369			
Reversal of impairment	61,552				(61,552)		
Depreciation of the Assets under impairment	13,410				(13,410)		
Accumulated Reintegration	(8,945)	(1,748)					(10,693)
Leasing	1,258,618				(46,616)		1,212,002
Total	1,202,495	90,991	-	29,369	(121,578)	-	1,201,277
Special obligations	(417,288)	2,976		21,569			(392,743)
Total	38,309,186	4,735,855	(14,329)	(443,005)	(783,749)	(380,672)	41,423,286
Investee's Balance	3,288,420						5,259,212
Total Consolidated	41,597,606						46,682,498

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17 Financial asset - Concession of Public Utility

The line item financial asset - concession, in the amount of R\$ 16,915,492 refers to the financial asset receivable by the companies of Eletrobras System in the scope of concessions for electricity distribution arising from application of the mixed model, and in the scope of concessions of electricity transport in Brazil, arising from application of the financial model.

	December 31, 2010	December 31, 2009	Total January 1, 2009
Transmission			
Financial Asset Annual Revenue Allowed - Current	726,507	715,720	522,852
Financial Asset Annual Revenue Allowed - Non-Current	6,718,361	5,703,925	9,559,261
Indemnifiable Financial Asset - Concessions	15,935,225	14,920,837	9,873,842
Distribution			
Indemnifiable Financial Asset - Concessions	2,342,039	1,727,341	1,388,140
Financial Asset - Current	726,507	715,720	522,852
Financial Asset - Non-Current	<u>24,995,625</u>	<u>22,352,103</u>	<u>20,821,243</u>
Total financial asset	<u>25,722,132</u>	<u>23,067,823</u>	<u>21,344,095</u>

18 Financial Asset - ITAIPU

Considering the project ITAIPU as a cash flow, a financial asset was established, as shown below:

	December 31, 2010	December 31, 2009	January 1, 2009
Accounts Receivable	<u>1,850,802</u>	<u>1,564,087</u>	<u>1,743,267</u>
Reimbursement Rights	<u>290,704</u>	<u>278,239</u>	<u>516,766</u>
Electricity Suppliers - Itaipu Reimbursement Obligations	<u>(588,983)</u> <u>(555,508)</u>	<u>(601,427)</u> <u>(386,243)</u>	<u>(722,826)</u> <u>(437,052)</u>
Total current assets	<u>997,015</u>	<u>854,656</u>	<u>1,100,155</u>
Accounts Receivable	<u>35,715</u>	<u>104,336</u>	<u>199,646</u>
Reimbursement Rights	<u>1,910,996</u>	<u>1,803,348</u>	<u>4,312,809</u>
Reimbursement Obligations	<u>(1,122,137)</u>	<u>(1,033,265)</u>	<u>(2,450,772)</u>
Total non-current assets	<u>824,574</u>	<u>874,419</u>	<u>2,061,683</u>

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	December 31, 2010	December 31, 2009	January 1, 2009
Property, Plant and Equipment Itaipu			
Generation			
In service	13,650,931	14,671,331	20,383,981
In progress	420,050	321,625	425,819
	<u>14,070,981</u>	<u>14,992,956</u>	<u>20,809,800</u>
Administration			
In service	718,508	751,115	1,001,389
In progress	34,024	126,346	247,090
	<u>752,532</u>	<u>877,461</u>	<u>1,248,479</u>
Total Financial Asset - Itaipu - Consolidated	<u>16,645,102</u>	<u>17,599,492</u>	<u>25,220,117</u>

The details for defining the financial asset of Itaipu are listed above.

Description of the most important line items are as follows:

(I) Amounts Arising from Electricity Trading of Itaipu Binacional

Under the Law 11,480/2007, the factor for adjustment of financing agreements signed with Itaipu Binacional, and credit assignment agreements signed with the National Treasury, was removed since 2007, assuring the Company full preservation of its flow of receipts.

Consequently, the Decree 6,265, of November 22, 2007 was edited, aiming at regulating the trade of electricity from Itaipu Binacional, defining the differential to be applied in the transfer tariff, creating an asset related to the part of the annual differential calculated, equivalent to the annual adjustment factor removed from the financing, to be included annually in the transfer tariff, from 2008.

Therefore, since 2008, the differential arising from the removal of the annual readjustment factor, whose values are annually defined by interministry memo from the Ministries of Treasury and Mines and Energy, started to be included in the tariff for transferring electricity from Itaipu Binacional. The transfer tariff in force in 2010 includes the amount equivalent to US\$ 214,989, which will be received by the Company through charges to consumers, granted by memo MME/MF 398/2008.

The amount arising from trading electricity generated by Itaipu Binacional, shown in the line item Reimbursement Rights, under Non-Current Assets, of R\$ 1,910,996 on December 31, 2010, equivalent to US\$ 1,146,919 (December 31, 2009 - R\$ 1,803,348, equivalent to US\$ 1,035,693 and January 1, 2009 - R\$ 4,312,809 equivalent to US\$ 1,845,447), of which R\$ 1,122,137 thousand, equivalent to US\$ 673,470 thousand, will be repaid to the National Treasury until 2023 (Note 25). Such amounts will be realized by inclusion in the transfer tariff to be charged until 2023.

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(II) Electricity trading - Itaipu Binacional

The Law No. 10,438 of April 26, 2002, attributed to ELETROBRAS the responsibility for the acquisition of all electricity generated by ITAIPU to be consumed in Brazil, and for trading this electricity.

Therefore, in the fiscal year 2010, the equivalent of 34,464 GWh was sold, the energy supply tariff (purchase) practiced by ITAIPU was US\$ 22.60/kW and the transfer tariff (sale) was US\$ 24.63/kW.

The results from the trading of Itaipu's electricity, in accordance with Decree 4.550 of December 27, 2002, observing the amendments introduced by Decree 6.265 of November 22, 2007, have the following allocation:

- (a)** if positive, it will be allocated, by means of prorating to the individual consumer, through a bonus credit in the consumers' electricity invoices of the Brazilian Interconnected Electric System, for the residential and rural classes with monthly consumption lower than 350 kWh.
- (b)** if negative, it is incorporated by ANEEL in the calculation of the sale tariff of electricity contracted in the year subsequent to the formation of the result.

This trading operation does not impact the Company's results, and under the current regulation, negative results represent an unconditional receiving right and positive results represent an effective obligation.

In the fiscal year 2009, the activity had a surplus of R\$ 192,493, and the resulting obligation is included in the line item 'Reimbursement Obligations'.

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19 Intangible Asset - Concession of Public Utility

Intangible	Changes in Intangible Assets					Final balance
	December 31, 2009					
	January 1, 2009	Additions	Write-offs	Amortizations	Transfers	
Generation Linked to the Concession						
In service	1,752,580	254,549	(225,906)	(31,279)	86,970	1,836,914
Accumulated amortization	(296,423)	(164,419)	21,635	(23,808)	26	(462,989)
Special Liabilities	(134,629)	(51,216)	1,553	915	(6,045)	(189,422)
In progress	163,148	48,018	(28,932)		(85,246)	96,988
Special Liabilities Impairment	(69,355)	(24,255)	17,910		6,089	(69,611)
Total	1,415,321	62,677	(213,740)	(54,172)	1,794	1,211,880
Not Linked to the Concession (Others)	699,273	125,005	5,632	(17,107)		812,803
Total	699,273	125,005	5,632	(17,107)		812,803
Total Intangible	2,114,594	187,682	(208,108)	(71,279)	1,794	2,024,683

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	Changes in Intangible Assets							
	December 31, 2009						December 31, 2010	
Intangible	Final balance	Additions	Write-offs	Amortizations	Other	Capitalizations	Transfers	Final balance
Generation								
Linked to the Concession								
In service	1,836,914	387,224	(39,901)	(40,829)	(47)		27,257	2,170,618
Accumulated amortization	(462,989)	(110,900)	5,394	(26,530)			491	(594,534)
Special Liabilities	(189,422)	(24,640)	1,315	4,945			(7,800)	(215,602)
In progress	96,988	109,805	(12,012)				(22,877)	171,904
Special Liabilities	(69,611)	(29,407)	2,814				7,524	(88,680)
Impairment					(6,307)			(6,307)
Total	1,211,880	332,082	(42,390)	(62,414)	(6,354)		4,595	1,437,399
Not Linked to the Concession								
(Others)	812,803	40,331	5,305	(21,581)		(10,285)		826,573
Total	812,803	40,331	5,305	(21,581)		(10,285)		826,573
Total Intangible	2,024,683	372,413	(37,085)	(83,995)	(6,354)	(10,285)	4,595	2,263,972

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20 Recoverable Value of Long-Lived Assets

The Company defined the recoverable value of its long-lived assets based on the "value in use", which is higher than the "fair value less costs of sale". The value in use is calculated based on the present value of the estimated future cash flow.

The amounts allocated to the assumptions represent the appraisal of the Management of the Company on future trends of the electric sector and are based not only on external sources of information but also on historical data. The cash flow was projected based on the Company's operating results and projections until the end of the concession, under these main assumptions:

- organic growth compatible with historic data and the Brazilian economy growth perspectives;
- average discount rate (5.65% for generation, 5.18% for transmission and 5.88% for distribution) calculated by a methodology usually applied by the market, taking into account the weighted average capital cost;
- the growth rate does not include inflation.

The analysis established the need to constitute an allowance for impairment in the following projects in the year 2010:

- Eletrosul - Due to a delay to start operations in Passo São João Plant, noticed in the year 2010, future cash flows will be insufficient to cover the costs. Therefore, on December 31, 2010, an impairment in the amount of R\$ 135,138 was accounted for.
- Amazonas Energia (distribution activity) - In the year 2010, ANEEL established a new tariff adjustment methodology that includes, among other factors, the reduction in asset remuneration (regulatory WACC). These factors lead to the need to set an allowance for impairment in the amount of R\$ 243,910.
- Furnas - The Company calculated a loss of R\$ 596,662 thousand, registered on January 1, 2009 and an adjustment of R\$ 343,895 thousand on December 31, 2010, arising from the reduction in the discount rate, resulting in reversal of impairment of R\$ 252,767 thousand on December 31, 2010, both accounted for in the line property, plant and equipment in progress.

In the year 2010, the net effect of the allowance for impairment was R\$ 117,281.

21 Suppliers

This mainly includes energy purchased from Itaipu Binacional, and has the following breakdown:

	December 31, 2010	December 31, 2009	January 1, 2009
Current			
Goods, Materials and Services	1,314,871	1,174,479	918,219
Energy Purchased for Reselling	3,850,379	1,896,966	1,541,098
CCEE - Short-term Energy	515	8,169	44,976
	<u>5,165,765</u>	<u>3,079,614</u>	<u>2,504,293</u>

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22 Advances from Clients

	December 31, 2010	December 31, 2009	January 1, 2009
Advances from clients			
Current			
Anticipated electricity sale - ALBRAS	39,362	39,292	37,778
Advances from clients - PROINFA	<u>302,100</u>	<u>24,108</u>	<u>15,381</u>
	<u>341,462</u>	<u>63,400</u>	<u>53,159</u>
Non-current			
Anticipated electricity sale - ALBRAS	<u>928,653</u>	<u>978,980</u>	<u>1,018,488</u>
	<u>928,653</u>	<u>978,980</u>	<u>1,018,488</u>
Total	<u>1,270,115</u>	<u>1,042,380</u>	<u>1,071,647</u>

I ALBRÁS

The subsidiary Eletronorte won the electricity purchase auction conducted by ALBRÁS in 2004 for a 20-year supply period, at an average of 750 MW/month until December 2006 and 800 MW/month between January 2007 and December 2024, setting a price compatible with the UHE Tucuruí break-even tariff as a parameter, plus a premium calculated according to the aluminum price on the London Metal Exchange (LME) - England. This price setting constitutes an embedded derivative (see Note 46).

Based on these conditions, ALBRÁS, aiming at reducing the basic price, made an energy pre-purchase offer with an advance payment, comprising energy advances which will be realized during the supply period in fixed monthly installments in average MW, according to the tariff effective in the billing month.

The operation took place as follows:

Advances received	December 31, 2010	December 31, 2009
2004	300,000	300,000
2005	500,000	500,000
2006	250,000	250,000
2007	150,000	150,000
Total	<u>1,200,000</u>	<u>1,200,000</u>
Amortizations	(220,854)	(181,728)
Gains	<u>(10,493)</u>	<u></u>
Total liabilities	<u>968,653</u>	<u>1,018,272</u>

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II PROINFA

PROINFA, enacted by Law No. 10438/2002, and amendments, aims at diversifying the Brazilian energy matrix and seeking regional solutions with the utilization of renewable energy sources, by means of economic utilization of available inputs and applicable technologies, resulting in higher participation of electricity generated based on new sources.

The program ensures that Eletrobras can purchase the electricity to be generated for a period of 20 years, as from 2006, which will be transferred to distribution concessionaires, free consumers and self-producers, excluding low income consumers proportionally to consumption.

The transmission and distribution concessionaires pay to Eletrobras the annual amount of cost corresponding to the contribution of captive customers, free consumers and self-producers connected to its facilities, in twelve monthly installments, in the month before the reference date of energy consumption.

In addition, in order to deal with the required payment needs to PROINFA's generation projects, in the first year of operations of the Program, the distribution and transmission concessionaires, in addition to the quotas related to the current year, prepaid a twelfth of the annual quota, considering the contracting of all projects included in PROINFA.

It is worth mentioning that operations related to PROINFA do not generate any economic gains or losses for the Company.

23 Borrowings

The details of borrowings, including charges, whose funds are allocated to the investment program of the Eletrobras System.

I Eletrobras' Agreements

- (A) The Company has borrowing agreements executed with multilateral agencies, such as IDB, IRDB, KFW and EXIMBANK/JBIC, guaranteed by the federal government. These agreements follow a standard of covenants applicable to agreements with multilateral agencies, which are usually agreed upon in negotiations with this type of entity.

In the A/B Loan agreements of the syndicated loan between CAF and commercial banks, Eletrobras has covenants typically practiced in the market, among which can be mentioned: existence of corporate guarantees, change of corporate control, compliance with licenses and authorizations, and restriction to significant disposal of assets; In 2010, Eletrobras has signed a new contract with CAF in the amount of US\$ 500,000, aimed at composing the fund to finance the Subsidiaries.

According to market practices, there are two borrowing contracts coordinated by BNP and CDB.

In 2009, the issue of bonds in the amount of US\$ 1,000,000 was concluded.

The bonds were issued with a 10-year term, maturing on July 30, 2009, with total redemption on maturity and with a semiannual interest coupon at a rate of 6.875% per year, allowing the investors who bought the referred bonds at the release date a yield of 7.0% per year. The issuing price was 99.112% of the face value, of which 60% of the offerings were from the United States, 30% from Europe and 10% from Asia.

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The resources obtained from this operation on the international market constitute the fund to finance the subsidiaries, aiming to ensure the compliance of the Eletrobras System investment program.

In addition to loans, borrowings and bonds currently registered in the liabilities of the Company, there is still an assumption of debt contract of CEEE.

Negotiations are being developed with other multilateral agencies, such as the European Investment Bank and the French Development Agency, aiming at obtaining new credit lines. The Company is considering issuing new bonds in 2011.

The negotiations for borrowing contracts to be signed with KFW, which will be transferred to the subsidiary Eletrosul, and with IRDB are in advanced stages.

There are no contracts with financial ratio clauses in Eletrobras' liabilities.

B Global Reversion Reserve

This fund was created by the federal government to cover expenses related to indemnities of electric public utility concession reversions. The resources comprising the fund are not part of these financial statements and, while not used for the purposes for which they are destined, are used in the granting of financing for the expansion of the Brazilian electricity sector, improvement of the service and implementation of federal government programs, through Eletrobras.

The contribution to establish the RGR is responsibility of the electric public utility concessionaires, by means of a quota called reversion and the appropriation of electricity services of up to 2.5% of the concessionaires and licensees investments, limited to 3% of annual revenues. The quota value is calculated as a service cost component of those entities (see Note 31), and do not constitute revenues or assets of Eletrobras.

The concessionaires pay their RGR annual quotas, in twelve monthly installments, into a restricted bank account managed by Eletrobras, which operates the account within the limits provided for by Law No. 5655/1971 and further amendments, not reflected in the Company's financial statements, since it is an independent entity in relation to Eletrobras.

However, Eletrobras takes resources from RGR to apply in specific investment projects, funded by the Company, especially:

- I - expansion of electricity distribution services;
- II - incentive to alternative electricity sources;
- III - inventory and feasibility studies for the development of hydroelectric projects;
- IV - implementation of power generation units of up to 5,000 kW, exclusively for public utility in communities assisted by an isolated electric system;
- V - efficient public lighting;
- VI - electricity conservation by means of improved quality of products and services;
- VII - universalization of access to electricity.

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Eletrobras remunerates the resources withdrawn from RGR and used in funding companies in the Brazilian electric sector with annual interest of 5%, without any type of indemnification. On December 31, 2010, the balance withdrawn from the Fund and used in various investments amounted to R\$ 8,159,038 (December 31, 2009 - R\$ 7,656,946 and January 1, 2009 - R\$ 7,193,770) and are included in the line item Borrowings, in liabilities.

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	12/31/2010				12/31/2009				1/1/2009			
	CHARGES CURRENT		PRINCIPAL		CHARGES CURRENT		PRINCIPAL		CHARGES CURRENT		PRINCIPAL	
	Average Rate	Amount	CURRENT	NON CURRENT	Average Rate	Amount	CURRENT	NON CURRENT	Average Rate	Amount	CURRENT	NON CURRENT
Foreign Currency												
Financial institutions												
Interamerican Development Bank - IDB	4.16%	2,202	31,001	201,509	5.32%	3,659	32,397	242,977	5.32%	5,489	43,482	369,600
Corporación Andino de Fomento - CAF		9,886	25,634	1,935,355	3.97%	22,040	-	1,205,446	4.76%	10,340	0	1,635,900
Kreditanstalt für Wiederaufbau - KfW		70	21,158	43,556	3.87%	183	23,811	52,205	5.73%	376	59,698	95,514
AMFORP & BEPCO		-	-	-	-	-	-	-	6.50%	0	128	0
Dresdner Bank	6.25%	-	-	-	6.25%	775	23,810	48,458	6.25%	331	45,110	95,513
Eximbank	2.15%	1,591	44,999	292,490	2.15%	1,654	41,288	309,651	2.15%	2,544	56,823	482,981
BNP Paribas		338	57,703	601,060	1.86%	15,044	-	737,695	6.40%	2,170	-	566,327
Other		807	33,188	33,881		446	3,942	23,854		6,994	475,533	12,179,675
		<u>14,894</u>	<u>213,683</u>	<u>3,107,852</u>		<u>43,801</u>	<u>125,248</u>	<u>2,620,286</u>		<u>28,244</u>	<u>680,774</u>	<u>15,425,510</u>
Bonds												
Bonds - Dresdner Bank	7.75%	3,812	-	499,860	7.75%	3,984	-	522,360	7.75%	5,347	-	701,100
CREDIT SUISSE	6.87%	54,162	-	1,666,200	6.87%	59,421	-	1,741,200	-	-	-	-
		<u>57,974</u>	<u>-</u>	<u>2,166,060</u>		<u>63,405</u>	<u>-</u>	<u>2,263,560</u>		<u>5,347</u>	<u>-</u>	<u>701,100</u>
Other												
National Treasury - ITAIPU		2,412	349,744	7,978,640		3,342	344,448	8,701,253		-	-	-
		<u>2,412</u>	<u>349,744</u>	<u>7,978,640</u>		<u>3,342</u>	<u>344,448</u>	<u>8,701,253</u>		<u>-</u>	<u>-</u>	<u>-</u>
		<u>75,280</u>	<u>563,427</u>	<u>13,252,552</u>		<u>110,548</u>	<u>469,696</u>	<u>13,585,098</u>		<u>33,591</u>	<u>680,774</u>	<u>16,126,610</u>
National Currency												
Global Reversion Reserve - RGR		-	-	8,159,038		-	-	7,672,055		-	-	7,248,309
Investment Fund in Credit Rights		-	-	-		-	-	-		-	-	-
Other		65,039	1,164,718	9,858,382		63,468	471,563	7,135,389		54,061	367,071	3,535,312
		<u>65,039</u>	<u>1,164,718</u>	<u>18,017,419</u>		<u>63,468</u>	<u>471,563</u>	<u>14,807,444</u>		<u>54,061</u>	<u>367,071</u>	<u>10,783,621</u>
		<u>140,320</u>	<u>1,728,145</u>	<u>31,269,971</u>		<u>174,016</u>	<u>941,259</u>	<u>28,392,542</u>		<u>87,652</u>	<u>1,047,845</u>	<u>26,910,231</u>

The long-term part of loans and financings expressed in thousands of U.S. Dollars has the following maturities:

	2012	2013	2014	2015	After 2015	Total
Parent Company	117,445	145,901	183,825	408,798	7,204,178	8,060,147
Consolidated	273,459	339,716	418,018	951,845	16,774,199	18,767,237

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II Finance lease

Subsidiary Amazonas Energia has finance lease operations, for which was registered a liability and the respective fixed assets. The reconciliation between minimum future payments of the finance lease at the end of the period and their present value are presented in the table below:

	December 31, 2010	December 31, 2009	January 1, 2009
Less than one year	244,098	249,738	230,500
More than one and less than five years	1,220,493	1,248,690	1,152,501
More than five years	2,213,161	2,514,030	2,504,769
Future financing charges on finance lease	<u>416,322</u>	<u>(69,014)</u>	<u>381,390</u>
Total finance lease minimum payments	4,094,074	3,943,444	4,269,160
Present value adjustment	(2,279,042)	(2,195,169)	(2,477,654)
Present value of the payments	<u>1,815,032</u>	<u>1,748,275</u>	<u>1,791,506</u>
Less than one year	120,485	108,827	106,435
More than one and less than five years	602,315	544,056	530,860
More than five years	1,092,232	1,095,392	1,154,211

The fair value of current borrowings equals their book value, since the impact of the discount is not significant.

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III Guarantees

The provision amount, presented under non-current liabilities, in relation to the guarantees of Eletrobras, represents 1% of the total amount of the funds already released by the funding banks until the end of 2010, being the best estimate of such provision at the balance sheet date.

The Company participates as guarantor of a number of projects whose guaranteed amounts, forecasts and paid amounts are presented in the tables below.

Venture	Financing Bank	Subsidiary Interest	Amount of Financing (Part of the Subsidiary)	Outstanding Balance on 12/31/2010	Outstanding Balance Projection End of the Year			Releasable After 2013
					2011	2012	2013	
UHE Tucuruí	BNDES	100.00%	941,000	586,834	483,261	381,522	279,783	-
Subestação Miranda II	BNDES	100.00%	47,531	39,522	35,966	32,523	29,081	-
SE São Luís II e III	BNDES	100.00%	13,653	13,653	12,596	11,621	10,646	-
Norte Transmissora	BNDES	24.50%	72,275	72,275	-	-	-	-
Manaus Transmissora	BNDES	30.00%	75,428	75,428	-	-	-	-
Linha Verde	BTG Pactual	49.00%	147,000	-	147,000	-	-	-
LT e Subestação Ribeiro Golçalves-Balsas	BNB	100.00%	70,000	-	-	-	-	-
UHE Jirau	BNDES	20.00%	1,444,000	833,313	1,542,895	1,660,531	1,600,332	-
SPE Manaus Transmissora	BNDES	24.50%	72,275	72,275	-	-	-	-
ESBR	Bradesco	20.00%	68,888	68,888	63,220	27,051	7,232	-
IEMadeira	BNDES/ Transferring Banks	24.50%	98,336	86,802	-	-	-	-
UHE Símplicio	BNDES	100.00%	1,034,410	915,060	953,499	887,741	822,560	-
UHE Santo Antônio	BNDES/ Transferring Banks /FNO	39.00%	2,589,051	2,256,456	2,444,652	2,848,008	3,082,029	-
UHE Foz do Chapecó	BNDES	40.00%	655,287	781,186	767,164	717,886	668,175	-
UHE Baguari	BNDES	30.62%	60,153	58,452	55,856	51,560	47,263	-
UHE Serra do Facão	BNDES	49.50%	257,263	-	-	-	-	-
UHE Batalha	BNDES	100.00%	224,000	100,384	224,859	208,698	192,691	-
IE Madeira	BNDES/ Transferring Banks	24.50%	98,336	86,802	-	-	-	-
Companhia de Transmissão Centroeste de Minas	BNDES	49.00%	13,827	-	13,109	11,946	10,793	-
Goiás Transmissão	Banco do Brasil	49.00%	-	-	-	-	-	-
MGE	Banco do Brasil	49.00%	-	-	-	-	-	-
UHE Passo de São João	BNDES	100.00%	183,330	186,857	186,856	177,913	164,850	-
UHE Jirau	BNDES	20.00%	1,444,000	833,313	1,542,895	1,660,531	1,600,332	-
UHE Mauá	BNDES/ Transferring Banks	49.00%	364,834	304,014	370,235	344,907	322,102	-
RS Energia	BNDES/ Transferring Banks	100.00%	126,221	124,256	112,468	100,679	89,365	-
SC Energia	BNDES/ Transferring Banks	100.00%	270,197	199,526	172,189	150,327	128,576	-
Eólicas Cerro Chato I, II e III	BNDES	90.00%	201,077	20,108	201,077	190,604	165,469	-
Norte Transmissora	BNDES	24.50%	72,275	19,691	-	-	-	-
ESBR	Bradesco	20.00%	68,888	68,888	63,220	27,051	7,232	-
UHE São Domingos	BNDES	100.00%	207,000	-	-	-	-	-
Porto Velho Transmissora	BNDES	100.00%	283,411	-	-	-	-	-
Angra 3	BNDES	100.00%	6,146,256	-	1,358,092	3,403,542	5,036,976	1,109,280
Mangue Seco 2	BNB	49.00%	12,250	16,748	-	-	-	-
Belo Monte	ANEEL	15.00%	156,915	156,915	125,532	109,841	109,841	109,841
Mangue Seco 2	BNB	49.00%	40,951	-	-	-	-	-
Total			17,560,318	7,977,646	10,876,641	13,004,482	14,375,328	1,219,121

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	Guaranteed amount (subsidiaries' part) R\$ Million	Total guaranteed on December 31, 2010 R\$ Million	Outstanding balance forecast end of the year - R\$ Million			To be guaranteed R\$ million
			2011	2012	2013	After 2013
Total	17,560	7,978	10,877	13,004	14,375	1,219
Subsidiaries	9,137	2,042	3,427	5,254	6,665	1,109
SPE	8,423	5,936	7,481	7,766	7,710	110

The Company presented in the line item provisions, under non-current liabilities, the fair value of the amounts guaranteed by Eletrobras and already released by the funding banks. The fair value is calculated based on 1% of the total released until December 31, 2010, as shown below:

	Provided amount
Guarantee owed on January 1, 2009	18,046
Changes in 2009	62,383
Guarantee owed on December 31, 2010	80,429
Changes in 2010	(653)
Guarantee owed on December 31, 2010	<u>79,776</u>

UHE Passo de São João - This enterprise, fully owned by subsidiary Eletrosul has an installed capacity of 77MW and projected investments of R\$ 260,000 thousand.

A financing operation was authorized by BNDES in the amount of R\$ 183,330, amortized in 192 months (16 years) and a grace period until July 15, 2010.

Eletrobras, through Deliberation 020/2008 and Resolution 030/2008, has signed this agreement as a guarantor.

UHE Simplicio - The enterprise, fully owned by Furnas has an installed generation capacity of 337.7 MW and estimated investments of R\$ 1,200,000 thousand.

BNDES authorized a financing in the amount of R\$ 1,034,410, amortized in 192 months (16 years), with a grace period until July 15, 2010.

Eletrobras, through Deliberation 019/2008 and Resolution 029/2008, has signed this agreement as a guarantor.

UHE Mauá - The enterprise has an installed capacity of 361MW and a 51% interest by Copel.

BNDES has approved two financings, in the individual amount of R\$ 182,417, one direct and the other indirect, to be amortized in 192 months (16 years) and a grace period until January 15, 2012.

Eletrobras, through Deliberation 014/2009 and Resolution 109/2009, has signed this agreement as a guarantor.

UHE Jirau - The SPE Energia Sustentável do Brasil, established by subsidiaries Eletrosul, Chesf, GDF Suez Energy and Camargo Corrêa, won the auction to build and operate the UHE Jirau, with an installed capacity of 3,450MW, located on Rio Madeira, in the city of Porto Velho, State of Rondônia.

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BNDES has approved two financings, one direct and the other via transferring banks, in the amount of R\$ 7,273,395, payable in 240 months (20 years).

Eletrobras, through Deliberation 062/2009 and Resolution 428/2009, has signed this agreement as a guarantor of the interest (20%) of each of its subsidiaries.

UHE Santo Antônio - The SPE Madeira Energia S/A - MESA, established by Furnas, CEMIG, Fundo de Investimentos em Participação Amazônica Energia - FIP, Construtora Norberto Odebrecht S/A, Odebrecht Investimentos em Infraestrutura Ltda and Andrade Gutierrez Participações S/A won the auction to build and operate UHE Santo Antônio, located on Rio Madeira, with an installed capacity of 3,150.4 MW.

Through Deliberation 030/2009, of March 27, 2009, Eletrobras' signature as a consenting party in the Capitalization Agreement executed between the companies, in the amount of R\$ 6,638,593, on the interest held by Furnas (39%), was approved.

Substation Miranda II - Corporate enterprise aimed at installing the third transformer 230/138/13,8kV and associated connections, enlarging and enhancing the transmission system of Eletronorte in the State of Maranhão.

Through Deliberation 202/2009, of December 21, 2010, the corporate guarantee for the BNDES financing, in the amount of R\$ 47,531 was approved.

UHE Foz do Chapecó - The SPE Foz do Chapecó Energia is responsible for implementing the UHE Foz do Chapecó, with an installed capacity of 855MW.

Through Deliberation 085/2010, of March 30, 2010, guarantees provided by Eletrobras to Furnas in the contractual instruments, replacing the contracted Fianças Bancárias, limited to Furnas's interest in the SPE (40%, totaling R\$ 653,200) were approved.

UHE Baguari - Corporate projeto of Furnas, UHE Baguari will have 140MW of installed capacity and is located in Minas Gerais.

Through Deliberation 078/2010, of March 30, 2010, the guarantee rendered by Eletrobras in the financing agreement with BNDES, in the amount of R\$ 60,153, was approved.

UHE Serra do Facão - UHE Serra do Facão is comprised of a SPE, established by Furnas (49.5%), Alcoa Alumínio S.A. (30.5%), DME Energética (10%) and Camargo Corrêa Energia S.A (10%). and will have an installed capacity of 210MW.

Through Deliberation 142/2010, of May 19, 2010, the guarantee rendered by Eletrobras on the financing with BNDES, in the total amount of R\$ 520,000 thousand, proportional to Furnas's interest (R\$ 257,400), was approved.

Eólicas Cerro Chato I, II and III - SPE's Eólicas Cerro Chato I, II and III are established by Eletrosul (90%) and Wobben (10%). The budget of the enterprise, comprised by three sites of 30MW each, is R\$ 406,000 thousand, with a 80% financing (R\$ 325,000 thousand) at an interest rate of 4.5% per year and payable in 10 years (2 years grace period).

With Deliberation 193/2010, of July 29, 2010, Eletrobras' endorsement of 90% of the financed amount for this loan (R\$ 292,500) was approved.

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Substation São Luiz II and III - Corporate enterprise related to substation São Luiz III and to the transmission line São Luiz I - São Luiz II, of approximately 36 km in the State of Maranhão.

Through Deliberation 140/2010, of May 19, 2010, Eletrobras' corporate warranty on the BNDES funding for the enterprise, in the amount of R\$ 13,653 (TJLP+1.3%+1.28 in 14 years) was approved.

Norte Transmissora de Energia - SPE Norte Brasil Transmissora, with interest of Eletronorte (24.5%) and Eletrosul (24.5%) aimed at implementing, operating and maintaining the transmission line Porto Velho/Araraquara, with a length of 2,375 km.

Through Deliberation 139/2010, the guarantee rendered on the short-term contract, in the amount of R\$ 295,000, proportional to Eletronorte's interest (24.5%) and Eletrosul's interest (24.5%), resulting in R\$ 144,550, was approved.

Manaus Transmissora de Energia - SPE Manaus Transmissora de Energia, with participation of Eletronorte (30%) and Chesf (19.5%), is aimed at implementing, operating and maintaining 4 substations and one transmission line of 586 km (LT Oriximiná/Itacoatiara/Cariri). In order to make the investment viable, a short-term loan with BNDES, on the amount of R\$ 251,426, was contracted.

Through Resolution 138/2010, the guarantee rendered by Eletrobras in this contract, limited to the interest of its subsidiaries (49.5%, resulting in R\$ 124,445), was approved.

Mangue Seco 2 - SPE with a 49% interest of Eletrobras and 51% of Petrobras aimed at building and operating three aeolian plants in Guacari, no Rio Grande do Norte.

Through Deliberation 209/2010, the guarantee rendered by Eletrobras, proportional to its interest (R\$ 12,250), on the short-term loan agreement with BNB was approved.

UHE Batalha - For UHE Batalha, a corporate enterprise of Furnas with a generating capacity of 52.5MW and located between Minas Gerais and Goiás, a loan agreement with BNDES, in the amount of R\$ 224,000 thousand was signed. Eletrobras, through Deliberation 169/2010, appears as guarantor of the referred contract.

RS and SC Energia - Eletrobras granted a guarantee to Eletrosul on the loan with BNDES and transferring Banks upon purchase of an equity interest from the companies Schahin Engenharia S/A and Engevix Engenharia S/A in the transmission companies RS and SC Energia.

Through Deliberation 073/2010, the guarantee rendered by Eletrobras was approved.

IE Madeira - SPE Interligação Elétrica do Madeira S.A., with equity interest of Furnas (24.5%) and Chesf (24.5%), contracted a short-term loan with BNDES in the total amount of R\$ 401,370.

Through Deliberation 196/2010, the guarantee rendered by Eletrobras, by means of signing Fiança Bancária Contracts, to the loan, limited to the equity interest of its subsidiaries, was approved.

Belo Monte - UHE Belo Monte, located on the Xingu River, will have an installed capacity of 11,233 MW. For this purpose, the SPE Norte Energia was established, with equity interest of Chesf (15%), Eletronorte (19,98%) and Eletrobrás (15%).

Through Deliberation 230/2010, the guarantee rendered by Eletrobras on behalf of the SPE covering liabilities with the insurance company JMALUCELLI in the scope of the contract of counter-guarantee, in the amount of R\$ 156,915, was approved.

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ESBR - The Deliberation 171/2010 approved the guarantee rendered by Eletrobras in the contracts issuing Letters of Credit between Bradesco and SPE ESBR on the turbine and generator supply agreement signed with Dong Fang Eletrioc Corp. for UHE Jirau in the amount of equity interest of its subsidiaries (R\$ 82,421, representing their 40% interest).

24 Compulsory Loan

The electricity consumption Compulsory Loan, enacted by Law No. 4156/1962 with the objective of generating funds for the expansion of the Brazilian energy sector, was extinguished by Law No. 7181 of December 20, 1983, which defined the date of December 31, 1993 as the final date for collection.

In the first phase of this Compulsory Loan, terminated with the enactment of Decree-law 1512/1976, the collection included various classes of energy consumers and the contributors' funds were represented by bearer bonds issued by Eletrobras.

In a second phase, starting with provisions contained in the mentioned Decree-law, the Compulsory Loan in question was charged only to industries with monthly energy consumption exceeding 2,000 kWh, and the contributors' funds were no longer represented by bonds, but only recorded in book entry form by Eletrobras.

The remaining Compulsory Loan balance, after the 4th conversion into shares on April 30, 2008, related to the 1988-2004 credits, is recorded in current and non-current liabilities, maturing as of 2008, and accruing annual interest of 6%, plus monetary adjustment based on the IPCA-E variation and corresponds, at December 31, 2010 to R\$ 157,616 (December 31, 2009, to R\$ 140,299 and January 1, 2009, R\$ 215,071), of which R\$ 141,425 are non current (December 31, 2009 - R\$ 127,358 and January 1, 2009 - R\$ 129,866).

I Bearer bonds issued by Eletrobras

The bearer bonds issued as a result of the Compulsory Loan are not marketable securities, are not traded on stock exchanges, are not quoted and are unenforceable. Thus, Eletrobras Management clarifies that the Company does not have outstanding debentures.

The issue of these bonds was a legal imposition and not a decision of Eletrobras. Likewise, this was not the wish of the bondholders, but they had to comply with a legal duty by force of Law No. 4156/1962.

The Brazilian Securities Commission's Board decision rendered in the administrative proceeding CVM RJ 2005/7230, filed by holders of these bonds, affirms verbatim that "the bonds issued by Eletrobras as a result of Law No. 4156/1962 may not be deemed as securities." CVM also understood that there is neither irregularity in the procedures adopted by Eletrobras concerning its financial statements referring to these bonds, nor in the reporting of lawsuits (see Note 27) seeking the redemption of these bonds.

In addition, the unenforceability of these bearer bonds was reinforced by decisions of the Superior Court of Justice, which reiterated the understanding that they became time-barred and they cannot be used as guarantee of tax foreclosures.

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Therefore, Bearer Bonds issued in the first phase of this compulsory loan, as resolved by the Brazilian Securities Commission - CVM, cannot be considered as debentures. In addition, by force of provisions in Article 4, paragraph 11 of Law No. 4156/1962 and Article 1 of Decree No. 20910/1932, they are unenforceable, a condition confirmed in newsletter 344 of the Superior Court of Justice - STJ, mentioning that these bonds cannot be used as guarantee of tax foreclosures, since they are not liquid and they are not debentures.

As a result, the liabilities related to the Compulsory Loan represent the residual funds provided between 1988 and 1994 by industrial consumers with consumption exceeding 2,000 kW/h, referring to the second phase of this Compulsory Loan, as well as interest not claimed related to these funds, as follows:

	December 31, 2010	December 31, 2009	January 1, 2009
Current			
Interest payable	16,925	13,675	85,946
Non-current			
Funds received	141,425	127,358	129,866
	<u>158,350</u>	<u>141,033</u>	<u>215,812</u>

25 Fuel Consumption Account - CCC

The Fuel Consumption Account (CCC), created by Decree 73,102, of November 7, 1973, is aimed at grouping the distribution of costs related to fuel consumption on thermoelectric electricity generation, especially in the North Region of the country.

Under Law No. 8.631, of March 4, 1993, the Company manages the amounts related to the tax payments made by the electricity public utility concessionaires, for credit in the Fuel Consumption Account - CCC, corresponding to annual quotas allocated to expenditures with fuel for electricity generation. The amounts registered in current assets, in compensation for the current liability, correspond to the availability of resources maintained in a linked bank account, and to quotas not paid by the concessionaires

It is worth mentioning that Law No. 12,111, of December 9, 2009, introduces profound change in the assumptions to contract electricity and receiving incentives, including for isolated locations, to be interconnected in the near future. Therefore, the provisions in it are immediately effective, in order to allow the Concessionaires, during the period of the transition to the National Interconnected System - (SIN), maintaining the incentives. With this measure, these companies will receive the same treatment given to SIN concessionaires when the current model was created.

The purpose of Law No. 12,111/2009 is reimbursing the electricity generation costs in Isolated Systems, including costs related to contracting electricity and power associated to self generation to serve the electricity distribution public utility service, charges of the electric sector and taxes and realized investments, which will occur through the Fossil Fuel Consumption Account - CCC.

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26 Income Tax and Other Taxes Payable

	<u>December 31, 2010</u>	<u>December 31, 2009</u>	<u>January 1, 2009</u>
Income Tax	400,167	454,235	1,120,332
Social Contribution	252,752	157,948	456,332
PASEP and COFINS	153,256	147,963	231,399
ICMS	70,267	73,014	103,160
PAES	930,552	1,016,863	1,055,263
Others	<u>513,327</u>	<u>387,232</u>	<u>316,222</u>
Total	<u>2,320,321</u>	<u>2,237,255</u>	<u>3,282,708</u>
Current liabilities	<u>1,102,672</u>	<u>963,365</u>	<u>810,536</u>
Non-current liabilities	<u>1,217,649</u>	<u>1,273,890</u>	<u>2,472,172</u>

(a) Tax Incentives - SUDENE

The Provisional Measure 2199-14 of August 24, 2001, amended by Law No. 11196 of November 21, 2005, authorizes the northeast region companies with projects in the infrastructure sector deemed by the Executive Branch as priority for the regional development, to reduce their income tax for the purposes of investments in installation, expansion, modernization, or diversification projects.

In 2008, the subsidiary Chesf obtained the right to reduce by 75% its income tax, calculated based on the operating profit, as defined. Such incentive was granted until 2017.

This year, the tax incentives mentioned above amounted to R\$ 380,357 (R\$ 163,153 at December 31, 200), recorded in the income statement for the year as a reduction of income tax.

(b) Special Installment Program - PAES

The subsidiaries Furnas, Eletrosul, Eletronorte, Amazonas Energia, and Ceal opted for refinancing their tax liabilities. The financing term is limited to 180 months and the outstanding balance is adjusted by the long-term interest rate - TJLP and SELIC.

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27 Regulatory Fees

	<u>December 31, 2010</u>	<u>December 31, 2009</u>	<u>January 1, 2009</u>
Current			
Global Reversion Reserve - RGR	113,103	138,208	101,758
CCC/CDE	53,896	22,397	33,112
Financial compensation - water resources	390,792	404,767	536,115
ANEEL inspection fee	5,547	7,007	12,394
PROINFA	20,902	17,054	11,259
OTHERS			609
	<u>584,240</u>	<u>589,433</u>	<u>695,247</u>

28 Shareholders' Remuneration

- I** The Company's By-laws set forth as a mandatory minimum dividend 25% of the net income, adjusted in accordance with the Brazilian Corporation Law, observing the minimum remuneration for Classes A and B preferred shares of 8% and 6%, respectively, of the share capital related to these types and classes of shares, providing for the possibility to pay interest on capital - JCP.

The table below presents the adjusted net income and the amount of the mandatory minimum remuneration, in the form of JCP imputed in the minimum dividend, pursuant to the applicable law, as well as the total remuneration offered to the shareholders, to be approved at the Ordinary General Meeting:

	<u>December 31, 2010</u>
Net income for the year	2,247,913
(-) Valuation Adjustments	<u>(3,166,317)</u>
= Calculation basis	(918,404)
Minimum dividend	
(+) Realization of the Revaluation Reserve	16,092
(+) Reversion of profits reserve	<u>2,205,694</u>
Statutory minimum dividend - preferred shares	370,755
Remuneration offered to the shareholders	
Minimum Dividend (JCP) on the income for the year	370,755
Additional dividends (JCP) - common shares	<u>753,201</u>
	<u>1,123,956</u>

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In 2010 Eletrobras recorded interest on capital - JCP amounting to R\$ 370,755 (R\$ 741,509 in 2009) as full remuneration to shareholders, attributed to the dividends for that year, according to the statutory provisions, whose remuneration per share was as follows:

<u>Remuneration per share - Expressed in R\$</u>	<u>December 31, 2010</u>	<u>December 31, 2009</u>	
Common shares	3.6029% of capital (2009 -1.77%)	0.83	0.41
Preferred shares - Class A	9.4118 % of capital (2009 9.41%)	2.17	2.17
Preferred shares - Class B	7.0588% of capital (2009 -7.06%)	1.63	1.63

According to the prevailing tax laws, a 15% withholding income tax is levied on the remuneration proposed for shareholders as interest on capital.

The adjustment covers the period from January 1, 2010 until the date of the actual commencement of the remuneration payment, being the date defined by the Ordinary General Meeting, which will assess the present Financial Statements and the proposed allocation of this year's results. The part related to monetary restatement, calculated by the SELIC rate, according to the effective legislation, is subject to withholding income tax.

In accordance with the resolutions of the 50th Ordinary Shareholders' Meeting held on April 30, 2010, payment of shareholders' remuneration for the year 2009, in the form of JCP, began on May 18, 2010.

- II** The Board of Directors of the Company decided, in January, 2010, for the payment of the Undistributed Dividends Special Reserve balance in four annual installments, starting in the year 2010. This decision was based on the improvement of the cash position of the Company in the year 2009.

Individuals and companies holding shares of Eletrobras on January 29, 2010, are entitled to receive the referred payment.

Still according to Eletrobras By-laws, the referred funds will continue to be adjusted by the variation of the SELIC rate until the date of the effective payment of each installment, with the retention of withholding income tax, in compliance with the legislation in force.

The balance of shareholders' remuneration, stated under current liabilities, includes the amount of R\$ 167,211 (R\$ 219,153 at December 31, 2009 and R\$ 154,401, at January 1, 2009) related to remunerations not claimed for 2007, 2008, 2009 and 2010. The remuneration related to 2006 and previous years became time-barred, according to the Company's By-laws.

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29 Accounts Payable to the Brazilian National Treasury

	Current			Non-current		
	December 31, 2010	December 31, 2009	January 1, 2009	December 31, 2010	December 31, 2009	January 1, 2009
Acquisition of shares of CEEE-GT and CEEE-D	85,904	68,720	62,231	234,313	287,646	362,601
Others	6,866	7,316	10,005	16,172	23,660	40,828
	<u>92,770</u>	<u>76,036</u>	<u>72,236</u>	<u>250,485</u>	<u>311,306</u>	<u>403,429</u>

30 Post-Employment Benefits

The companies in the Eletrobras System sponsor pension plans for their employees, as well as medical assistance plans and post-employment life insurance in certain cases. These benefits are classified as defined benefits.

Due to the decentralized structure of the Eletrobras System, each segment sponsors its own package of post-employment benefits. In general, the Group offers its current and future retirees and their dependents benefits like pension, health insurance and post-employment life insurance, as presented in the following table:

Post-employment benefits sponsored by companies in the Eletrobras System

Company	Pension plan benefits			Other post-employment benefits	
	DB Plan	Paid-off Plan	DC Plan	Life Insurance	Health Insurance
Eletrobras	X		X	X	
Amazonas	X		X		
Boa Vista	X		X		X
Ceal	X		X		X
Cepisa	X				
CGTEE	X				
Chesf	X	X	X	X	
Eletronorte	X		X	X	X
Eletronuclear	X			X	X
Eletrosul	X		X		X
Furnas	X		X	X	X

With the adoption of the IFRS, the Management of the Company decided to change the accounting policy for recognition of actuarial gains and losses, adopting since January 1, 2009, the policy of immediate recognition of actuarial gains and losses directly in Other Comprehensive Income.

The results of the Eletrobras Group are presented as follows. The evaluation date for each year is December 31, as well as for the calculation of the fair value of the plan assets. The tables below present the reconciliation of the present value of the defined benefit obligations and the fair value of plan assets with amounts registered in the balance sheet for pension benefits and for other post-employment benefits.

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Table 1a - Pension benefit plans - Amounts recognized in the balance sheet and in the income statement of the year

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Present value of the actuarial obligations totally or partially funded	16,998,502	14,424,138	13,297,053
Fair value of the plan assets	<u>(19,238,810)</u>	<u>(14,984,812)</u>	<u>(12,366,388)</u>
Present value of the obligations exceeding the fair value of the assets	(2,240,308)	(560,674)	930,665
Compensation of quotas - DC Plan	(360,959)	62,548	(34,289)
Maximum amount of actuarial asset subject to recognition at the end of the year			
Debt between sponsor and plan	<u>1,057,783</u>	<u>1,314,210</u>	<u>1,975,677</u>
Liability/(asset) of post-employment benefits	<u>1,621,389</u>	<u>1,589,104</u>	<u>2,212,513</u>
Accumulated amount in OCI at the end of the year	<u>(455,604)</u>	<u>513,389</u>	<u>(800,711)</u>
Current service cost	241,651	214,860	n/a
Interest cost on actuarial liabilities	1,388,730	1,391,289	n/a
Expected participant's contributions (-)	(223,581)	(206,651)	n/a
Expected return of the assets (-)	<u>(1,439,109)</u>	<u>(1,184,816)</u>	<u>n/a</u>
Expense/(Revenue) recognized in the year	<u>(32,309)</u>	<u>214,682</u>	<u>n/a</u>

Table 1b - Other post-employment benefits - Amounts recognized in the balance sheet and in the income statement for the year

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Present value of unfunded actuarial liabilities	885,207	754,057	477,529
Fair value of the plan assets			
Present value of the obligations exceeding the fair value of the assets	885,207	754,057	477,529
Maximum amount of actuarial asset subject to recognition at the end of the year			
Debt between sponsor and plan			
Liability/(asset) of post-employment benefits	<u>885,207</u>	<u>754,057</u>	<u>477,529</u>
Accumulated amount in OCI at the end of the year			
Current service cost	10,757	11,065	n/a
Interest cost on actuarial liabilities	33,176	10,650	n/a
Expected participant's contributions (-)			n/a
Expected return of the assets (-)			<u>n/a</u>
Expense/(Revenue) recognized in the year	<u>43,933</u>	<u>21,715</u>	<u>n/a</u>

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(a) Disclosure of pension benefits

Consolidated results of pension benefits - reconciliation of the present value of the defined benefit liabilities:

Table 2a - Pension benefit plans - Changes in the present value of actuarial liabilities

	2010	2009	2008
Present value of actuarial liabilities at the beginning of the year	14,424,138	13,297,053	
Current service cost	241,651	214,860	
Interest on actuarial liabilities	1,388,730	1,391,289	
Benefits paid in the year (-)	869,157	861,266	
Compensation of quotas - DC Plan	249,922	(60,524)	
Actuarial (gain)/loss	312,176	221,970	
Present value of actuarial liabilities at the end of the year	16,998,502	14,424,138	13,297,053

Consolidated results from pension benefits - reconciliation of the fair value of the plan assets:

Table 2b - Pension benefit plans - Changes and details of the fair value of the plan assets

	2010	2009	2008
Fair value of the plan assets in the beginning of the year	14,984,812	12,366,388	
Benefits paid during the year	869,157	861,266	
Participant's contributions paid during the year	191,105	172,699	
Employer's contributions paid during the year	215,972	501,323	
Compensation of quotas - DC Plan	311,034	143,779	
Expected return of the assets in the year	3,035,964	2,535,082	
Fair value of the plan assets at the end of the year	19,238,810	14,984,812	12,366,388
(Gain)/Loss from the assets of the plan	(1,564,380)	(1,316,314)	

Consolidated results from pension benefits - Amounts recognized in Other Comprehensive Income:

Table 2c - Pension benefit plans - Changes in Other Comprehensive Income - ORA

	2010	2009	2008
Accumulated amount in OCI at the end of the year	513,389	(800,711)	
Total actuarial (gain)/loss of the year	(1,050,993)	(1,444,449)	
Changes in the effect of the assets limit recognition in the period	1,289,439	512,332	
Debt adjustment registered in OCI	(1,207,439)	2,246,217	
Effect of the adoption of IAS 19 registered in OCI			(800,711)
Accumulated amount in OCI at the end of the year	(455,604)	513,389	(800,711)

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Consolidated results of pension benefits - Changes in liabilities/assets of post-employment benefits in the year:

Table 2d - Pension benefit plans - Changes in post-employment benefit liabilities/(assets) from post-employment benefits

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Post-employment liability/(asset) in the beginning of the year	1,589,104	2,215,513	
Expense/(Revenue) recognized in the income statement	(32,309)	214,682	
Employer's contributions paid in the year (-)	(215,972)	(501,323)	
Actuarial losses/(gains) immediately recognized in OCI	(1,050,993)	(1,444,449)	
Increase/(decrease) in the maximum amount of actuarial assets subject to recording in the year	1,289,439	512,332	
Compensation of quotas - DC Plan	358,942	592,349	
Debt adjustment registered in OCI	(316,822)		
Effect of adoption of IAS 19			2,215,513
Post-employment liability/(asset) at the end of the year	<u>1,621,389</u>	<u>1,589,104</u>	<u>2,215,513</u>

(b) Disclosure of other post-employment benefits

Consolidated results of other post-employment benefits - reconciliation of the present value of the defined benefit liabilities:

Table 3a - Pension benefit plans - Changes in the present value of actuarial liabilities

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Present value of actuarial liabilities at the beginning of the year	754,057	477,529	
Current service cost	10,757	11,065	
Interest on actuarial liabilities	33,176	10,650	
Benefits paid in the year (-)	8,414	7,533	
Actuarial (gain)/loss	<u>78,803</u>	<u>247,280</u>	
Present value of actuarial liabilities at the end of the year	<u>392,506</u>	<u>754,057</u>	<u>477,529</u>

Consolidated results from other post-employment benefits - reconciliation of the fair value of the assets of the plans:

Table 3b - Other post-employment benefit plans - Changes and details of the fair value of the plan assets

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Fair value of the plan assets at the beginning of the year			
Benefits paid during the year	8,414	7,533	
Participant's contributions paid during the year			
Employer's contributions paid during the year	8,414	7,533	
Expected return of the assets in the year			
Fair value of the assets at the end of the year			
Actuarial (gain)/loss			
Expected return of the assets in the year			

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**Table 6a - Pension benefit plans -
Experience adjustments of the plan**

	2010	2009
Present value of the actuarial obligations totally or partially funded	16,998,502	14,424,138
Fair value of the plan assets	(19,238,810)	(14,984,812)
Surplus/(Deficit)	(2,240,308)	(560,674)
Experience adjustments on the liabilities of the plan	312,176	221,970
Experience adjustments on the assets of the plan	(1,564,380)	(1,316,314)

**Table 6b - Other post-employment benefits -
Experience adjustments of the plan**

	2010	2009
Present value of the actuarial obligations totally or partially covered	392,506	336,466
Experience adjustments on the liabilities of the plan	20,522	(39,084)

(c) Actuarial assumptions

The actuarial assumptions presented below were used in the calculation of the defined benefit liability and expense of the year.

Actuarial assumptions for December 31, 2010

Assumptions	Eletrobras	Amazonas	Boa Vista	Ceal	Cepisa	CGTEE
Real annual actuarial discount rate	5.50%	6.00%	6.00%	5.00%	6.00%	6.00%
Real annual projected inflation rate	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Real annual asset return rate	10.25%	10.77%	10.77%	9.73%	10.77%	10.77%
Real annual wage growth rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Real annual medical costs growth rate	n/a	n/a	1.00%	n/a	n/a	n/a
Real annual benefit growth rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Capacity factor	100%	100%	100%	100%	100%	100%
Turnover	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
General mortality	AT-2000	AT-83	AT-83	AT-2000	AT-83	AT-83
Mortality of disabled people	AT-83	AT-83	AT-83	AT-83	AT-83	AT-83
Disability entries	LIGHT weak	LIGHT weak	LIGHT weak	LIGHT weak	LIGHT weak	LIGHT weak
Percentage of married people	95%	95%	95%	95%	95%	95%
Age difference M - F	4 years	4 years	4 years	4 years	4 years	4 years

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Assumptions	CHESF	Eletronorte	Eletronuclear	Eletrosul	Furnas
Real annual actuarial discount rate	6.00%	6.00%	6.00%	5.00%	6.00%
Real annual projected inflation rate	4.50%	4.50%	4.50%	4.50%	4.50%
Real annual asset return rate	N/I	N/I	10.77%	9.73%	10.77%
Real annual wage growth rate	2.00%	2.00%	2.00%	2.00%	2.00%
Real annual medical costs growth rate	n/a	N/I	1.00%	1.00%	1.00%
Real annual benefit growth rate	0.00%	0.00%	0.00%	0.00%	0.00%
Capacity factor	100%	100%	100%	100%	100%
Turnover	0.00%	0.00%	0.00%	0.00%	0.00%
General mortality	AT-83	AT-83	AT-2000	AT-2000	AT-83
Mortality of disabled people	AT-83	AT-83	AT-83	AT-83	AT-83
Disability entries	LIGHT weak	LIGHT weak	LIGHT weak	LIGHT weak	LIGHT weak
Percentage of married people	95%	95%	95%	95%	95%
Age difference M - F	4 years	4 years	4 years	4 years	4 years

(d) Effects of a one percentage point change in the trend rates of medical costs

The following table presents the effects in the present value of the defined benefit liability and in current service costs and interest costs arising from the increase and decrease of one percentage point in the trend rate of medical costs.

Changes in trend rates of medical costs:

Changes in rates of medical costs	CHESF	Eletronorte	Eletronuclear	Eletrosul	Furnas
Effect on the service and interest costs - 1% Increase (2.0%)	2	6,010	2,916	623	23,985
Effect on the service and interest costs - 1% Decrease (0%)	1	4,526	5,569	577	17,366
Effect on the defined benefit liability - 1% increase (2.0%)	8	40,192	19,439	4,277	163,103
Effect on the defined benefit liability - 1% decrease (0%)	6	29,723	38,386	4,020	117,283

(e) Amounts included in the fair value of the plan assets

Asset category	Eletrobras	Amazonas	Boa Vista	Ceal	Cepisa	CGTEE
Immediately available amounts	2	5	10	435	1,490	278
Pension realizable	17,027	103	36	17,073	1	967
Investments in public securities	721,794	34,447	8,968			71,147
Investments in shares	270,507	1,074	279	7,407		35,803
Investments in funds	1,044,770	35,552	10,540	310,072	130,451	53,631
Investments in real estate	104,576	2,791	736		4,178	2,340
Loans and financing	117,264	7,622	1,617	18,399	3,833	6,465
Private credits and deposits	242,399					
Other	77,171	20,978	5,182	4,223		26,557
Pension payable (-)	(4,627)	(963)	(132)	(24,128)	(105)	(3,212)
Investment payables (-)	(3,095)	(10)	(17)	(842)	(18)	(991)
	<u>2,587,788</u>	<u>101,599</u>	<u>27,219</u>	<u>332,639</u>	<u>139,830</u>	<u>192,985</u>

Asset category	CHESF	Eletronorte	Eletronuclear	Eletrosul	Furnas	Consolidated
Immediately available amounts	1,667	92	84	46	255	4,362
Pension realizable	38,755	11,504	4,936	27,290	642,910	760,603
Investments in public securities	2,185,223	475,461	264	404,983		3,902,287
Investments in shares	549,441	14,365	2,026		17,838	898,740
Investments in funds	1,258,115	396,673	1,395,204	471,946	7,396,350	12,503,304
Investments in real estate	36,075	41,198	33,639	23,142	180,002	428,675
Loans and financing	235,162	51,614	35,875	30,644	251,911	760,406
Private credits and deposits		377,631	19,895		23,021	662,945
Others	26,730	126	34,304	(14,031)	105,899	287,140
Pension payable (-)	(20,402)	(2,113)	(19,583)	(21,005)	(774,043)	(870,313)
Investment payables (-)	(123,224)	(3,764)	(21)	(5,547)	(176)	(137,705)
	<u>4,187,542</u>	<u>1,362,787</u>	<u>1,506,623</u>	<u>917,468</u>	<u>7,843,967</u>	<u>19,200,444</u>

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31 Provisions for Contingencies

On the date of the financial statements, the Company recorded the following provisions for contingent liabilities, by nature:

	December 31, 2010	December 31, 2009	January 1, 2009
Current			
Labor	80,355	90,266	78,438
Tax	105,013	23,454	75,110
Civil	63,368	131,118	149,904
Other	8,844	7,870	
	<u>257,580</u>	<u>252,708</u>	<u>303,452</u>
Non-current			
Labor	814,248	719,869	731,922
Tax	177,294	190,046	208,750
Civil	2,672,024	2,449,066	2,672,119
Other	237,723	169,936	156,875
	<u>3,901,289</u>	<u>3,528,917</u>	<u>3,769,666</u>
	<u>4,158,869</u>	<u>3,781,625</u>	<u>4,073,118</u>

Eletrobras and its subsidiaries are parties involved in several lawsuits, mainly labor and civil, which are under various stages of judgment. The Company's Management adopts the procedure of classifying the lawsuits filed against the Company by risk of loss, based on the opinion of its legal advisors, as follows:

- provisions are made for the lawsuits with a probable unfavorable outcome for the Company;
- for the lawsuits with a possible unfavorable outcome for the Company, the corresponding information is disclosed in Explanatory Notes, if relevant; and
- for the lawsuits with a remote unfavorable outcome for the Company, only the information that at Management's discretion is deemed as significant for the full understanding of the Financial Statements is disclosed in the Explanatory Notes.

Therefore, in order to cover losses, provisions for contingencies are made, as stated above, net of judicial deposits and deemed by the Management of the Company and subsidiaries, and by their legal advisors, to be sufficient to cover losses in lawsuits of any nature, in this fiscal year, with the following composition:

Balance at January 1, 2009	4,073,118
Provision constitution	563,247
Provision reversals	(498,894)
Payments	(232,453)
Monetary restatement	<u>(123,394)</u>
Balance at December 31, 2009	3,781,624
Provision constitution	674,074
Provision reversals	(251,330)
Payments	(59,930)
Monetary restatement	<u>14,431</u>
Balance at December 31, 2010	<u>4,158,869</u>

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1 Lawsuits filed against the Company and its subsidiaries which are provided for:

1.1 Civil actions

1.1.1 In the Parent Company

The provision for civil contingencies in the parent company, amounting to R\$ 1,290,567 (December 31, 2009 - R\$ 1,317,575 and January 1, 2009 R\$ 1,416,819), corresponds to lawsuits claiming application of monetary adjustment criteria different from those set forth by the specific legislation to the book-entry credits of the Compulsory Loan established as from 1978.

These lawsuits are different from those seeking the redemption of the Bearer Bonds, currently unenforceable, issued as a result of the Compulsory Loan.

The demands that relate to provisions challenge the system of calculating the monetary adjustment determined by laws ruling the Compulsory Loan, which is used to update credits established as of 1978. These credits were fully settled by Eletrobras by means of conversions into shares at the 72nd, 82nd and 142nd Extraordinary General Meetings of Eletrobras.

Currently, there are 1,537 lawsuits at various court levels and the Company's Management, supported by its legal counsels, estimates between eight and ten years as the average term to definitively resolve the lawsuits in progress.

In a decision issued on August 12, 2009 referring to the Compulsory Loan funds, the Brazilian Supreme Court (STJ) partially granted the appeals lodged by Eletrobras, since the credits of 1st and 2nd conversions were deemed time-barred. The Selic rate was also considered not applicable to the principal, bearing interest only as of the date of summons. The conversion of these funds was maintained at the book value.

As a result of this decision, the calculation assumptions considered in the process of evaluating the provision have been revised taking into account the impacts arising from legal and methodological aspects resulting from the court decision. Therefore, the Company's Management maintains a provision of R\$ 1,290,567, corresponding to 100% of the expected losses.

1.1.2 In subsidiaries

1.1.2.1 In the subsidiary Chesf:

- (a) Despite being considered by the Management, supported by the Company's legal advisors, as a remote loss risk proceeding, there is a collection lawsuit in progress filed by Construtora Mendes Júnior S.A., contracted to build the Hydroelectric Plant Itaparica, for alleged financial losses resulting from delays in invoice payments by the Company.

The referred collection lawsuit is based on the Declaratory Action upheld with the purpose of declaring the existence of a credit relation between Mendes Júnior and Chesf, ensuring financial reimbursement.

In this collection action Construtora Mendes Junior S.A. received the sentence from the Judge of the 4th Circuit, subsequently revoked, which condemned Chesf to pay the amount, including attorneys' fees and inflation through the month of August 1996, calculated according to criteria determined by the court - would be approximately R\$ 7 billion, not updated since that date.

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After the decision of the Brazilian Supreme Court, of not recognizing the special appeal filed by Construtora Mendes Júnior, and ratified the decision of the 2nd Civil Chamber of the Pernambuco Court of Justice, annulling the sentence, determining the redistribution of the process to one of the Federal Courts of Pernambuco, the process was sent to the 12th Federal Court, under the number 2000.83.00.014864-7, for a new inspection and further new sentence.

The Inspection was presented. It must be mentioned that the Inspector, answering the query from Chesf, declared "not being possible, from the analysis of the accounting records of Mendes Júnior, to state that it had raised funds in the financial market, in the periods in which there were late payment of invoices, specifically to finance the works at Itaparica". This answer was confirmed by the analysis made by the Technical Assistant of Chesf, which included a careful examination of the financial statements of Mendes Júnior. Based on these results, Chesf requested the dismissal of the lawsuit.

The Federal Prosecutors Office presented an application for declaration of nullity of the whole process and in substance, asked for the dismissal of the lawsuit.

The lawsuit was upheld in part, based on the sentence published on March 8, 2008. Against the sentence, Chesf submitted requests for clarification, heeded by the Honorable Judge by means of a decision that clarified some aspects of the sentence related to the calculation of Chesf's debt with Mendes Júnior.

Against this sentence Chesf filed an appeal, asking for the full dismissal of the lawsuit, considering that in this collection action, Mendes Junior was supposed to, in order to justify any sort of financial compensation, in compliance with the ruling on the Declaratory Action previously filed, prove that it had raised funds specifically to finance the work of Itaparica, due to Chesf's late payment of some invoices, and that the financial costs it had incurred with this fundraising, would have been higher than the total additional charges paid by Chesf due to these delays. The Federal Government and Federal Prosecutors lodged an appeal with the same orientation as the one presented by Chesf.

In the session held on October 25, 2010, the Federal Court of the 5th Region upheld the appeal lodged by Chesf, Union and federal prosecutors, and judged this suit entirely groundless. There is information of special and extraordinary appeals lodged by Construtora Mendes Júnior and the Union, although Chesf has not been subpoenaed to present any counter-arguments to these appeals. On December 31, 2010, the Company was awaiting for any eventual appeals by the contractor Mendes Júnior.

Considering the decision by the Federal Regional Court of the 5th Region, we deem the risk of Chesf having a loss in this lawsuit as remote.

- (b) Chesf is plaintiff in a lawsuit pleading the declaration of partial invalidity of addendum to the turn-key agreement (price analytic adjustment K-factor) of the hydroelectric power plant Xingó, executed with a consortium comprising Companhia Brasileira de Projetos e Obras - CBPO, CONSTRAN S.A. - Construções e Comércio and Mendes Júnior Engenharia S.A., as well as the return of amounts paid, as K-Factor, in the approximate amount of R\$ 350 million, in double.

The lawsuit was filed at the federal court, but by decision of the Federal Regional Court - 5th Region it is to be heard at the Pernambuco State Court. The lawsuit filed by the company was deemed groundless. The counterclaim filed by defendants obtained a favorable position from the judge of the 12th Civil Court of the Recife District court and the decision was upheld by the 2nd Civil Chamber of the Pernambuco Court of Justice.

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Chesf and the Federal Government, Chesf's assistant in this lawsuit, lodged special and extraordinary appeals to discuss the decision rendered in the main proceeding and decisions rendered in this lawsuit, which may annul it. In August 2010, the Superior Court of Justice granted relief to one of these special appeals filed by Chesf, reducing the amount in controversy, thus implying a substantial reduction in the attorney's fees to be eventually paid in the main proceeding. The Superior Court of Justice rejected other special appeals lodged by Chesf and by the federal government, thus upholding the decision of the Pernambuco Court of Justice, which deemed as groundless the declaratory judgment action filed by Chesf, and granted relief to the counterclaim filed by the defendants. The Superior Court of Justice substantially reduced the attorney's fees. The parties have not been notified about these decisions yet and probably they can appeal against these decisions.

In November 1998, the defendants filed a motion for provisional execution of the decision, in the amount of R\$ 245 million and the proceeding is suspended as determined by the Chief Justice of the Superior Court of Justice (PET 1621). This injunction was the subject-matter of the Consortium's interlocutory appeal, which was judged on June 24, 2002, upholding by unanimous vote the injunction previously granted by the chief justice of the Superior Court of Justice, thus removing the possibility of executing the amounts resulting from the proceeding, before the final and unappealable court decision.

Subsequently, the defendants filed a proceeding for the calculation of the award before the judge of the 12th Civil Court of Recife, under the assumption that all appeals of Chesf and Federal Government are denied.

In the records of this proceeding for the calculation of the award, the judge of the 12th Civil Court recognized that the authority to judge this claim relies on the federal court, considering the federal government is the interested party in the case. The Consortium Xingó lodged an interlocutory appeal against this decision and the Pernambuco Court of Justice changed this decision and determined that the State courts are the competent jurisdiction to judge the proceeding for the calculation of the award. Chesf and the federal government lodged special and extraordinary appeals against this decision, which are pending judgment.

Subsequently, the Deputy Judge at the 12th Civil District Court of Recife rendered a decision setting the award amount at R\$ 842,469 and Chesf lodged a motion for clarification of judgment against such decision, considering it did not express an opinion about several challenges lodged by Chesf on the expert report submitted by the court's expert.

The judge of the 12th Civil Court dismissed the proceeding for the calculation of the award, since the matter was still sub judice at the Superior Court of Justice; against such decision, the Consortium Xingó lodged an interlocutory appeal to the Pernambuco Court of Justice; which is pending judgment.

The Management, based on the opinion of its legal counsels and based on calculations that include the suspension of payment of K-Factor installments and respective monetary adjustments, maintains a provision recorded under non-current liabilities, in the amount on December 31, 2010 of R\$ 427,193 in order to cover losses deriving from this issue. This provision corresponds to the partial disallowance of K Factor between July 1990 and December 1993, in compliance with Law No. 8030/1990 and full suspension of payment of K Factor, between January 1994 and January 1996, as the Company understands.

There is no deadline for the conclusion of the dispute.

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1.1.2.2 In the subsidiary Eletronorte

Several civil actions of a compensation nature for financial losses, due to payments to suppliers in arrears and expropriation of areas flooded by hydroelectric power plants reservoirs. The estimated amount of the probable loss is R\$ 553,313.

1.2 Labor claims

1.2.2 In subsidiaries

1.2.2.1 In the subsidiary Furnas

(a) Engineers reference date

The Union of Engineers of Rio de Janeiro filed labor claims in order to recover salary differences related to the change in reference date of engineers. These are in the phase of calculation of the award. The amount estimated to cover occasional losses deemed probable by the legal advisors, on December 31, 2010, is R\$ 32,267.

(b) Hazardous work premium

Several lawsuits were filed pleading for the hazardous work premium understanding that the full percentage should be granted and not a proportional percentage to all employees working under electricity risk.

(c) Retirement supplement

Refers to the balance payable related to the retirement supplement - equality with active employees.

1.2.2.2 In the Subsidiary Eletronorte

Several labor lawsuits, most of them arising from actions related to hazardous work premium, Bresser Plan, overtime, FGTS fine calculation and wage curve alignment. The estimated probable loss is R\$ 168,008.

1.2.2.3 In the subsidiary Cepisa

The proceedings refer to various lawsuits filed against Cepisa, by former and current employees, involving overtime, hazardous work premium, arduous premium, equivalence/wage brackets, insalubrity, FGTS differences, indemnification for moral damage arising from labor accidents and reintegration of fired workers, totalling an amount of R\$ 46,096.

1.3 Tax lawsuits

1.3.1 In subsidiaries

1.3.1.1 In the subsidiary Furnas

Tax deficiency notices - FINSOCIAL, COFINS and PASEP

On May 3, 2001, the Company received tax deficiency notices related to FINSOCIAL, COFINS and PASEP, in the updated amount of R\$ 1,098,900 (R\$ 791,796 historical), as a result of exclusions in the related calculation bases mainly for energy transfer and transport from ITAIPU for a 10-year period. These tax deficiency notices overlapped other notices issued in 1999 for a 5 year inspection period, amounting to R\$ 615,089, which have been used for adhesion to the Tax Recovery Program - Refis, on March 1, 2000 and transferred on July 31, 2003 to the Special Installment Program - Paes.

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On June 12, 2008, the Federal Supreme Court (STF) set the binding precedent 8 that the enforcement of tax deficiency notices was reduced to five (5) years, and the restated amount of R\$ 1,098,900 is now R\$ 241,441.

The Company, based on the latest decisions of the Internal Revenue Service, recorded a provision for tax risks, of R\$ 89,318 related to Pasep/Cofins on the exclusion from the calculation basis of the Global Reversion Reserve (RGR) for the periods between October 1995 and September 2000, October 2005 and March 2007. The difference of R\$ 195,187 refers to other exclusions from these calculation bases, still in the judgment phase, where Furnas has possible chances of success, according to its legal department's understanding.

1.3.1.2 In the subsidiary Chesf

- (a) The subsidiary has matters basically involving actions for annulment of tax deficiency notices; claims for credit refunds (PIS/PASEP - COFINS) and other special taxes. The company has a provision amounting to R\$ 10,631 (at December 31, 2009 - R\$ 10,279 and January 1, 2009 - R\$ 8,770) for these matters.

1.3.1.3 In the subsidiary Cepisa

The lawsuits accounted for, with an expectation of probable loss, are comprised of matters referring to ICMS and ISS, in the total amount of R\$ 10,835.

2 Lawsuits filed against the company and its subsidiaries with the probability of a possible loss

2.1 Civil actions

2.1.1 In subsidiaries

2.1.1.1 In the subsidiary Chesf

- (a) An action for damages filed by a Consortium composed of the companies CBPO/CONSTRAN/Mendes Júnior, requesting the Company to be sentenced to pay an additional financial compensation, due to payment in arrears of invoices related to the agreement of the Xingó hydroelectric power plant. The action was filed on June 8, 1999 for the invoices issued as from April 30, 1990. In this action, the plaintiffs submitted general pleadings, restricting themselves to indicating the existence of a supposed right to financial compensation and that the amounts should be determined in the calculation of the award.

The Company challenged this action and requested the Federal Government to be accepted in the case, forwarding the lawsuit to one of the federal courts in the state of Pernambuco. The Consortium filed a petition regarding the request for the Federal Government to be accepted in the case.

After submitting the expert examination report and additional clarifications, a hearing was held in August 2005, determining that final arguments be submitted until October 17, 2005.

Subsequently, the lawsuit was granted relief and Chesf was sentenced to pay R\$ 23,766 to the plaintiffs, at prices of September, 2004 (R\$ 51,568, according to Chesf's calculation on March 31, 2010). Against such decision, Chesf lodged an appeal to be judged by the Pernambuco Court of Justice.

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The Reporting Justice of the Pernambuco Court of Justice considered null and void the decision which was rendered by a judge without competent jurisdiction, considering the Federal Government's intervention in the case, and ordered the records to be remitted to the federal court.

At the federal court, the lawsuit was assigned to the 5th Federal Court and the judge rejected the Federal Government's pleading to interfere in the case, and accordingly, ordered the records to be remitted to the state courts of general jurisdiction. The federal government is about to lodge an appeal.

- (b) Civil public action filed against the Company by the Community Association of the Village of Cabeço and neighborhood, in the State of Sergipe, amounting to R\$100,000 at the 2nd Federal Court of Sergipe, claiming financial compensation due to alleged environmental damages caused to the fishermen of Cabeço, downstream of the Xingó hydroelectric power plant and caused by the construction of this power plant.

The action was filed at the Federal Court on June 27, 2002 and challenged within the legal term. After a sequence of ancillary proceedings that did not affect the lawsuit or the pleading, the judge determined, on August 31, 2005, the inclusion of IBAMA, IMA-AL, CRA-BA, Federal Government and ADEMA-SE as defendants, ordering these entities to be summoned.

In July 2010, a decision was rendered shifting the burden of proof and the financial lien, determining that the cost of the expert report should be at Chesf's expenses. An interlocutory appeal was lodged against this decision that shifted the burden of proof and the financial lien.

In August 2010, the order of the Reporting Appellate Judge Francisco Barros Dias was published which decided on interlocutory appeal postponed until the appeal from final judgment and ordered the remittance of records to their original court. On August 3, 2010, the judge of the 2nd court of the JF/SE upheld the decision weighed down by their own grounds and ordered to await 90 (ninety) days for eventual supersedeas to be rendered by the 5th Regional Labor Court.

On August 9, 2010, we lodged a motion for clarification of judgment against the decision that decided on the interlocutory appeal postponed until the appeal from final judgment. In September 2010, an order rejected the motion for clarification of judgment filed by Chesf. An appeal was lodged against the decision postponing the interlocutory appeal until the appeal from final judgment. On October 18, 2010 the Federal Reporting Appellate Judge rejected the appeal lodged as a request for reconsideration.

Supported by the appraisal of attorneys defending the cases, Management's expectation about the chance of losing these lawsuits is deemed as possible.

- (c) Lawsuit filed by AES - Sul Distribuidora Gaúcha de Energia (proceeding 2002.34.00.026509-0 - 15th Federal Court of the Federal District) aiming the recording and settlement by ANEEL of market transactions related to the profit verified in view of non-option for insurance made in December 2000. Interlocutory decision on appeal of AES SUL (proceeding no. 2002.01.00.040870-5) lodged against ANEEL, resulted in a debt of approximately R\$ 110,000 payable until November 7, 2008.

To suspend the enforceability of the debt, the following legal measures were adopted at that time (November 3 to November 7, 2008): (1) the filing of a request to suspend the injunction at the Superior Court of Justice; (2) the filing of a writ of mandamus at the Court of Justice of the Federal District (TJDF); (3) a motion requesting the inclusion of Chesf in the lawsuit, as indispensable defendant. Proceedings 2 and 3 were accepted, resulting in the reversal of injunction and suspension of the debt. Chesf was included in the dispute as indispensable defendant and challenged the lawsuit. Now specification of evidence is pending. Status unchanged on December 31, 2010.

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2.1.1.2 In the subsidiary Eletrosul

There are some risks for the Company, in the amount of R\$ 143,539, classified as possible loss, referring, basically, to lawsuits of: expropriation in the amount of R\$ 10,264, invalidity of the bidding process in the amount of R\$ 5,546, collection in the amount of R\$ 630, contract review in the amount of R\$ 6,679, usage fees of the transmission system in the amount of R\$ 2,344 and contract annulment in the amount of R\$ 109,415.

2.2 Tax lawsuits

2.2.1 In subsidiaries

2.2.1.1 In the subsidiary Cepisa

Cepisa suffered an inspection process by the Treasury Department of the State of Piauí - SEFAZ, referring to tax procedures adopted in recording and calculating the value-added tax (ICMS), related to the period from January, 2001 to December, 2007, being issued, against Cepisa, fourteen tax deficiency notices, in the total amount of R\$ 70,441. Based on the appraisal of Cepisa's legal advisors, this amount was not accounted for in the provision since it is considered, regarding loss probability, as a possible loss.

2.2.1.2 In the subsidiary Eletronuclear

Amongst the lawsuits deemed as a possible loss, it is worth mentioning the tax execution proceeding filed by the State of Rio de Janeiro in 2009, regarding added-value tax (ICMS) credits on merchandise imports and inadequately recognized by the Company, with the amount of R\$ 47,505 in dispute.

2.3 Labor claims

2.3.1 In subsidiaries

2.3.1.1 In the subsidiary Ceal

The Union of Workers in Urban Industries of the State of Alagoas, in the capacity of procedural substitute, brought a labor claim on behalf of employees of Companhia Energética de Alagoas - CEAL, aiming at receiving supposed salary differences in view of the implementation of the economic plan called the "Bresser Plan" (Decree-Law No. 2,335/87).

The claim was supported by the Distinguished Second Board of Conciliation and Judgment of Maceió-AL, the decision of which was corroborated by the Regional Labor Court - 19th region, and became final and unappealable.

However, upon the execution of the judgment, the judge of the 2nd labor court of Maceió understood at that time that it should not be limited to the reference date of the category, which would extraordinarily increase the execution.

The risk is assessed as a possible loss, as the judgment on the restriction to the reference date of the category will occur along with execution, since as per OJ/TST (SDI I) 262, 'the restriction to the reference date of the category during the execution stage has no effect on the res judicata sentencing to pay the salary differences deriving from economic plans'.

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2.3.1.2 In the subsidiary Cepisa

The proceedings refer to various lawsuits filed by former and current employees, involving overtime, hazardous work premium, arduous premium, equivalence/wage brackets, insalubrity, FGTS differences, indemnification for moral damage arising from labor accidents and reintegration of fired workers. The provided amount is R\$ 46,096 on December 31, 2010.

32 Decommissioning Obligations

The Company recognizes liabilities for decommissioning of the thermonuclear power plants, which comprise a program of activities required by the Brazilian Commission of Nuclear Energy - CNEN, to safely dismantle these nuclear facilities with minimum impact on the environment, at the end of their operating cycle.

Given the specific characteristics of the operations and maintenance of thermonuclear power plants, whenever changes in the estimated decommissioning cost occur, as a result of new studies in view of technological advances, the decommissioning quotas must be altered, so as to adjust the liability amount to the new reality.

The liability amount recorded at present value on December 31, 2010 is R\$ 375,968 (December 31, 2009 - R\$ 323,326 and January 1, 2009 - R\$ 266,168).

Liability, at present value, at January 1, 2009	<u>266,168</u>
Present value adjustment/foreign exchange rate differences in the year	57,158
Liability, at present value, at December 31, 2009	<u>323,326</u>
Present value adjustment/foreign exchange rate differences in the year	52,642
Liability, at present value, at December 31, 2010	<u>375,968</u>

33 Public Utility Concessions Payable - UBP

The Company has entered into onerous concession contracts with the Federal Government for use of public property for electricity generation, substantially in projects through Special Purpose Companies - SPEs. The characteristics of the business and contracts indicate the conditions and intentions of the parties to execute them in full.

In order to adequately reflect, in the balance sheet, the onerous concession granted and the respective liability with the Federal Government, the concessions were accounted for in intangible assets, as a counterpart of the liability.

<u>Plant</u>	<u>December 31, 2010</u>	<u>December 31, 2009</u>	<u>January 1, 2009</u>
Passo São João	3,515	2,889	2,607
Mauá	10,498	8,693	7,832
São Domingos	4,047	3,276	3,091
Jirau	35,616	31,573	13,994
Batalha e Símplicio	40,336	38,668	37,929
Foz do Chapecó	246,259		
Peixe Angical	79,472	79,098	81,218
Retiro Baixo	3,503		
Serra do Facão	612,482	554,009	455,823
Santo Antônio	51,587	48,239	45,109
	<u>1,087,315</u>	<u>766,445</u>	<u>647,603</u>

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The amounts established in the concession agreements are at future prices and, therefore, the Company adjusted these liabilities to the present value.

The liability adjustment due to the discounting and monetary restatement was capitalized in the assets during the construction of the power plants and, from the date of the beginning of commercial operations, is recognized directly in the income statement:

The Company adopts the accounting policy of recognizing the liability on the date when the environmental license for installation is granted.

UBP payments are made in monthly installments from the beginning of commercial operations of the project, until the end of the concession term, and are composed as follows:

UHE	Pmt (years)	Original nominal amount		Adjusted amount	
		Annual payment	Total payment	Annual payment	Total payment
Passo São João	30	200	5,944	253	7,513
Mauá	31	618	18,855	747	22,857
São Domingos	26	260	6,717	313	8,098
Jirau	31	3,150	96,840	3,150	110,994
Batalha	35	25	8,725	31	10,811
Simplicio	35	94	34,036	117	42,173
Foz do Chapecó	26	1,605	504,000	3,511	1,102,359
Peixe Angical	26	4,965	133,633	12,482	198,679
Retiro Baixo	31	196	6,865	233	7,129
Serra do Facão	29	40,618	1,073,000	42,911	1,237,337
Santo Antônio	35	11,852	379,267	13,897	486,391

34 Advances for Future Capital Increase

	December 31, 2010	December 31, 2009	January 1, 2009
Acquisition of equity interest in CEEE	2,364,929	2,154,197	1,959,715
Acquisition of equity interest in CGTEE	2,272,187	2,069,716	1,882,864
Transmission line Banabuí - Fortaleza	78,280	71,305	64,868
UHE Xingó	219,942	200,344	182,257
Transmission Line in the State of Bahia	34,429	31,361	28,530
Federal Fund for Electricity - Law 5,073/66	204,089	185,902	169,119
	<u>5,173,856</u>	<u>4,712,825</u>	<u>4,287,353</u>

The Company has reclassified, in 2010, the advances for future capital increase to non-current liabilities that, so far, were presented in shareholders' equity.

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35 Long-term Operating Commitments

The long-term commitments of the Company, related mainly to electricity and fuel purchase agreements, are as follows:

<u>Companies</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>After 2015</u>
Amazonas	911,068	934,959	957,594	982,787	1,009,180	
Boa Vista	115,271	143,125	164,561	182,812	169,142	
CEAL	377,138	391,427	526,737	530,645	542,397	562,337
CEPISA	374,529	465,297	432,263	384,239	350,444	7,738,709
Ceron	790,401	783,687	965,834	990,603	1,029,013	2,112,000
CGTEE	221,200	243,300	267,700	294,400	323,900	2,915,100
Eletroacre	12,138	4,121	5,187	5,542	32,958	1,957,949
Eletrobrás	1,866,494	1,850,000	1,850,000	1,850,000	1,850,000	
Eletronorte	3,649,919	3,805,172	3,937,048	4,264,002	4,541,500	
Eletronuclear	213,371	108,657	56,503	1,611	225	151,326
Eletrósul	158,790	208,725	208,155	208,155	208,155	5,208,695
Furnas						
	<u>8,690,319</u>	<u>8,938,470</u>	<u>9,370,582</u>	<u>9,694,796</u>	<u>10,056,914</u>	<u>20,646,116</u>

(a) Nuclear Fuel

Agreements signed with Indústrias Nucleares Brasileiras - INB for acquisition of Nuclear Fuel for electricity production, destined to recharge the plants UTN Angra 1 and UTN Angra 2.

(b) Socio-environmental commitments

Agreements with the Cities of Angra dos Reis, Rio Claro and Paraty, on which ELETRONUCLEAR commits to sign specific socio-environmental contracts connected to UTN Angra 3, aiming at executing the programs and projects according to the conditions established by IBAMA.

(c) Acquisition of equipment

Contracts signed with various suppliers for acquisition of equipment to replace fixed assets in the plants UTN Angra 1 and UTN Angra 2, necessary for operational maintenance of these assets.

(d) Electricity Purchase from Independent Producer (PIE)

The commitment of electricity purchase is for a 23-year period (until 2023).

36 Shareholders' Equity

I Share Capital

The Company's share capital at December 31, 2010 is R\$ 26,156,567 (December 31, 2009 - R\$ 26,156,567 and January 1, 2009 - R\$ 26,156,567) in shares with no par value. The preferred shares are not entitled to vote and are not convertible into common shares, however, they have priority on capital reimbursement and dividend distribution at annual rates of 8% for Class "A" shares (subscribed until June 23, 1969) and 6% for Class "B" shares (subscribed as from June 24, 1969), calculated over capital corresponding to each class of share.

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The capital is represented by 1,132,357,090 registered shares and is distributed by main shareholders and by classes of share, as follows:

Shareholder	Common		Preferred			Total capital	
	Quantity	%	A Series	B Series	%	Quantity	%
Federal Government	470,656,241	52.00		712		470,656,953	41.59
BNDESPAR	190,757,950	21.08		18,691,102	8.23	209,449,052	18.50
FND	45,621,589	5.04				45,621,589	4.03
FGHAB	1,000,000	0.11				1,000,000	0.09
FGI				8,750,000	3.85	8,750,000	0.77
FGO				1,008,500	0.44	1,008,500	0.09
Others	<u>196,987,747</u>	<u>21.77</u>	<u>146.920</u>	<u>198,736,329</u>	<u>87.48</u>	<u>395,870,996</u>	<u>34.99</u>
	<u>905,023,527</u>	<u>100.00</u>	<u>146.920</u>	<u>227,186,643</u>	<u>100.00</u>	<u>1,132,357,090</u>	<u>100.00</u>

Out of the total of 395,770,576 (excluding the 420 common shares referring to Eletrobras' Executive Officers and members of the Board of Directors) shares held by minority shareholders, 255,921,891 shares, i.e., 64.64% are owned by non-resident investors, being 134,375,612 common shares, 28 Class A preferred shares and 121,546,256 Class B preferred shares.

Out of the total participation of shareholders domiciled abroad, 71,962,910 common shares and 32,973,907 Class B preferred shares are held in custody, backing the American Depository Receipts Program - ADRs. On December 31, 2010, the share book value is R\$ 62.29 (December 31, 2009 - R\$ 62.16 and January 1, 2009 - R\$ 69.70).

II Capital reserves

	December 31, 2010	December 31, 2009	January 1, 2009
Offset of insufficient remuneration - CRC	18,961,102	18,961,102	18,961,102
Premium on issue of shares	3,384,310	3,384,310	3,384,310
Special - Decree-law 54.936/1964	387,419	387,419	387,419
Monetary adjustment to the 1978 opening balance sheet	309,655	309,655	309,655
Monetary adjustment of the compulsory loan- 1987	2,708,432	2,708,432	2,708,432
Donations and subsidies - FINOR, FINAM and others	<u>297,424</u>	<u>297,424</u>	<u>297,424</u>
	<u>26,048,342</u>	<u>26,048,342</u>	<u>26,048,342</u>

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III Revenue reserves

The Company's by-laws provide for the allocation of 50% of net income for the year to create an investments reserve, 1% for the Studies and Projects Reserve, and 1% for assistance benefits for employees, limited to 75% and 2% of the capital, for the first two, respectively:

	December, 31, 2010	December, 31, 2009
Legal (Article 193 - Law No. 6.404/1976)	2,046,389	2,046,389
Statutory (Article 194 - Law No. 6.404/1976)	14,758,461	16,963,279
Special reserve (Article 202 - Law No. 6.404/1976)		
Undistributed dividends		
Additional proposed dividends	753,281	370,755
	<u>17,558,131</u>	<u>19,380,423</u>

IV Revaluation reserves

This refers to the reflected reserves arising from the revaluation of the fixed assets of the associates Celpa and Cemat, accounted for under equity method.

37 Earnings per Share

(a) Basic

Basic earnings per share are calculated by dividing the net income attributable to the shareholders of the Company, by the weighted average quantity of common shares issued during the year, excluding common shares acquired by the Company and held as treasury shares.

	December 31, 2010			
	Common	Preferred A	Preferred B	Total
Numerator				
Net income attributable to each class of shares	1,544,746	251	387,775	1,932,771
Preferred dividends		272	314,870	315,142
	<u>1,544,746</u>	<u>523</u>	<u>702,645</u>	<u>2,247,913</u>
Denominator				
Weighted average quantity of shares	905,024	147	227,187	1,132,357
% of shares in relation to the total	80	0.01	20	100
Basic earnings per share (R\$)	1.71	3.55	3.09	

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	December 31, 2009			
	Common	Preferred A	Preferred B	Total
Numerator				
Net income attributable to each class of shares	476,606	77	119,642	596,325
Preferred dividends		272	314,870	315,142
	<u>476,606</u>	<u>349</u>	<u>434,512</u>	<u>911,467</u>
Denominator				
Weighted average quantity of shares	905,024	147	227,187	1,132,357
% of shares in relation to the total	80	0.01	20	100
Basic earnings per share (R\$)	0.53	2.37	1.91	

(b) Diluted

Diluted earnings per share are calculated by adjusting the weighted average quantity of outstanding common shares, to presume conversion of all potentially diluted common shares. The Company has only one category of potentially diluted common shares: convertible debt (compulsory loan). It is assumed that the convertible debt was converted into common shares and that net income is adjusted to eliminate the financial expense net of the tax effect.

	December 31, 2010			
	Common	Preferred A	Preferred B	Total
Numerator				
Net income attributable to each class of shares	1,544,625	251	391,308	1,936,184
Preferred dividends		272	314,870	315,142
	<u>1,544,625</u>	<u>523</u>	<u>706,178</u>	<u>2,251,326</u>
Denominator				
Weighted average quantity of shares	905,024	147	227,187	1,132,358
Compulsory loan			2,088	2,088
	<u>905,024</u>	<u>147</u>	<u>229,275</u>	<u>1,134,446</u>
% of shares in relation to the total	80		20	100
Diluted earnings per share (R\$)	1.71	3.55	3.08	

	December 31, 2009			
	Common	Preferred A	Preferred B	Total
Numerator				
Net income attributable to each class of shares	479,077	78	121,171	600,326
Preferred dividends		272	314,870	315,142
	<u>479,077</u>	<u>350</u>	<u>436,041</u>	<u>915,468</u>
Denominator				
Weighted average quantity of shares	905,024	147	227,187	1,132,358
Compulsory loan			1,718	1,718
	<u>905,024</u>	<u>147</u>	<u>228,905</u>	<u>1,134,076</u>
% of shares in relation to the total	80		20	100
Diluted earnings per share (R\$)	0.53	2.38	1.90	

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38 Net Operating Revenue

	December 31, 2010	December 31, 2009
(a) Generation		
Trading	2,331,877	2,103,989
Energy Supply/Sale	17,256,131	15,912,295
Resale Itaipu	215,989	(548,554)
Others	746,100	967,137
(b) Transmission		
Construction revenue	2,322,937	1,389,752
Operation and maintenance revenue	2,207,442	1,966,551
Updating of return rates - Transmission	1,766,731	1,709,272
Others	223,764	103,154
(c) Distribution		
Supply	2,470,022	2,906,151
Construction revenue	810,475	361,709
Operation and maintenance revenue	433,048	30,118
Other revenues	189,879	107,826
Others	40,912	28,174
	31,015,307	27,037,574
Deductions to operating revenues		
Global Reversion Reserve - RGR	575,505	523,236
Fuel Consumption Account - CCC	438,544	295,618
Energetic Development Account - CDE	98,430	61,991
Renewable energy sources Incentive Program - PROINFA	162,244	129,347
ICMS	1,040,163	1,047,663
PASEP and COFINS	1,711,238	1,531,542
Other deductions	239,781	307,271
	4,265,905	3,896,668
Net operating revenue	26749,402	23,140,906

39 Result of participation in associates and other investments

	December 31, 2010	December 31, 2009
Investments in associates		
Equity method	467,647	1,378,663
Other investments		
Remuneration of ITAIPU's capital	38,735	47,839
Interest on capital	16,038	13,592
Dividends	101,847	103,868
Return on partnership investments	45,488	27,070
	202,108	192,369
	669,755	1,571,032

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In thousands of reais

40 Personnel, Supplies and Services

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Personnel	4,845,247	4,465,866
Supplies	399,299	294,257
Services	<u>2,126,167</u>	<u>1,726,095</u>
	<u>7,370,713</u>	<u>6,486,218</u>

41 Energy Purchased for Resale and Use of Electricity Grid

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Supply	1,054,622	899,224
Transmission	2,189,639	1,776,741
Use of the Grid	1,353,839	1,263,408
CCEE (Electricity Trading Chamber) short-term energy	1,018,274	862,040
Other	<u>52,549</u>	<u>43,391</u>
	<u>5,668,923</u>	<u>4,844,804</u>

42 Operating Provisions

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Guarantees		
Contingencies	301,621	117,847
PCLD - Consumers and Resellers	338,042	346,207
PCLD - RTE	(22,374)	(39,306)
PCLD - Financings and Loans	36,245	74,556
PCLD - ICMS Credits	20,904	177,320
Losses on the realization of AFACs		
Unsecured liability in subsidiaries		
Losses on investments - miscellaneous	421,629	842,830
Others	<u>433,482</u>	<u>620,952</u>
	<u>1,529,549</u>	<u>2,140,406</u>

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43 Financial Instruments and Risk Management

1 Resource management

1.1 Capital management

The Company's objectives when managing its capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, in addition to pursuing an ideal capital structure to mitigate this cost.

In order to maintain or adjust the capital structure, the Company may review its dividend payment policy, return capital to shareholders or, also, issue new shares or sell assets to reduce, for example, its level of indebtedness.

Consistent with other companies in the sector, the Company monitors capital based on the financial leverage ratio. This ratio corresponds to net debt divided by total capital. Net debt corresponds to total loans (including short and long-term loans, as shown in the consolidated balance sheet), less the amount of cash and cash equivalents. Total capital is calculated through a sum of shareholders' equity, as shown in the consolidated balance sheet, with net debt.

In 2010, the Company's strategy, which remained unchanged in relation to 2009, was maintaining the financial leverage ratio between 20% and 25%. The financial leverage ratios at December 31, 2010 and 2009 can be summarized as follows:

	December 31, 2010	December 31, 2009
Total borrowings (Note 23)	33,138,436	29,507,817
(-) Cash and cash equivalents (Note 7)	<u>9,220,169</u>	<u>8,617,294</u>
Net debt	23,918,267	20,890,523
(+) Total shareholders' equity	<u>70,530,410</u>	<u>69,379,049</u>
Total capital	<u>94,448,677</u>	<u>90,269,572</u>
Financial leverage ratio	25%	23%

2 Financial instruments

The financial instruments of the Company are classified in categories of financial assets and liabilities, which contemplate, also, derivative instruments.

2.1 Financial assets - classified in the following classes:

- (a) Cash and cash equivalents: held for trading in the short-term and measured at fair value, with their effects being directly accounted for in the income statement.
- (b) Marketable securities: those with defined maturities and for which the Company has the intention to hold to maturity. Are registered at acquisition cost plus interest and monetary restatement, impacting the income statement. Such instruments are adjusted to the probable realization value, as applicable. Financial investments are in exclusive investment funds, according to regulations in force.

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- (c) Consumers and resellers: are registered at nominal value, similar to fair value and probable realization value.
- (d) Renegotiated receivables: such assets are registered under the assumption that they are intended to be held-to-maturity, at their fair and probable realizable values.
- (e) Financing and loans granted: financial assets with fixed or determinable receivables, measured at amortized cost, using the effective interest method.
- (f) Financial assets of the concession: financial assets representing the unconditional right to receive a certain amount at the end of the term of concession. They are classified as loans and receivables.

Financing is restricted to public electricity utility concessionaires, thus, the market rate (or the Company's opportunity cost of capital) is defined by it, taking into account the risk premium compatible with sector activities. If it is not possible to seek alternatives other than the electricity sector itself, the present value of these loans corresponds to their book value.

At the closing of the year, the Company had loans and financing agreements as follows:

Currency	US\$	%	R\$
U.S. Dollar	3,403,930	36.99	5,671,628
Real	5,797,287	63.01	9,659,440
	<u>9,201,217</u>	<u>100.00</u>	<u>15,331,068</u>

- (g) Derivative instruments are measured at fair value and their effects are accounted for directly in the income statement.

On December 31, 2010, there were no portfolio of derivative financial instruments of the Company or its direct subsidiaries. Likewise, there were no operations with derivatives in the fiscal year ended December 31, 2009. Derivative operations are presented in some Special Purpose Companies related to swap operations linked to specific loans or cash flow hedges related to the future purchase of supplies to be used in constructing assets.

3 Financial hedge policy

Eletrobras is exposed to financial risks that can cause volatility in its financial statements as well as in its cash flows. The Company presents a relevant mismatch between assets and liabilities indexed to foreign currency, especially to the U.S. dollar, arising mainly from financing contracts with Itaipu Binacional. Additionally, there are exposures to Libor interest rate, related to foreign funding contracts.

In this context, Eletrobras' Financial Hedge Policy was approved. The objective of the current policy is to pursue the mitigation of the exposure to the market variables that may have an impact on the assets and liabilities of the Company and its subsidiaries, thus reducing the undesirable fluctuation effects of these variables in the Financial Statements.

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This said, the aforementioned policy aims at having the Company's results faithfully reflect its real operational performance and having its projected cash flow present less volatility.

Along with the policy, the creation of a Financial Hedge Committee, in the sphere of the Financial Management, was approved, having as its main function the defining of the hedge strategies and instruments to be presented to Eletrobras' Board of Executive Officers

Taking into account the different forms of realizing the hedge of the gaps presented by the Company, the policy enlists a scale of priorities. Primarily, there would be the structural solution, and, just in residual cases, operations with derivative financial instruments would be adopted.

The operations with derivative financial instruments will only be carried out complementarily and aiming exclusively at protecting the indexed assets and liabilities of the Company and its subsidiaries that present any gap, and may not be characterized as financial leverage or operation of loan granting to third parties.

In 2009, a new Mandate for Derivative Operations was approved, which had its scope enlarged, comprising, in addition to currency mismatches, exposures to interest rates.

The Company has been developing studies and discussing, through the Financial Hedge committee, the execution of interest rate swap operations, aiming at neutralizing the volatility of the fundraising agreements entered into at Libor. Such operations comprise a notional value around US\$ 700 million and maturities ranging from 2015 to 2020. The expectation is that these operations are carried out in 2011.

Besides the Libor swapping operation, exchange hedge strategies were analyzed in 2010 and might be implemented in 2011. Following the Financial Hedge Policy, the analysis of structural solutions is being prioritized and new external fundraising opportunities are being analyzed as an important instrument for mitigating the active exposures to foreign currencies.

Operations with derivatives, when carried out in the over-the-counter market, present counterpart risks that, in face of the problems presented by financial institutions in 2008 and 2009, become relevant. With the intention of mitigating this risk, Eletrobras established a norm regarding the register of financial institutions for purposes of execution of operations with derivatives. This norm defines criteria regarding size, rating and expertise in the derivatives market, so that the institutions that may carry out operations with Eletrobras can be selected.

Moreover, the Company has developed an exposure control methodology for the registered companies, which defines the limits to the volume of operations to be carried out with each one of them.

It has also been discussed a contractual amendment regarding guarantee margins, which will be a previous condition for carrying out any operation of this nature. Through this contractual instrument, counterpart risk exposure will be substantially reduced throughout the life of operations with derivatives.

- 4** The subsidiary Eletronorte has signed, in 2004, long-term electricity supply contracts for three of its major clients. These long-term contracts are associated to an international aluminum price, quoted on the London Metal Exchange (LME), as a basic asset for purposes of defining the monthly values of the contracts.

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In thousands of reais

Details of the contracts are as follows:

Client	Dates of contract		Average volume - megawatt
	Initial	Maturity	
Albrás	July 1, 2004	December 31, 2024	750 MW - until December 31, 2006 800 MW - from January 1, 2007
Alcoa	July 1, 2004	December 31, 2024	From 304.92 MW to 328 MW
BHP	July 1, 2004	December 31, 2024	From 353.08 MW to 492 MW

These contracts include the concept of cap and floor band related to the aluminum price quoted on the LME. The maximum and minimum price limit of the LME is limited to US\$ 2,773.21/ton and US\$ 1,450/ton, respectively.

The Company does not operate with other derivative operations except for those mentioned in this explanatory note.

The impact of the derivative embedded in the result was positive in R\$ 187,490 and R\$ 55,200 in the years 2009 and 2010, respectively.

In 2009, in order to reduce the currency exposure of certain contracts, the EPC signed ESBR currency forward contracts without physical delivery (NDF) with financial institutions. The values of these agreements were US\$ 41,000 and US\$ 16,400, maturing on September 17, 2009 and December 18, 2009, and contracted rates of R\$ 2.29 and R\$ 2.18, respectively. These operations were classified as cash flow hedges. As set forth in international accounting standards, foreign exchange variations of NDFs were recorded on account of asset valuation adjustments and transferred to fixed assets as of the effective settlement of the liability with the supplier.

On September 17, 2009, the subsidiary liquidated the NDF transaction in the amount of US\$ 41,000 with losses of R\$ 20,360. Regarding the NDF contract in the amount of US\$ 16,400, its settlement occurred on the due date, with negative result of R\$ 6,599, with no fulfillment of contractual obligations by the supplier. The exchange rate changes of the NDF were recorded in the shareholders' equity of the Subsidiary and remained so until Dong Fang complied with these obligations, which occurred after the first half of 2010.

From the end of fiscal year 2009, SPE has changed its hedging strategy and since then has held investments in U.S. dollars, with the aim of ballast guarantees on letters of credit issued by Banco do Brasil and Banco Itaú on behalf of suppliers Dong Fang and Hyosung. Such investments are also classified as cash flow hedges.

The complete changes in the account of valuation adjustments, during the years ended December 31, 2010 and 2009, is described below:

	December 31, 2010	December 31, 2009
Balance at the beginning of the year	(2,640)	
Foreign exchange rate differences on NDFs		(10,784)
Foreign exchange rate differences on restricted deposits principal value	(4,738)	
Effect of payments to suppliers - balances of the previous year	2,640	
Effect of payments to suppliers - balances of the previous year	(373)	8,144
Balance at the end of the year	<u>(5,111)</u>	<u>(2,640)</u>

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5 Financial assets - classified in the following categories

- (a) Suppliers: are initially recognized at fair value and subsequently measured at amortized cost.
- (b) Borrowings are measured at amortized cost, using the effective interest method. In this classification the financial liability are mainly represented by borrowings obtained with financial institutions, especially abroad, and sector funds, especially the Global Reversion Reserve - RGR. The market values of borrowings obtained are equivalent to their book values.

Funds raised are comprised by loans contracted with multilateral international agencies (IDB, IRDB, CAF), not being practicable to cash them at a rate different from that established in the Brazilian debt agreement. The other loans are raised at market rates, enabling the book value to be close to its present value.

The Company ended the year 2010 with liability contracts, amongst loans, financings and bonds, as shown below:

<u>Currency</u>	<u>US\$ (equivalent)</u>	<u>%</u>	<u>R\$</u>
U.S. Dollar	8,094,704	41.36	13,487,395
EURO	38,881	0.20	64,784
YEN	203,505	1.04	339,079
REAL	11,234,732	57.40	18,719,311
	<u>19,571,822</u>	<u>100.00</u>	<u>32,610,569</u>

Compulsory loan extinguished by Law No. 7181 of December 20, 1993, could only be collected up to December 31, 1993. Currently, Eletrobras manages the residual balance of the Compulsory Loans, adjusting them based on the IPCA-E and accruing annual interest of 6%, with a defined redemption period.

6 Financial risk management:

In carrying out its activities, the Company is impacted by risk events that could jeopardize its strategic objectives. The main objective of risk management is anticipating and mitigating the adverse effects of such events in the business and economic-financial results of the Company.

For financial risk management, the Company defined operational and financial policies and strategies, approved by internal committees and by the Management, aimed at granting liquidity, safety and profitability to its assets and maintaining the indebtedness levels and debt profile defined for its economic-financial flows.

The main financial risks identified in the risk management process are:

6.1 Exchange rate risk

This risk arises from the possibility of the Company having its economic-financial statements impacted by fluctuations in exchange rates.

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The Company shows a relevant mismatch between assets and liabilities indexed to foreign currency, especially the U.S. dollar, in active position, in the amount of R\$ 4,455 (R\$ 5,583 at December 31, 2009), mainly deriving from loan agreements with the subsidiary Itaipu Binacional, which principal is fully accounted for in the balance sheet, causing volatility in its financial statements, as well as its cash flows.

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6.2 Interest rate risk

This risk is associated to the possibility that the Company accounts for losses due to changes in the market interest rates, impacting its statements by increasing financial expenses related to fundraising agreements abroad, mainly referred to Libor.

6.3 Commodity risk

- 4 The subsidiary Eletronorte has signed, in 2004, long-term electricity supply contracts for three of its major clients. These long-term contracts are associated to an international aluminum price, quoted on the London Metal Exchange (LME), as a basic asset for purposes of defining the monthly values of the contracts.

Details of the contracts are as follows:

<u>Client</u>	<u>Dates of contract</u>		<u>Average volume - megawatt</u>
	<u>Initial</u>	<u>Maturity</u>	
Albrás	July 1, 2004	December 31, 2024	750 MW - until December 31, 2006
Alcoa	July 1, 2004	December 31, 2024	800 MW - from January 1, 2007
BHP	July 1, 2004	December 31, 2024	From 304.92 MW to 328 MW
			From 353.08 MW to 492 MW

These contracts include the concept of cap and floor band related to the aluminum price quoted on the LME. The maximum and minimum price limit of LME is limited to US\$ 2,773.21/ton and US\$ 1.450/ton, respectively. Considering the aluminum price reaches the cap every year until the end of the contract, the financial impact at December 31, 2010 would be of R\$ 245,089.

Until 2004, the prices for electricity supply arising from the generation activity were established by ANEEL. Since the auction 001/2004, conducted by the Regulatory Agency, generators started to trade its electricity with a larger number of clients, at prices defined by the market. The electricity transmission activity has its remuneration defined by ANEEL, by establishing the Annual Allowed Revenue - RAP, deemed to be sufficient to cover the operating costs and to maintain the economic-financial balance of the concession.

6.4 Credit risk

This risk arises from the possibility that the Company and its subsidiaries incur losses resulting from difficulties to realize their receivables from clients, as well as default of financial institutions acting as counterparts in operations.

The Company, through its subsidiaries, operates in the electricity generation and transmission markets, supported by agreements executed in a regulated framework. The Company seeks to minimize its credit risks by means of guarantee mechanisms involving receivables from their customers. In the distribution segment, the Company, through its subsidiaries, follows the default levels by analyzing the details of its clients. Additionally, there are negotiations to enable the receipt of past due receivables.

Cash surpluses are applied in an exclusive extramarket fund, according to a specific rule of the Central Bank of Brazil. This fund is fully comprised by public securities indexed by Selic, without exposure to counterpart risk.

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In relations with financial institutions, the Company's policy is to operate with low risk institutions evaluated by rating agencies, in compliance with equity requirements previously defined and formalized. Additionally, the defined credit limits are periodically reviewed.

6.5 Liquidity risk

The liquidity needs of the Company are a responsibility of the areas of treasury and fundraising, which operate in line, permanently monitoring the short, medium and long-term cash flows, forecasted and realized, seeking to avoid possible mismatches and consequent financial losses and meeting the liquidity requirements for operational needs.

The table below analyzes non-derivative financial liabilities of the Group by maturity, corresponding to the remaining period in the balance sheet until the contractual maturity date. The amounts disclosed in the table are the contracted undiscounted cash flows.

	December 31, 2010			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowings	1,868,466	499,637	2,869,163	27,949,170
Liabilities with financial leasing	120,485	240,933	361,400	1,092,214
Compulsory loan	174,166	192,453	259,664	
Suppliers	5,563,938	2,081,548	2,061,540	
Advances for future capital increase	639,278			
Concessions payable - UBP		1,313	10,118	150,133
	December 31, 2009			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowings	1,115,275	1,868,466	1,734,836	24,789,240
Liabilities with financial leasing	108,827	217,628	326,441	1,095,379
Compulsory loan	155,030	171,309	231,135	231,135
Suppliers	4,226,214	2,111,944	2,105,072	2,105,072
Advances for future capital increase	4,548,686			
Concessions payable - UBP			7,966	153,598
	January 1, 2009			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowings	1,139,497	1,119,275	2,880,138	22,904,108
Liabilities with financial leasing	106,435	212,432	318,647	1,153,992
Compulsory loan	174,166	192,453	259,664	259,664
Suppliers	1,697,972			
Concessions payable - UBP			4,595	156,969

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7 Sensitivity analysis

In the following charts, scenarios for indexes and rates were considered, with their respective impacts on the Company's results. For the sensitivity analysis, forecasts and/or estimates fundamentally based on macroeconomic assumptions obtained from the Focus Report, disclosed by the Central Bank and Economic Outlook 86, published by OECD were used as a likely scenario for the end of 2010.

Sensitivity analysis of the loans and financing agreements granted were carried out in four different scenarios: two of them with an increase in the outstanding balance indexing currencies and two with a decrease in these indexing currencies. The analysis was limited to the agreements granted that presented exposure to the exchange rate and prices index.

Depreciation of the indexes in cents granted.

<u>Currency (Risk)</u>	<u>Amount US\$</u>	<u>Amount R\$</u>	<u>Probable 2011</u>
Dollar (R\$/US\$)	7,515,524	12,522,366	1.75
IGP-M	414,328	690,353	5.96%
EURO (R\$/€)	64,534	107,526	2.4238
Yen (R\$/¥)	239,897	399,716	0.0215
	<u>8,234,283</u>	<u>13,719,961</u>	

Appreciation of the indexes in cents granted

<u>Currency (Risk)</u>	<u>Amount US\$</u>	<u>Amount R\$</u>	<u>Probable 2011</u>
Dollar (R\$/US\$)	7,515,524	12,522,366	1.75
IGP-M	414,328	690,353	5.96%
EURO (R\$/€)	64,534	107,526	2.4238
Yen (R\$/¥)	239,897	399,716	0.0215
	<u>8,234,283</u>	<u>13,719,961</u>	

Sensitivity analysis of the loans and financing agreements granted were carried out in four different scenarios: two of them with an increase in indexing currencies of the outstanding amount receivable and two with a decrease in these indexing currencies. The analysis was limited to the agreements granted that presented exposure to the exchange rate and prices index.

Depreciation of the indexes in cents granted

<u>Currency (Risk)</u>	<u>Amount US\$</u>	<u>Amount R\$</u>	<u>Probable 2011</u>
Dollar (R\$/US\$)	3,060,812	5,099,925	1.75
EURO (R\$/€)	64,628	107,683	2.4238
Yen (R\$/¥)	203,505	339,079	0.0215
	<u>3,328,945</u>	<u>5,546,687</u>	

Appreciation of the indexes in cents granted

<u>Currency (Risk)</u>	<u>Amount US\$</u>	<u>Amount R\$</u>	<u>Probable 2011</u>
Dollar (R\$/US\$)	3,060,812	5,099,925	1.75
EURO (R\$/€)	64,628	107,683	2.4238
Yen (R\$/¥)	203,505	339,079	0.0215
	<u>3,328,945</u>	<u>5,546,687</u>	

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Sensitivity analysis of the regulatory asset arising from the trading of Itaipu Binacional's electricity were carried out. The analysis was limited to the variation in the real - US dollar exchange rate, including two scenarios where there is an exchange valuation of 25% and 50% and two scenarios where there is an exchange devaluation of 25% and 50%.

Depreciation of Indexes of the Right of Trading Electricity of Itaipu:

<u>Currency (Risk)</u>	<u>Amount US\$</u>	<u>Amount R\$</u>	<u>Probable 2011</u>
Dollar (R\$/US\$)	1,146,919	1,910,996	1.75

Appreciation of Indexes of the Right of Trading Electricity of Itaipu:

<u>Currency (Risk)</u>	<u>Amount US\$</u>	<u>Amount R\$</u>	<u>Probable 2011</u>
Dollar (R\$/US\$)	1,146,919	1,910,996	1.75

8 Fair value estimate

It is assumed that the amount of accounts receivable from clients and accounts payable to suppliers at book value, less PCLD, are close to their fair values. The fair value of financial liabilities, for disclosure purposes, is estimated by discounting the future contractual cash flows by the market interest rate, available for the Company for similar financial instruments.

The Company uses the following hierarchy to determine and disclose the fair value of financial instruments by the assessment technique:

	December 31, 2010			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Marketable Securities	362,365	-	7,181,613	7,543,978
Derivatives	(2,038)	-	540,072	538,034
Derivatives designated as hedge	-	582,404	-	582,404
Founders' shares	194,761	-	-	194,761
Equity bonds	1,548	-	-	1,548
Financial assets available for sale	1,610,908	-	52,410	1,663,318
Total assets	<u>2,167,544</u>	<u>582,404</u>	<u>7,774,095</u>	<u>10,524,043</u>
Liabilities				
Derivatives designated as hedge	-	540,540	-	540,540
Total liabilities	<u>-</u>	<u>540,540</u>	<u>-</u>	<u>540,540</u>

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	December 31, 2009			
	Level 1	Level 2	Level 3	Total
Assets				
Marketable Securities	312,218	-	8,037,610	8,349,828
Derivatives	20	-	-	20
Derivatives designated as hedge	-	455,560	-	455,560
Founders' shares	157,685	-	-	157,685
Financial assets available for sale	1,479,880	-	61,970	1,541,850
Total assets	1,949,803	455,560	8,099,580	10,504,943
Liabilities				
Derivatives designated as hedge	-	268,070	-	268,070
Total liabilities	-	268,070	-	268,070
	January 1, 2009			
	Level 1	Level 2	Level 3	Total
Assets				
Marketable Securities	271,218	-	7,786,765	8,057,983
Derivatives	5,549	-	-	5,549
Derivatives designated as hedge	-	92,690	-	92,690
Founders' shares	90,697	-	-	90,697
Financial assets available for sale	1,091,433	-	-	1,091,433
Total assets	1,458,897	92,690	7,786,765	9,338,352
Liabilities				
Derivatives designated as hedge	-	336.184	-	336.184
Total liabilities	-	336.184	-	336.184

Financial assets and liabilities registered at fair value will be classified and disclosed according to the following levels:

- Level 1 - quoted prices (unadjusted) in active markets, liquid and visible for identical assets and liabilities accessible on the measurement date.
- Level 2 - quoted prices (may be adjusted or not) for similar assets and liabilities in active markets, other inputs non observable in level 1, directly or indirectly, in the terms of the asset or liability.

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- Level 3 - assets and liabilities for which prices do not exist or that these prices or evaluation techniques are supported by a small or non-existing market, not observable or not liquid. At this level, the fair value estimate becomes highly subjective.

The fair value of financial instruments negotiated in active markets (like securities held for trading and available for sale) is based on market prices quoted on the balance sheet date. A market is considered as active if the quoted prices are readily and regularly available from a Stock Exchange, a distributor, a broker, an industry group, a pricing service or regulatory agency, and those prices represent real market transactions occurring regularly in a basis purely commercial.

The market price quoted used for financial assets held by the Company is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise, mainly, equity investments of FTSE 100 classified as negotiable securities or available for sale.

The fair value of financial instruments not negotiated in active markets (for example, OTC derivatives) is determined using evaluation techniques. These evaluation techniques maximize the use of data adopted by the market where it is available and trust as little as possible in the entity's specific estimates. If all relevant information required for the fair value of an instrument is adopted by the market, the instrument will be included in Level 2.

If one or more relevant information is not based on data adopted by the market, the instrument will be included in level 3.

Specific evaluation techniques used to value financial instruments include:

- Market prices quoted or quotations from financial institutions or brokers for similar instruments.
- The fair value of interest rate swaps is calculated by the present value of the estimated future cash flows based on the yield curves adopted by the market.
- The fair value of future exchange contracts is determined based on future exchange rates on the balance sheet date, with the resulting value discounted at present value.
- Other techniques, such as analysis of discounted cash flows, are used to determine the fair value for the remaining financial instruments.

44 Business Segment Information

Operating segments are defined as business activities from which it is possible to obtain revenues and incur expenses, on which operational decisions are made. The chief operation decision maker, responsible for allocating resources and for evaluating the performance of operating segments is the Board of Directors, which is also responsible for the Company's strategic decision making.

The Board of Directors evaluates the performance of operating segments based on net income measurement.

**Business segment information, corresponding to
the fiscal year ended December 31, 2010 and
December 31, 2009, are as follows**

Result per segment

December 31, 2010

Centrais Elétricas Brasileiras S.A. - Eletrobras

Explanatory Notes to the Consolidated Financial Statements for the year ended December 31, 2010

In thousands of reais

	Administration	Generation	Transmission	Distribution	Total
Net operating revenue	43,291	17,914,110	5,879,417	2,912,584	26,749,402
Operating expenses	(1,844,617)	(12,233,317)	(5,613,608)	(3,316,243)	(23,007,785)
Operating income before financial results	(1,801,326)	5,680,793	265,809	(403,659)	3,741,617
Financial results	717,898	(596,809)	(410,835)	(74,376)	(364,122)
Equity	613,848	101,862	(45,955)	-	669,755
IRPJ/CSLL	(206,119)	(1,078,830)	(198,609)	(10,707)	(1,494,265)
Minority interest	(305,072)				(305,072)
Net income of the year	<u>(980,771)</u>	<u>4,107,016</u>	<u>(389,590)</u>	<u>(488,742)</u>	<u>2,247,913</u>

December 31, 2009

	Administration	Generation	Transmission	Distribution	Total
Net operating revenue	29,281	16,006,550	4,607,074	2,498,000	23,140,905
Operating expenses	(2,560,632)	(10,826,693)	(4,503,602)	(2,769,658)	(20,660,585)
Operating income before financial results	(2,531,351)	5,179,857	103,472	(271,658)	2,480,320
Financial results	(3,981,327)	(6,811)	487,745	(137,704)	(3,638,097)
Equity	1,554,588	34,827	(18,383)	-	1,571,032
IRPJ/CSLL	1,266,418	(217,767)	(207,921)	(3,845)	836,885
Minority interest	(338,673)				(338,673)
Net income of the year	<u>(4,030,345)</u>	<u>4,990,106</u>	<u>364,913</u>	<u>(413,207)</u>	<u>911,467</u>

Centrais Elétricas Brasileiras S.A. - Eletrobras

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Sales between segments were executed as sales between independent parties. Revenues from external parties were measured consistently with the one presented in the income statement.

45 Related Parties Transactions

The final controller of Eletrobras is the Federal Government, holding 41.59% of the Company's common and preferred shares (see Note 36).

The transactions of Eletrobras with its subsidiaries and special-purpose entities are carried out at prices and under conditions compatible with those practiced in the market. Among the main operations that took place with related parties, highlighted are the loans and financing granted which were established under market conditions and/or according to specific laws. Other operations were also made under normal market conditions.

Also, there are no operations with individuals deemed as related parties, except for shareholders.

	<u>Assets</u>	<u>Liabilities</u>	<u>Result</u>
SISTEMA DE TRANSMISSAO DO NORDESTE			
Permanent equity interest	193,244		
Suppliers		1,151	
Service revenues			1,854
Equity revenue			33,262
Charges for use of the grid			(10,410)
	<u>193,244</u>	<u>1,151</u>	<u>24,706</u>
7 GAMELEIRAS			
Permanent equity interest	158		
Equity expense			(3)
	<u>158</u>		<u>(3)</u>
SÃO PEDRO LAGO			
Permanent equity interest	157		
Equity expense			(4)
	<u>157</u>		<u>(4)</u>
PEDRA BRANCA			
Permanent equity interest	158		
Equity expense			(3)
	<u>158</u>		<u>(3)</u>
TDG			
Permanent equity interest	13,018		
Equity expense			(3)
	<u>13,018</u>		<u>(261)</u>
INTESA			
Permanent equity interest	28,530		
JCP/Dividends	676		
Suppliers		903	

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	<u>Assets</u>	<u>Liabilities</u>	<u>Result</u>
Charges for use of the grid			(8,045)
Equity revenue			2,844
	29,206	903	(5,201)
EAPS			
Permanent equity interest	61,286		
Equity expense			(330)
	61,286		(330)
EAPSA			
Permanent equity interest	61,985		
Equity	(699)		
Equity expense			(699)
	61,286		(699)
ANDE			
Consumers and resellers	74,717		
Others	7,420		
Miscellaneous liabilities		27,578	
Service revenues			179,121
Financial revenue			4,461
Financial expenses			20
Other expenses			(32,353)
	82,137	27,578	151,250
ÁGUAS DA PEDRA			
Permanent equity interest	123,271		
Equity	(699)		
Equity expense			(1,029)
	122,572		(1,029)
ESBR (Energia Sustentável)			
Permanent equity interest	824,002		
Other comprehensive income		(2,170)	
Equity expense			(7,937)
Other expenses			(1,235)
	824,002	(2,170)	(9,172)
MANAUS TRANSMISSÃO			
Permanent equity interest	(18,187)		
Other comprehensive income		(466)	
Equity expense			(8,981)
	(18,187)	(466)	(8,981)
MANAUS CONSTRUÇÃO			
Permanent equity interest	5,949		
Equity revenue			5,948
	5,949		5,948

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	<u>Assets</u>	<u>Liabilities</u>	<u>Result</u>
INTERLIGAÇÃO ELÉTRICA DO MADEIRA			
Permanent equity interest	123,147		
Equity revenue			2,066
Financial revenue			2,065
	<u>123,147</u>		<u>4,131</u>
EMPRESA NORTE ENERGIA			
Permanent Equity Interest	26,669		
Equity expense			(333)
	<u>26,669</u>		<u>(333)</u>
FACHESF			
Suppliers		1,695	
Regular contribution		11,179	
Actuarial contracts		107,452	
Financial expense			(41,637)
Operating expenses			(94,311)
		<u>120,326</u>	<u>(135,948)</u>
ENERPEIXE			
Accounts receivable	895		
Consumers and resellers	452		
JCP/Dividends receivable	8,000		
Permanent equity interest	481,020		
Financial revenue			47,321
Revenues from electricity grid usage			4,319
Service revenues			6,581
	<u>490,367</u>		<u>58,221</u>
TRANSLESTE			
Permanent equity interest	22,745		
JCP/Dividends receivable	1,021		
Suppliers		(29)	
Accounts payable		(93)	
Financial revenue			4,298
Electricity grid usage charges			(1,010)
	<u>23,766</u>	<u>(122)</u>	<u>3,288</u>
TRANSUDESTE			
Accounts receivable	20		
Permanent equity interest	13,497		
JCP/Dividends	1,971		
Accounts payable		(58)	
Suppliers		(18)	
Financial revenue			2,449
Service revenues			115
Electricity grid usage charges			(626)

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	<u>Assets</u>	<u>Liabilities</u>	<u>Result</u>
	15,488	(76)	1,938
TRANSIRAPÉ			
Permanent equity interest	10,327		
JCP/Dividends	1,578		
Accounts payable		(40)	
Suppliers		(10)	
Financial revenue			1,796
Electricity grid usage charges			(426)
	<u>11,905</u>	<u>(50)</u>	<u>1,370</u>
CENTROESTE			
Advances for future capital increase	17,223		
Permanent equity interest	25		
Accounts receivable	370		
Suppliers		(12)	
Accounts payable		(40)	
Service revenues			360
Electricity grid usage charges			(247)
	<u>17,618</u>	<u>(52)</u>	<u>113</u>
BAGUARI			
Advances for future capital increase	<u>82,172</u>		
	82,172		
RETIRO BAIXO			
Advances for future capital increase	50,210		
Permanent equity interest	56,626		
Service revenues			4,431
Financial revenue			600
	<u>106,836</u>		<u>5,031</u>
SERRA DO FACÃO ENERGIA			
Accounts receivable	53		
Advances for future capital increase	47,677		
Permanent equity interest	142,881		
Accounts payable		(10,059)	
Service revenues			1,578
Financial revenue			(40,334)
Other expenses			(59,690)
	<u>190,611</u>	<u>(10,059)</u>	<u>(98,446)</u>
CHAPECOENCE			
Permanent equity interest	279,516		
Financial expenses			(6,287)

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	<u>Assets</u>	<u>Liabilities</u>	<u>Result</u>
	279,516		(6,287)
INAMBARI			
Accounts receivable	479		
Permanent equity interest	5,660		
Financial revenue			(1,076)
Service revenues			1,008
	<u>6,139</u>		<u>(68)</u>
TRANSENERGIA RENOVÁVEL			
Accounts receivable	12		
Permanent equity interest	39,597		
Service revenues			251
Financial expense			(926)
	<u>39,609</u>		<u>(675)</u>
MADEIRA ENERGIA			
Permanent equity interest	38,928		
Financial expense			(79,733)
	<u>38,928</u>		<u>(79,733)</u>
TRANSENERGIA SÃO PAULO			
Permanent equity interest	4,537		
Financial expenses			(50)
	<u>4,537</u>		<u>(50)</u>
TRANSENERGIA GOIÁS			
Permanent equity interest	2,768		
Financial expenses			(87)
	<u>2,768</u>		<u>(87)</u>
MGE TRANSMISSÃO			
Permanent equity interest	8,665		
Financial expenses			(562)
	<u>8,665</u>		<u>(562)</u>
GOIÁS TRANSMISSÃO			
Permanent equity interest	13,169		
Financial revenue			
Financial expenses			(1,087)
	<u>13,169</u>		<u>(1,087)</u>
BRASVENTO EOLO			
Permanent equity interest	2,232		
Advances for future capital increase	2,231		
	<u>4,463</u>		
BRASVENTO MIASSABA			

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	<u>Assets</u>	<u>Liabilities</u>	<u>Result</u>
Advances for future capital increase	6,670		
	6,670		
REI DOS VENTOS			
Advances for future capital increase	4,392		
	4,392		
FEDERAL GRANTOR			
Consumers and concessionaires	16,430		
Energy supply			76,563
Other revenues			11,615
	16,430		88,178
REAL GRANDEZA			
Accounts receivable	1,291		
Regular contribution		5,140	
Actuarial debt agreements		83,735	
Other liabilities		52,445	
Actuarial provisions			(11,277)
Debt charges			13,425
Maintainer's regular contribution			11,929
Financial expenses			(98,490)
Administrative expenses contribution			2,899
Sponsor contribution			
Other revenues			155
Other expenses			(148,207)
	1,291	141,320	(229,566)
ETAU			
Accounts receivable	50		
JCP/Dividends receivable	1,975		
Permanent equity interest	14,935		
JCP/Dividend revenue			3,833
Equity			8,367
	16,960		12,200
ARTEMIS			
Accounts receivable	466		
JCP/Dividends - permanent	2,676		
Permanent equity interest	75,786		
Equity revenue			7,317
JCP/Dividend revenue			7,840
	78,928		15,157
UIRAPURU			
Accounts receivable	4,207		
Permanent equity interest	24,455		
JCP/Dividends receivable	985		

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	<u>Assets</u>	<u>Liabilities</u>	<u>Result</u>
JCP/Dividend revenue			1,823
Equity			3,474
	29,647		5,297
RS ENERGIA			
Accounts receivable	1,546		
Permanent equity interest	142,646		
JCP/Dividends receivable	1,077		
Equity expense			(490)
	145,269		(490)
CERRO CHATO I			
Advances for future capital increase	14,131		
Equity expense			(180)
	14,131		(180)
CERRO CHATO II			
Advances for future capital increase	14,131		
Equity expense			(180)
	14,131		(180)
CERRO CHATO II			
Advances for future capital increase	14,131		
Equity expense			(180)
	14,131		(180)
NORTE BRASIL			
Permanent equity interest	9,459		
Equity revenue			186
	9,459		186
CONST. INTEGRAÇÃO			
Permanent equity interest	4,624		
Equity revenue			4,624
	4,624		4,624
PORTO VELHO			
Accounts receivable	4		
Permanent equity interest	192,759		
JCP/Dividends receivable	768		
Equity revenue			3,034
	193,531		3,034
AMAPARI			
Permanent equity interest	41,533		

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	<u>Assets</u>	<u>Liabilities</u>	<u>Result</u>
Equity	(1,207)		
Other assets	103		
Equity revenue			768
	<u>40,429</u>		<u>768</u>
PREVINOORTE			
Pension contributions		5,128	
Actuarial expenses			(85,604)
		<u>5,128</u>	<u>(85,604)</u>
NUCLEOS			
Actuarial agreements cons, Ddbt			
Other liabilities		102,390	
Pension contributions (regular, etc)		2,050	
Maintainer's regular contribution			8,657
Actuarial provision			(6,472)
		<u>104,440</u>	<u>2,185</u>
FIBRA			
Accounts payable		43,031	
Regular contribution		2,546	
Other liabilities			
Pension contributions			(17,298)
Actuarial expenses			
Financial expenses			(4,400)
		<u>45,577</u>	<u>(21,698)</u>
CAJUBI			
Accounts payable		2,299	
Regular pension contributions		4,749	(16,845)
Other liabilities		479,862	
Actuarial expenses			(320,751)
Financial expenses			(20)
		<u>486,910</u>	<u>(337,616)</u>

Remuneration of Key Personnel

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Remuneration of Directors and Counsels	24,545	16,435
Salaries and social charges	4,821	4,167
Others	<u>3,051</u>	<u>2,554</u>
	<u>32,417</u>	<u>23,156</u>

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46 Main Consolidated Financial Statement Impacts resulting from the first-time adoption of IFRS as compared to U.S GAAP

We present below the reconciliations between the shareholders' equity under U.S. GAAP presented in the consolidated financial statements included in the December 31, 2009 Form 20-F filed with the SEC, as at December 31, 2008 (equivalent to the date of transition to IFRS, January 1, 2009) and at December 31, 2009 and the comprehensive income (loss) under U.S. GAAP for the year ended at December 31, 2009 and the corresponding balances as adjusted to IFRS.

Presented below are the explanations regarding relevant adjustments impacting the shareholders' equity and the comprehensive income (loss):

	As of the transition date January 1, 2009	As of December 31, 2009
Shareholders' equity as originally presented under US GAAP	69,730,480	69,797,754
Post employment obligations (h)	238,410	107
Fixed assets (a), (c), (f)	561,991	1,793,196
Fair value of investments (b)	(2,326,343)	(3,610,178)
Equity (b)	446,727	1,673,157
Shareholders Remuneration (g)	9,336,958	-
Regulatory assets and liabilities (e)	(232,896)	(283,815)
Consolidation adjustments (a) (d)	(167,405)	(54,920)
Others	(278,016)	63,749
Shareholders' equity as presented under IFRS	77,309,906	69,379,050

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46 Main Consolidated Financial Statement Impacts resulting from the first-time adoption of IFRS as compared to U.S GAAP —Continued

Comprehensive income (loss) as originally presented under US GAAP	For the year ended December 31, 2009		
	Net Income	Other Comprehensive Income	Total Comprehensive Income
As originally presented under US GAAP	(1,633,485)	2,522,195	888,710
Impairment Reversal	673,232		673,232
Pension Plan	454,373	1,045,555	(591,182)
Consolidation	597,566	472,416	1,069,982
Income TAX	(137,304)		(137,304)
IFRIC 12	(74,456)		(74,456)
Equity	1,346,502	807,523	538,979
Others	(23,712)	8,556	(4,844)
As presented under IFRS	1,250,140	1,112,977	2,363,117

Presented below are the explanations regarding relevant adjustments in the balance sheets and in the income statement:

a) Itaipu Binacional Consolidation

Itaipu Binacional is a joint venture owned equally by ELETROBRAS and ANDE - Administración Nacional de Eletricidad (a company owned by the Government of Paraguay). It was created by an international treaty entered into by the governments of Brazil and Paraguay, which establishes the overall terms and conditions that apply to Itaipu Binacional, ELETROBRAS is responsible for acquiring and reselling its share (50%) of the electric power generated by Itaipu Binacional and all the relevant decisions are taken by unanimously. For IFRS purposes, Itaipu Binacional is classified as a joint venture, which the Company accounts for by a proportional consolidation (50%).

However, Itaipu Binacional shareholders' equity is not sufficient to allow it to fund its activities, consequently, it needs financial support from ELETROBRAS and the Brazilian Federal Government (ELETROBRAS' majority shareholder). Of ITAIPU's BINACIONAL debt, 42% is financed by ELETROBRAS and 56% by the Brazilian Treasury. In addition, even though ELETROBRAS is responsible for commercializing its share (50%) of the electric power generated by Itaipu Binacional, historically the Company has been responsible for the consumption of about 96% of all the electric power generated by Itaipu Binacional.

Based on the reasons discussed above, Itaipu Binacional has been fully included in the US GAAP consolidated financial statements of ELETROBRAS, in accordance with ASC-810 Consolidation. The adjustments noted in the "Itaipu" column relate to the additional 50% consolidated for US GAAP purposes.

b) Investments

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Under US GAAP, ASC 320, “Investments in Debt and Equity Securities”, an entity, at acquisition, shall classify equity securities into trading securities, available for sale securities or held-to-maturity and it is also permitted for entities to measure investments in debt and equity securities at fair value when there is readily determinable fair value information.

Investments in associates were not accounted using equity method under USGAAP due to the inability of obtaining financial information from such associates, therefore it was concluded that there was no significant influence under USGAAP (ASC 323 “Investments: Equity method and Joint ventures”). Accordingly, investments in associates were classified as available for sale securities. These investments are recognized at their publicly quoted market price, when available and under cost basis as per ASC 325 “Cost method investments” when readily determinable fair value information is not available.

Under IFRS, these investments in associates have been accounted for using the equity method, and as a result, the fair value adjustment under US GAAP was reversed and the respective equity method adjustment has been recorded, including dividends received.

c) IFRIC 12

According to IFRIC 12, when an operator is remunerated by the users of public service, arising from obtaining the right to charge them a given price and for a period agreed with the grantor, the amount extended by the operator in the acquisition of this right is recognized as an intangible asset.

On the other hand, when the remuneration of the investment made by the operator is the responsibility of the grantor, and the agreement establishes that there is an unconditional right to receive cash or other financial asset, whether or not the infrastructure (demand) is actually used over the period of the concession, a financial asset must be recognized. This was applied for the Company’s transmissions concessions, and thus, resulted in the recognition of a financial asset.

In the electricity generation business, except for Itaipu and Amazonas Energia, IFRIC 12 is not applicable, and the infrastructure remains classified as fixed assets. However, the interpretation is applicable to electricity distribution and transmission, and these businesses qualify in the mixed model (a split between intangible and financial assets) and in the financial model, respectively.

With respect to Itaipu, all of the infrastructure was classified as being in the scope of IFRIC 12 due to the following specific facts:

- Itaipu Binacional is governed by a Bilateral Treaty signed in 1973 in which were established tariff conditions, the basis of tariff formation being determined exclusively to cover expenses and the debt service of this Company.
- Tariff basis and trading terms are in force until 2023, which corresponds to a significant part of the useful life of the plant.

The infrastructure was classified as a financial asset under IFRS, which was treated as fixed assets under USGAAP. This resulted in the reclassification of accounts receivable, reimbursement rights, fixed assets, reimbursement obligations, and suppliers as a financial asset. There was also an impact on income statement mainly due to differences between amortization rates based on concession terms for IFRS and regulatory depreciation rates for USGAAP purposes.

d) Consolidation of SPE’s

Special purpose entities (“SPE”), which were previously not consolidated, started to be consolidated in compliance with IFRS. The Company started to take into effect the proportional consolidation of the investments qualifying as joint venture from January 1, 2009. These entities were not

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consolidated for US GAAP purposes due to the inability of obtaining financial information from such entities.

e) Regulatory Assets and Liabilities

Under US GAAP, the recoverable costs to be deferred under ASC 980 – Regulated Operations, are classified as Deferred Regulatory Assets since this amount will be recovered through future tariffs.

However, for IFRS purposes, regulatory assets and liabilities subject to tariff adjustment in subsequent periods are not provided for in the current accounting framework of IFRS and, as such, were reverted in all presented periods.

f) Reversal of Impairment

In prior years, the Company recorded an impairment in the amount of approximately R\$ 673 million for certain electricity generation fixed assets. In 2009, a new analysis was performed by the Company, based mainly in a new fact which is related to the renewal of a concession for an additional period of 20 year of impaired assets. This fact resulted in the reversal of impairment under IFRS. However, impairment reversals are not allowed under US GAAP.

g) Shareholders remuneration

The Company declared dividends in prior years that, based on statutory law, were not paid due to the shortage of cash, and such dividends were recorded in a reserve in the equity accounts as allowed in the Brazilian legislation. Under USGAAP these dividends have always been recorded as a liability. Payment of these dividends was determined in 2009. For IFRS purposes these dividends were treated as liability only starting from December 31, 2009, thus reverting the liability under USGAAP against equity as of January 1, 2009.

h) Post employment obligations

Although there are no significant differences in the actuarial calculation of post-employment obligations for IFRS compared to US GAAP, it is required that the accumulated unrecognized actuarial gains and losses can be recognized at the first-time adoption of IFRS, in the opening balance as of January 1, 2009. Additionally, the Company is no longer applying the “corridor” approach for IFRS. Instead the Company recognizes all actuarial gain or losses through other comprehensive income, whereas the “Corridor” method was still applicable for US GAAP in 2009.

Under IFRS, the Company adopted the limit criteria for recognition of the actuarial asset as provided for in IFRIC 14, and the minimum funding requirements also provided for in the referred standard. These adjustments were taken into effect substantially in the opening balance.

i) Deferred Income and Contribution Taxes

In compliance with IAS 12, a number of adjustments result in a deferred income tax adjustment as they do not have an immediate impact for tax purposes.

47 Subsequent Events

I UHE Teles Pires

On January 19, 2011, the special purpose company Companhia Hidroelétrica Teles Pires was established for the purpose of building, generating and maintaining UHE Teles Pires. Eletrosul holds

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an equity interest of 24.5%, Furnas Centrais Elétricas S.A. holds 24.5%, Neoenergia S.A. holds 50.1% and Odebrecht Participações S.A. 0.90%.

II Interconnection of Manaus to SIN

The interconnection of the region to the National Interconnected System - SIN by means of construction of the 500 kV Transmission Line Tucuruí-Manaus, expected to be concluded in 2012. A federal government work budgeted at R\$ 3,340,000, will benefit, directly or by neighbouring detours, the cities of Uruará, Itapiranga, Silves, São Sebastião do Uatumã, Parintins, Maués, Barreirinha, Boa Vista do Ramos, Nova Olinda do Norte, Itacoatiara, up to the substation of Cariri in the Manaus region.

III Transformation of generating units - Bifuels

Continuing with the project of transformation of generating units for use of natural gas, R\$ 14,000 was invested for the conversion of two units MS70001B of Mauá plant and four units LM6000, expected to start commercial operations between January and March, 2011.

IV Broadband

Telecomunicações Brasileiras S.A. - Telebrás is negotiating with Eletrobras the use of its optic fiber network to put into practice the National Broadband Plan (PNBL), expected to be operational in 2011.

V Capital increase

The Decree w/No. of September 29th, 2010, authorized Eletrobrás to increase its capital by the means of a subscription of shares, using the amount equivalent to Advances for Future Capital Increase (AFAC). The Board of Directors, through Deliberation on June 29, 2010 and the 155th Extraordinary Shareholders' Meeting of Eletrobras, on January 11, 2011, approved the capital increase in the amount equivalent to R\$ 5,148,764, considering the private share subscription for holders of common shares and preferred shares Class "B", resulting in the issue of 220,277,010 new shares, distributed as follows: 182,026,770 common shares (ON) and 38,250,240 preferred shares, Class "B". Subscription in preferred shares, Class "A", given that these could be subscribed until June 1969, according to paragraph 1 of Article 8 of the by-laws of Eletrobras. The referred increase was granted by the 157th Extraordinary Shareholders' Meeting of Eletrobras, held on March 16, 2011. Capital increased from R\$ 26.156.567 to R\$ 31.305.331, divided into 1,087,050,297 common shares, 146,920 preferred shares Class "A" and 265,436,883 preferred shares Class "B", all with no par value. The shares issued through this subscription will be remunerated with the same amount of dividends per share, to be approved in the 51st Ordinary Shareholders' Meeting.

VI Energy tariff of Itaipu

The Senate approved, on May 11, 2011, the Legislative Decree Project authorizing the Brazilian government to increase from US\$ 120 million to US\$ 360 million per year the amount paid by Brazil for energy from Itaipu related to the part not used by Paraguay, with an impact on the resale tariff for consumers and, therefore, acquired without an impact on the results of the Company

VII Concession of UHE Xingó

The National Electricity Agency - ANEEL rejected, on May 10, 2011, the request for adjustment of the concession period of Usina Hidrelétrica Xingó. Such request was made to ANEEL in 2004 and the present action does not impact the Financial Statements of the Company, so Management adopted the assumption that, for this UHE, the final concession term in 2015 and, as a calculation base of the indemnification, the residual book value, a condition under which the decision of that Agency does not change the equity position and the Company's results.

Centrais Elétricas Brasileiras S.A. - Eletrobras

Explanatory Notes to the Consolidated Financial Statements for the year ended December 31, 2010

In thousands of reais

It is worth mentioning that the first of the 6 hydrogenerators of UHE Xingó started commercial operations in December, 1994, and the last one in August 1997. Therefore, by considering the final term of the concession in 2015, ANEEL understands that the total period of the concession, summed to its extension, is 20 years.

José da Costa Carvalho Neto
Chief Executive Officer

Armando Casado de Araújo
Financial and Investors' Relations Director

Valter Luiz Cardeal de Souza
Engineering Officer

Miguel Colasuonno
Administrative Officer

Pedro Carlos Hosken Vieira
Distribution Officer

José Antônio Muniz Lopes
Transmission Officer

João Vicente Amato Torres
Accountant
CRC-RJ-057.991/O-S-DF

* * *



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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.

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Management of
Centrais Elétricas Brasileiras S.A. - ELETROBRÁS

- 5 According to note 30, the Company recorded a provision for civil contingencies in the amount of R\$1,328,244 thousand in noncurrent liabilities for the claim, filed by certain legal entities, to receive full monetary adjustment on the amounts of compulsory loan collected on behalf of ELETROBRÁS. Based on the Company's legal counselors' opinion, who are not certain about the likelihood of unfavorable outcome of the corresponding lawsuits (in 2003 the likelihood of loss was classified as "possibility of unfavorable outcome of ongoing lawsuits"), and on a conservative basis, considering unfavorable low-court decisions and the lack of judgments in higher courts, management maintained the provision for contingencies, basically set up in prior years, in order to cover losses arising from unfavorable legal decisions. Given the controversy about the issue, under current circumstances we are unable to reach a conclusion on the outcome of the dispute, as well as the possible impacts on financial statements.
- 6 The financial statements of FURNAS - Centrais Elétricas S.A. for the year ended December 31, 2008 were reviewed by other independent auditors, whose opinion thereon, dated March 6, 2009 had an emphasis-of-a-matter paragraph regarding ICMS (State VAT) credits with the State of Mato Grosso, amounting to R\$49,374 thousand and recorded by FURNAS under current assets. On June 13, 2007, a Tax Action Conclusion Agreement was signed. It sets forth that the state government of Mato Grosso will compensate FURNAS, although the settlement of this credit depends on actions from the State of Mato Grosso Finance Department, regarding the period of its realization.
- 7 The financial statements of Centrais Elétricas do Norte do Brasil S.A. - ELETRONORTE, for the year ended December 31, 2008 were audited by us and our unqualified report, dated March 20, 2009, had emphasis referring to the fact that the financial statements of controlled company Boa vista Energia S.A. were prepared assuming its continuity as a going concern. The company, however, has been recording operating losses accumulated over the years and working capital deficiency, borne by its controlling shareholder through the inflow of funds for loans and capital increase. Accordingly, the company depends on its controlling shareholder contributing funds to continue as a going concern.



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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Management of
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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.
- 10 The financial statements of CTEEP - Companhia de Transmissão de Energia Elétrica Paulista for the year ended December 31, 2008 were examined by other independent auditors, whose unqualified opinion, dated March 13, 2009, had emphasis on the fact that according on the decision of the 49th



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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Management of
Centrais Elétricas Brasileiras S.A. - ELETROBRÁS

São Paulo Labor Court's Division, beginning in September 2005, the Fundação CESP began to prepare the payroll of the supplementary pension plan's beneficiaries ruled by Law 4.819/58. In January 2006, the State of São Paulo Office of the Attorney General changed its position, making it clear that the State Government's responsibility was restricted to the limits imposed by the state constitution on payment of retirement benefits. Since then, the State Government has disallowed part of the funds passed on to the company. The difference between the amount paid by the company and the part disallowed by the State Government is recorded under noncurrent assets. Supported by its legal counselors' opinion, the company's management understands that the responsibility for the payment of benefits in this case lies with the State Government. As a result, no obligation or provision for losses whatsoever has been recorded in connection therewith.

- 11 Formerly, we audited the financial statements (Company and Consolidated) for the year ended December 31, 2007, consisting of the balance sheet, statement of income, statement of changes in shareholders' equity and statement of changes in financial position, in addition to the supplementary information consisting of the statements of cash flows and of value added, on which we issued an opinion dated March 14, 2008, with a qualification similar to the one described in paragraph 3, emphasis-of-a-matter paragraphs similar to those described in paragraphs 5 to 10, and emphasis included in our report of February 20, 2008 of controlled company Centrais Elétricas do Norte do Brasil S.A. - ELETRONORTE, regarding the implementation of AT-83 table, as required by the Pension Fund Management Committee Resolution CGPC No. 18, of March 28, 2006, issue settled during the quarter ended September 30, 2008. As explained in note, 2, the Brazilian accounting practices were changed as from January 1, 2008. The financial statements for the year ended December 31, 2007, presented together with the 2008 financial statements, were prepared in accordance with Brazilian accounting practices in effect until December 31, 2007 and, as allowed by CPC Technical Pronouncement No. 13 – Initial Adoption of Law No. 11,638/07 and Executive Act No. 449/08 are not being republished with the adjustments for purposes of comparison between the years.
- 12 The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Rio de Janeiro, March 23, 2009

Luiz Carlos de Carvalho
Engagement Partner
BDO Trevisan Auditores Independentes

ANNEX A – GLOSSARY OF CERTAIN TERMS USED IN THIS OFFERING CIRCULAR

Unless the context otherwise indicates, references in this offering circular to the following terms have the following meanings:

- *ANDE: Administração Nacional de Electricidade;*
- *ANEEL: Agência Nacional de Energia Elétrica, the Brazilian Electric Power Agency;*
- *Average tariff or rate: total sales revenue divided by total MWh sold for each relevant period, including unbilled electricity. Total sales revenue, for the purpose of computing average tariff or rate, includes both gross billings before deducting VAT and other taxes and unbilled electricity sales upon which such taxes have not yet accrued;*
- *Basic Network: interconnected transmission lines, dams, energy transformers and equipment with voltage equal to or higher than 230 kV, or installations with lower voltage as determined by ANEEL;*
- *BNDES: Banco Nacional de Desenvolvimento Econômico e Social, the Brazilian Development Bank;*
- *Brazilian Corporate Law: Collectively, Law No. 6,404 of December 15, 1976, Law No. 9,457 of May 5, 1997 and Law No. 10,303 of October 31, 2001;*
- *Capacity charge: the charge for purchases or sales based on contracted firm capacity whether or not consumed;*
- *CCC Account: Conta de Consumo de Combustível, or Fuel Consumption Account;*
- *CCEAR: Contratos de Comercialização de Energia no Ambiente Regulado, contracts for the commercialization of energy in the Regulated Market;*
- *CDE Account: Conta de Desenvolvimento Energético, the energy development account;*
- *Ceam: Eletrobras Amazonas Energia, a distribution company that used to operate in the State of Amazonas. In March 2008, Ceam merged with Manaus Energia S.A. The resulting entity is Amazonas Energia S.A.;*
- *Cepel: Centro de Pesquisas de Energia Elétrica, a research center of the Brazilian electric sector;*
- *CGE: Câmara de Gestão da Crise de Energia Elétrica, the Brazilian Energy Crisis Management Committee;*
- *CMN: Conselho Monetário Nacional, the highest authority responsible for Brazilian monetary and financial policy;*
- *CNEN: Comissão Nacional de Energia Nuclear S.A., the Brazilian national commission for nuclear energy;*
- *CNPE: Conselho Nacional de Política Energética, the advisory agency to the President of the Republic of Brazil for the formulation of policies and guidelines in the Energy sector;*
- *Concessionaires or concessionaire companies: companies to which the Brazilian Government transfers rights to supply electrical energy services (generation, transmission, distribution) to a*

particular region in accordance with agreements entered into between the companies and the Brazilian Government pursuant to Law No. 8,987 (dated February 1995) and Law No. 9,074 (the Power Sector Law, dated July 7, 1995) (together, the “Concessions Laws”);

- *Distribution*: the transfer of electricity from the transmission lines at grid supply points and its delivery to consumers through a distribution system. Electricity reaches consumers such as residential consumers, small industries, commercial properties and public utilities at a voltage of 220/127 volts;
- *Distributor*: an entity supplying electrical energy to a group of customers by means of a distribution network;
- *DNAEE*: *Departamento Nacional de Águas e Energia Elétrica*, the Brazilian national department of water and electrical energy;
- *Electricity Regulatory Law*: Law No. 10,848 (*Lei do Novo Modelo do Setor Elétrico*), enacted on March 15, 2004, and which regulates the operations of companies in the electricity industry;
- *Eletrobras Distribuição Alagoas*, or *Distribuição Alagoas: Companhia Energética de Alagoas*, a distribution company operating in the State of Alagoas (Ceal);
- *Eletrobras Distribuição Acre*, or *Distribuição Acre: Companhia de Eletricidade de Acre*, a distribution company operating in the State of Acre (Eletroacre);
- *Eletrobras Amazonas Energia*, or *Amazonas Energia: Amazonas Energia S.A.*, a distribution company wholly owned by Eletrobras and operating in the State of Amazonas. Eletrobras Amazonas Energia was formed in 2008 as a result of the merger between Ceam and Manaus Energia S.A.;
- *Eletrobras: Centrais Elétricas Brasileiras S.A.* – Eletrobras;
- *Eletrobras CGTEE*, or *CGTEE: Companhia de Geração Térmica de Energia Elétrica*, a generation subsidiary of Eletrobras;
- *Eletrobras Chesf*, or *Chesf: Companhia Hidro Elétrica do São Francisco*, a generation and transmission subsidiary of Eletrobras;
- *Eletrobras Distribuição Piauí*, or *Distribuição Piauí: Companhia Energética de Piauí*, a distribution company operating in the State of Piauí (Cepisa);
- *Eletrobras Distribuição Rondônia*, or *Distribuição Rondônia: Centrais Elétricas de Rondônia*, a distribution company operating in the State of Rondônia (Ceron);
- *Eletrobras Distribuição Roraima*, or *Distribuição Roraima*, formally known as *Boa Vista Energia S.A.*, a distribution company operating in the city of Boa Vista, in the State of Roraima;
- *Eletrobras Eletronorte*, or *Eletronorte: Centrais Elétricas do Norte do Brasil S.A.*, a generation and transmission subsidiary of Eletrobras;
- *Eletrobras Eletronuclear*, or *Eletronuclear: Eletrobras Termonuclear S.A.*, a generation subsidiary of Eletrobras;
- *Eletrobras Eletropar*, or *Eletropar: Eletrobras Participações S.A.*, a holding company subsidiary created to hold equity investments (formerly, *Light Participações S.A.* – *LightPar*);

- *Eletrobras Eletrosul*, or *Eletrosul: Eletrosul Centrais Elétricas S.A.*, a generation and transmission subsidiary of Eletrobras;
- *Eletrobras Furnas*, or *Furnas: Furnas Centrais Elétricas S.A.*, a generation and transmission subsidiary of Eletrobras;
- *Energy charge*: the variable charge for purchases or sales based on actual electricity consumed;
- *Environmental Crimes Act*: Law No. 9,605, dated February 12, 1998;
- *Final consumer (end user)*: a party who uses electricity for its own needs;
- *FND: Fundo Nacional do Desestatização*, the national privatization fund;
- *Free consumers*: customers that were connected to the system after July 8, 1995 and have a contracted demand above 3 MW at any voltage level; or customers that were connected to the system prior to July 8, 1995 and have a contracted demand above 3 MW at voltage level higher than or equal to 69 kV;
- *Gigawatt (GW)*: one billion watts;
- *Gigawatt hour (GWh)*: one gigawatt of power supplied or demanded for one hour, or one billion watt hours;
- *High voltage*: a class of nominal system voltages equal to or greater than 100,000 volts (100 kVs) and less than 230,000 volts (230 kVs);
- *Hydroelectric plant or hydroelectric facility or hydroelectric power unity (HPU)*: a generating unit that uses water power to drive the electric generator;
- *IGP-M: Índice Geral de Precos-Mercado*, the Brazilian general market price index, similar to the retail price index;
- *INB: Indústrias Nucleares Brasileiras*, a Brazilian Government-owned company responsible for processing uranium used as power to provide electricity at Angra I and Angra II Nuclear Plants;
- *Installed capacity*: the level of electricity which can be delivered from a particular generating unit on a full-load continuous basis under specified conditions as designated by the manufacturer;
- *Interconnected Power System*: systems or networks for the transmission of energy, connected together by means of one or more links (lines and/or transformers);
- *Isolated system*: generation facilities in the North of Brazil not connected to the national transmission grid;
- *Itaipu: Itaipu Binacional*, the hydroelectric generation facility owned equally by Brazil and Paraguay;
- *Kilowatt (kW)*: 1,000 watts;
- *Kilowatt Hour (kWh)*: one kilowatt of power supplied or demanded for one hour;
- *Kilovolt (kV)*: one thousand volts;

- *Megawatt (MW)*: one million watts;
- *Megawatt hour (MWh)*: one megawatt of power supplied or demanded for one hour, or one million watt hours;
- *Mixed capital company*: pursuant to Brazilian Law No. 6,404 of December 15, 1976, a company with public and private sector shareholders, but controlled by the public sector;
- *MME*: *Ministério de Minas e Energia*, the Brazilian Ministry of Mines and Energy;
- *MRE*: *Mercado Regulado de Energia*, the Brazilian Energy Regulated Market;
- *National Environmental Policy Act*: Law No. 6,938, dated August 31, 1981;
- *Northeast region*: the States of Alagoas, Bahia, Ceará, Maranhão, Paraíba, Pernambuco, Piauí, Rio Grande do Norte and Sergipe;
- *ONS*: *Operador Nacional do Sistema*, the national system operator;
- *Power Sector Law*: Law No. 9,074 of July 7, 1997;
- *Procel*: *Programa Nacional de Combate ao Desperdício de Energia Elétrica*, the national electrical energy conservation program;
- *Proinfa*: *Programa de Incentivo as Fontes Alternativas de Energia*, the program for incentives to develop alternative energy sources;
- *RGR Fund*: *Reserva Global de Reversão*, a fund we administer, funded by consumers and providing compensation to all concessionaires for non-renewal or expropriation of their concessions used as source of funds for the expansion and improvement of the electrical energy sector;
- *Selic rate*: an official overnight government rate applied to funds traded through the purchase and sale of public debt securities established by the special system for custody and settlement;
- *Small Hydroelectric Power Plants*: power plants with capacity from 1 MW to 30 MW;
- *Substation*: an assemblage of equipment which switches and/or changes or regulates the voltage of electricity in a transmission and distribution system;
- *TFSEE*: *Taxa de Fiscalização de Serviços de Energia Elétrica*, the fee for the supervision of electricity energy services;
- *Thermoelectric plant or thermoelectric power unity (TPU)*: a generating unit which uses combustible fuel, such as coal, oil, diesel natural gas or other hydrocarbon as the source of energy to drive the electric generator;
- *Transmission*: the bulk transfer of electricity from generating facilities to the distribution system at load center station by means of the transmission grid (in lines with capacity between 69 kV and 525 kV);
- *TWh*: Terawatt hour (1,000 Gigawatt hours);
- *UBP Fund*: *Fundo de Uso de Bem Publico*, the public asset use fund;

- *U.S. GAAP*: United States generally accepted accounting principles;
- *Volt (V)*: the basic unit of electric force analogous to water pressure in pounds per square inch;
and
- *Watt*: the basic unit of electrical power.

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