



2007

Annual Report and Financial Statements



Eletrobrás 

A energia que movimenta o Brasil.





2007

Annual Report

Annual Report

2007

Message from the President

W622906 JLOU CUE M CRICUE



Eletrobrás finishes 2007 with great and renewed expectations. In another year of work, we reaffirmed our commitment with the country's development, taking part in the creation of a new institutional model for the Brazilian energy industry, investing in conservation and economy of resources and in alternative energy sources. With our minds and eyes in the future, we build a present of significant achievements. As a whole, they provide us with the assurance that we are living a single historic moment. Maybe one of the most important one, since the creation of the company, in 1962.

As essential investments for the Brazilian economy growth, we emphasize the conclusion of big generation and transmission works and the resume of structuring projects of the local interconnected system and of the isolated system. Itaipu gained an additional 1400 MW power after the installation of the two last machines. Tucuruí plant is today one of the biggest hydroelectric plant in the world in operation, with a total of 8370 MW capacity after the conclusion of the second phase. In Candiota C, after 23 years of interruption, more than R\$ 1 billion have been invested. In addition, it was granted authorization to resume the construction of Angra 3 Nuclear Power Plant, suspended for more than 20 years, and new enterprises were created, such as the plants of Santo Antônio and Jirau, in Madeira river, with resources of approximately R\$ 20 billion.

These are some of the different actions that consolidate the basis of the future energy sector in Brazil. But the future is also made with energy rationalization and conservation and with the development of alternative sources. Accordingly, Eletrobrás played an important role in the federal government programs. The program to Foster Alternative Sources of Electric Power (Proinfa) has implemented 144 enterprises, in a total of 3300 MW and private investments of approximately R\$ 10 billion. National Program for Electric Power Conservation (Procel) and the National Program of Efficient Public Lighting (ReLuz) Foster actions aiming at energy conservation and saving. And nearly 10 million Brazilian started to have electricity thanks to the program called *Luz para Todos*, the biggest program of electric power services provided to rural areas in the world.

We believe in a country that grows every day, propelled by currency stability, update and modernization of its industrial facilities, by the good results in the trade balance and by the special attention paid by the government of President Lula to strategic sectors. We believe in the prime role of the energy in this scenario. And we believe, mainly, that it is with knowledge, ideas and goals that we may build the future. To improve and strengthen them, Eletrobrás has invested nearly R\$ 43 million in training, improvement and expansion of Cepel's laboratories and human resources. And it has implemented Unise, a corporate university, betting on the improvement of the individual skills of its professionals and of the company itself.

And due to these facts, we hope for the best for the coming year. A certainty that may be reinforced after the approval of Provisional Measure 396, currently being voted by the Federal Senate. After being approved, it will cause changes in important aspects of Eletrobrás by-laws and its operating structure, enabling us to fly higher. Always guided by the energy of our most significant goals.

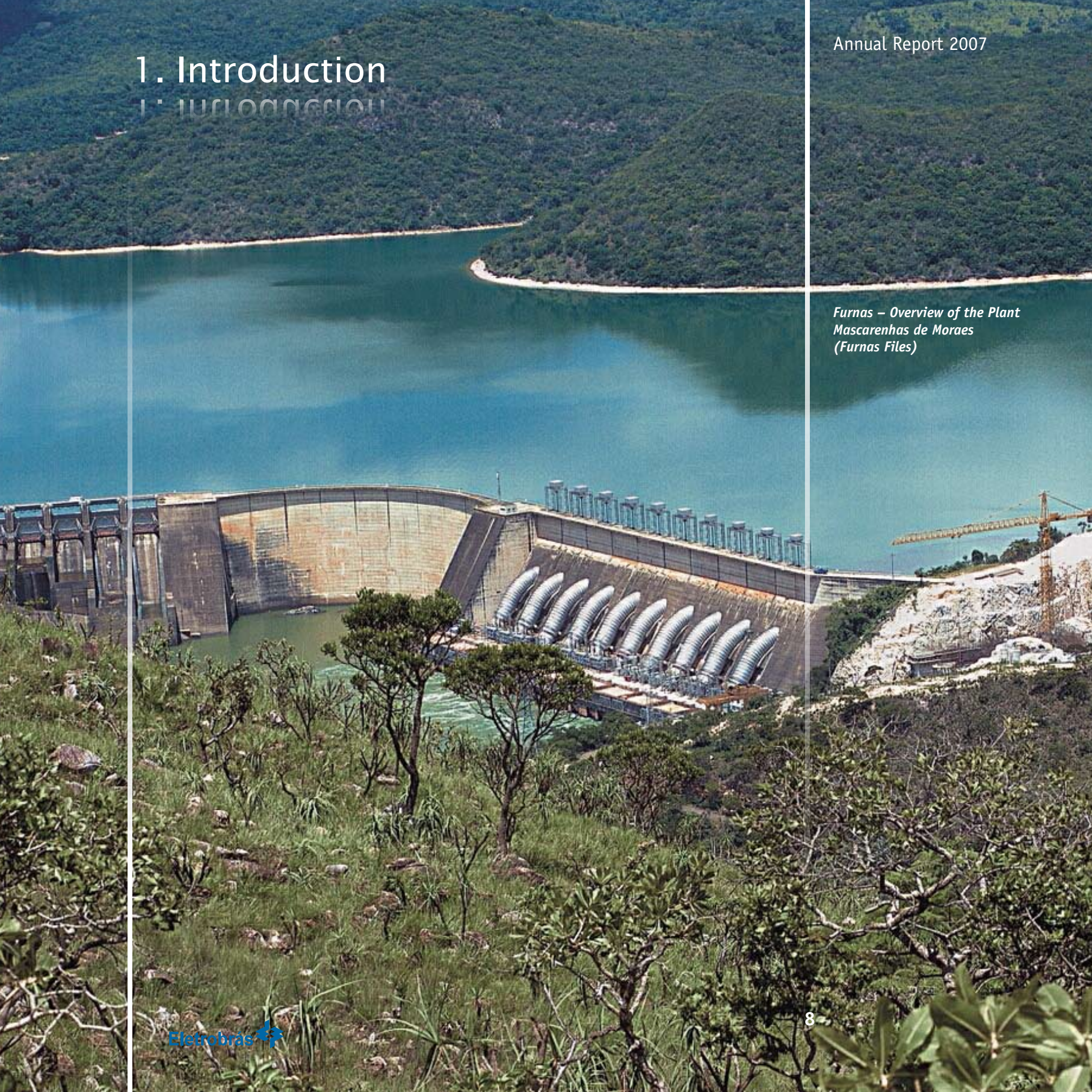
José Antonio Muniz
President of Eletrobrás

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1. Introduction

INTRODUCTION



*Furnas – Overview of the Plant
Mascarenhas de Moraes
(Furnas Files)*

Centrais Elétricas Brasileiras S/A – Eletrobrás is a public mixed-capital company controlled by the Federal Government, which holds 53.99% of common shares. It is the biggest holding of the energy industry in Latin America, and its shares are negotiated in the São Paulo Stock Exchange (Bovespa), in the Madrid Stock Exchange, in Spain, and in the over the counter market in the USA (American Depositary Receipts – ADR level 1). Eletrobrás' purpose, since its creation in 1962, has been the conduction of studies, projects, construction, operation of energy producing plants and electricity transmission and distribution lines.

The following energy generation, transmission and distribution companies are under Eletrobrás' control: Chesf, Furnas, Eletronorte, Eletronuclear, Eletrosul and CGTEE. The holding also controls Light Participações S.A. – Lightpar, in a joint system, Itaipu Binacional, pursuant to the International Treaty signed between Brazil and Paraguay. Also, it operates in energy distribution area by means of federal companies Eletroacre (Acre), Ceal (Alagoas), Ceam (Amazonas), Cepisa (Piauí) and Ceron (Rondônia), in addition to the distributors Manaus Energia and Boa Vista Energia S.A., fully subsidiaries of Eletronorte.

Eletrobrás system, which comprises the controlled companies, counts with a production installed capacity of 39753 MW* _ 39.6% of the local total amount _, distributed among 30 hydroelectric plants, 15 thermoelectric plants and two nuclear power plant. Transmission lines reach 56789 kilometers, representing 63% of the Brazilian system. Eletrobrás group works in an integrated way, adopting policies and guidelines defined by Eletrobrás Board of Directors, which are operated by the High Council of Eletrobrás (Consise), consisting of the presidents of the holding and of the controlled companies. Research and Development activities consist of the major attributions of the Electric Power Research Center (“Centro de Pesquisas de Energia Elétrica - Cepel”), created 34 years ago, which is the greatest institution of this type in the South hemisphere.

Eletrobrás is responsible for managing a portfolio of sectorial resources consisting of the Global Reversion Reserve (RGR), Energy Development Account (CDE), Public Assets Use (UBP) and Isolated System Fuel Consumption Account (CCC-Isol), which finances fossil fuels used in Isolated Systems located, in the great majority, in the Northern region of the country.

RGR and CDE resources finance three federal government programs: *Luz para Todos* – universalization of electricity access; the National Program of Efficient Public Lighting (*ReLuz*), and National Program for Electric Power Conservation (*Procel*). Such resources are also applicable to the financing of energy generation and transmission works financing.

* Itaipu included (7.000 MW)

1.2 Eletrobrás System

Operation area and total participation of Eletrobras
in the capital of controlled companies – December/2007



Companies	Transmission Lines (km)	Installed capacity (MW)
Eletronorte/Manaus Energia	10,448	9,782
Chesf	18,468	10,615
Eletronuclear	---	2,007
Furnas	19,278	9,782
CGTEE	---	490
Eletrosul	9,145	---
Itaipu	---	7,000
TOTAL	57,339	39,753

The expected growth in global economy for 2007 by the United Nations Organization is of 3.4%. The principal economies present moderate expansion rates, mainly in view of the US real estate crisis which affected the financial markets worldwide in the last quarter of the year.

The United States grew 2.2% in 2007, against the 3.8% registered in 2006. This was the lowest growth rate in the US economy in the past five years. The US commercial deficit decreased by 6.2%, compared to the prior year, mainly by virtue of the US dollar devaluate in relation to other principal currencies. Despite the decreased in general deficit, there has been an increase of 10.2% regarding the trade with China, reaching US\$ 256.3 billion a year.

In Japan, against the analysts' opinion, the economic growth exceeded the expected one. In 2007, the second biggest economy of the world grew 2.1%, although the estimation was of 1.5%. China, in its turn, obtained in 2007 the most significant economic growth of the past 13 years, and reached the rate of 11.4%. This is the fifth consecutive year in which the Chinese economy presented two-digit growth rate, confirming thus its position as the fourth biggest economy of the world, just behind the United States, Japan and Germany.

In Europe, preliminary data presented by Eurostat – European Union statistics agency – indicated that the economic activity of the continent increased 2.9%. Also according to the agency, unemployment rate reached 7.1%. By analyzing the principal European countries, we may note that the German economy growth in 2007 was of 2.5%, less than the 2.9% registered in 2006, basically in view of the increase in exports and the expansion of investments. As estimated, the French economy grew 1.9% in 2007, against the 2.2% of the prior year. Spanish economy, on the other hand, grew 3.8%, one tenth less than in 2006.

*Eletrobrás – Illustration by
Alexandre Wilson*



Petroleum

In 2007, the petroleum barrel price increased 57.21% compared to 2006. A performance similar to 2002, when the increase was of 57.26%. The strong demand for petroleum and fuels worldwide (principally in the USA, China and India) and the geopolitical tensions in the principal producing regions were the determining factors for the increase in commodity quotations. The price of intermediary petroleum in Texas (WTI, light) amounted to approximately US\$ 100, an amount that had no longer been seen since 1983.

Latin America

GNP expansion in the region is expected by 5.6% in 2007, the same rate reached in 2006, according to the Latin American and Caribbean Economic Committee (Cepal). Argentina, for example, reached 8.6%, the fifth consecutive year with rates in excess of 8%. Also, following the petroleum price rises, Venezuela maintained its expansion rhythm and grew 8.5% against the 10.3% in 2006.

According to Cepal report, in 2007, many of the principal characteristics of the current economic phase of the region identified in the past five years were maintained. Among the most important ones are: the surplus in current account (although in lower level), the improvement in exchange terms, the primary fiscal surplus, the decreasing unemployment, the increase in international reserves and reduction of the external debt.

The principal factors that contributed to the economic increase were: the increase in consumption and in capital investments. Direct Foreign Investment in Latin America ended the year with a balance of US\$ 77 billion, an increase of 69% compared to 2006, with emphasis on Brazil with US\$ 34.6 billion, followed by Mexico with US\$ 16 billion.

The Brazilian GDP growth is estimated by 5.4%, according to official sources. The Brazilian industrial GDP increased 6% in 2007, according to IBGE, which is the best result since the 8.3% in 2004.

The Trade Balance ended 2007 with a balance of US\$ 40,039 billion. The result was 13.8 % less than the one registered in 2006, according to the Ministry of Development, Industry and Foreign Trade which attributed this reduction to the valuation of the local currency compared to US dollar and Euro.

In 2007, exports totaled US\$ 160,683 billion, registering an increase of 16.6% in relation to the prior year. Imports increased 32%, from US\$ 91,351 billion, in 2006, to US\$ 120,583 billion, in 2007. Basic products have registered the best exporting performance with US\$ 51,59 billion, in 2007, representing an increase of 28.08%; sales of semi-manufactured products increased 11.7%, reaching US\$ 21,80 billion; and manufactured products, responsible for 52.3% of the total exported by the country in 2007, increased 11.9%, from US\$ 75,02 billion, in 2006, to US\$ 83,94 billion, in 2007.

In the capital and financial account of the payments balance, the item *portfolio investments* (public securities, shares, etc.) registered an increase of US\$ 47,9 billion against the US\$ 9,5 billion in 2006. Foreign investments in shares and fixed income securities significantly increased of 1.530% compared to the 240% of 2006, reaching, respectively R\$ 26,2 billion and R\$ 21,7 billion.

During 2007, the entry of direct foreign investments amounted to US\$ 34,6 billion, which represents an increase of 84,3% in relation to the prior year. According to Central Bank, this result represented a new record, exceeding the previous one, established in 2000, when US\$ 32,7 billion in investments entered Brazil. However, in that year there was a significant entry of funds due to privatizations. International reserves increased US\$ 94,5 billion, accumulating a record volume of US\$ 180,3 billion, in 2007.

Eletronuclear – Generator
Rotor of the Nuclear
Plant Angra 2
(Eletronuclear Files)



Monetary policy and inflationary goals

The monetary policy adopted by the federal government, through the Brazilian Central Bank (Bacen), had, as a guideline, the inflationary control, using the goals system. For 2007, the goal was established by 4.5% for the official index, the Wide Consumers Prices Index (“Índice de Preços ao Consumidor Amplo – IPCA”), and there may be deviations of 2% for more or less, called upper and lower band, respectively. In view of the price behavior along the year, the Monetary policy Committee (Copom) followed a policy of interest rate reduction in 2007.

The inflation measured by IPCA ended 2007 in 4.46%. With a weight of 21.44% in the index, the food and beverages group was the major responsible for the increase of 10.79% in 12 months. Non-food products, with weight of 78.56%, increased 2.83% in the accumulated of the year due to reduced variations in items such as fixed telephony (0.34%), electricity (-6.16%), real estate (1.76%), and other.

The General Market Price Index (IGP-M) ended the year with an increase of 7.75% against the 3.14% in 2006. The said index is much sensitive to exchange variations, since 60% of its weigh refer to wholesale products, much more than those referenced in US dollar. Considering the devaluation of the US currency against Real, we may note that the exchange was not a determining factor for the noted increase. In a nutshell, (INCC – National Index of Construction Cost) increased 4.6% (civil construction), and its participation of 10% in the formation of the index; the IPC (consumer), which corresponds to 30%, registered an increase of 4.5%; and IPA (wholesale), increased 9.9%, contributing to 60% of the said index.

Public Finances

The primary surplus fostering policy continued in 2007. The Need of Public Sector Financing (“Necessidade de Financiamento do Setor Público – NFSP”), in the primary concept, ended 2007 with -3.98% of the GDP, exceeding the goal of -3.8%. The federal government was responsible for the greatest part of the tax effort, 4.11% of the GDP, followed by state governments (0.48%) and public companies (0.48%). Nominal rates decreased from 6.86% of the GDP, in 2006, to 6.25%, in 2007, causing a reduction in nominal NFSP at the rate of 0.73%.

The federal public debt increased by 7.8% compared to 2006, reaching R\$ 1.334 trillion. Even though, it as below the goal estimated by the National Treasury which, due to the financial crises (subprime) of the second semester, interrupted the launching of new papers. The increase of 12% of the DPMFi (internal debt) was responsible for the increase of the total public debt of the federal government, from R\$ 1,093.5 trillion, in 2006, to R\$ 1,224.9 trillion, in 2007. The external debt ended 2007 in R\$ 108,88 billion, with a decrease of 24.1% in relation to 2006 (R\$ 143.5 billion). Real valuation and the buyback program, in addition to the fact that the contractual debt and bonds due date exceeded the new emissions and the contracts were responsible for the reduction of this debt portion.

The economic-political stabilization of the country has benefited the postponement of the public debt payment. Federal government considered positive the management of the public debt in 2007. In fact, the average maturity of papers was increased from 35 months in 2006, to 39 months in 2007, which contributed to a reduction in refinancing risk. Also, we may note the continuity of the reduction of Exchange indexed securities (12.7% and 8.2% for 2006 and 2007, respectively) and the Selic rate (33.4% in 2006 and 30.7% in 2007). Prefixed securities, jointly with those remunerated by price indexes have consolidated as the principal financing instruments of the federal government, from 51.8%, in 2006, to 59.2%, in 2007.

São Paulo Stock Exchange

Ibovespa index registered profitability of 43.65% in 2007, closing the year with 63.886 points. Market value of companies with shares listed at Bovespa reached R\$ 2,477.6 billion in December 2007, an increase of 60.4% in relation to the prior year. Companies that integrate the Bovespa index portfolio and Brasil index (IbrX-100) are responsible for 71.2% and 75.9%, respectively, of the total capitalization value. Sectors with activities of greater market value in 2007 were: Financial institutions, with R\$ 473,7 billion (19.1% of the total); Oil, Gas and Biofuel, with R\$ 437,2 billion (17,6%); Mining, with R\$ 291,7 billion (11.8%); and Electricity, with R\$ 182.0 billion (7.3%). This excellent performance was followed by the exceeding historical maximum values and also by the greatest financial volume in the Stock Exchange history.

Foreign capital increase was, once again, the biggest responsible for the index valuation, comprising 34.5% of the total volume, below the 35.5% of 2006. Foreigners' participation in public share offers was significant, including IPOs (initial public share offers), of 75.8%. Foreign funds flow to the Brazilian stock market amounted to R\$ 45.2 billion, resulting in R\$ 49.4 billion in acquisitions made by foreigners in public share offers and deficit in direct negotiation at Bovespa, which amounted to R\$ 4,2 billion.

Bovespa ended 2007 with 64 initial public stock offers, an increase of 146%, which represented a generation of R\$ 55.5 billion against the R\$ 30.4 billion of 2006. The factors responsible for the exception performance of the stock Exchange may be attributed to the high international liquidity, the good performance of the productive sector, controlled inflation, decreasing interest and credit expansion.

Another aspect that contributed to the boom of the Brazilian capital market was the increase of 108% in the number of individual investors, from 219.634 accounts in 2006, to 456.557, in 2007. Stock Exchange reached a daily business average of 152.872 – an increase of 74,7% in relation to 2006, while the total negotiated volume increased by 100,3%, reaching R\$ 1,2 trillion. Accordingly, the daily average raised to R\$ 4,9 billion, 101.1% in excess of the R\$ 2,4 billion in 2006.

1.5 Electricity Market

Electricity supply market in 2007 totalled 367.278 GWh, representing an increase of 4.9% in relation to the prior year (Table 1). Considering the market evolution per subsystems, it is important to note performance of the Isolated and Northeast subsystem, of which increase rates were of 6.1% and 6.3% respectively.

However, in relation to the spatial distribution of electricity consumption, Southeast /Mid-West represented 59.3% of the Brazilian supply market, while Interconnected South, Northeast, North subsystems and Isolated systems amounted to 17.4%, 14.2%, 7% and 2.1%, respectively.

By analyzing the market based on consumption class viewpoint, it is possible to identify the characteristics of electricity consumption of each one of the subsystems. While in the North and South the commercial class was the one that presented the highest increase rates (8.1% and 8.4%, respectively), in Isolated Systems and in Northeast, the performance of the industrial class was the most significant one (5.2% and 6.2%, respectively). In Southeast / Mid West, the greatest increase was noted in Commercial and Residential classes (6.1% and 5.2% respectively) (Table 2).

Among the aspects that interfered during 2007 in the electricity market behavior in residential consumption class, we may highlight the expansion of credit offer, the decrease in interest rate, stimulating the sales of electrical appliances, the good performance of civil construction and the expressive increase in the quantity of new residential connections, arising from the program *Luz para Todos*. These aspects consisted of a favorable environment so that the growth of this consumption class could exceed the total market growth.

On the other hand, the significant increase in the imported *quantum* in all use categories, mainly in durable consumption goods (increase of 54.4% in the accumulated January-October 2007, compared to the same period in the prior year), limited the increase of the consumption of the Industrial class (domestic demand met by an increasing portion of goods externally manufactured).

In relation to Other Classes (a combination of public illumination, rural, public service, public power and own consumption), it is important to note the increase in rural consumption, mainly in view of the program *Luz para Todos* in the North and Northeast and the greater use of irrigation.

[Table 1]

Supply Market* - Brazil 2003-2007 (GWh)					
Class	2003	2004	2005	2006	2007
Residential	76,162	78,470	82,650	85,784	90,940
Industrial	136,221	146,065	149,040	157,423	136,323
Commercial	47,531	49,686	52,939	55,224	58,874
Other Classes	47,073	46,551	49,936	51,796	54,141
Total	306,987	320,772	334,565	350,227	367,278

*Source: EPE - Captive Consumption + Free Consumption

*Furnas – Bateias Substation –
Preventive Maintenance
(Furnas/Clayton Duarte Files)*



[Table 2]

Increase rates – Supply market (*)
Consumption and Subsystem Classes 2006/2007 (%)

Subsystem	Residential	Industrial	Commercial	Other	Total
Isolated Systems	5.6	5.2	6.0	7.9	6.1
Interconnected North	9.7	4.0	8.1	7.6	5.3
Interconnected Northeast	7.4	6.2	6.5	4.6	6.3
Southeast/Mid West	5.2	2.9	6.1	5.1	4.3
South	6.9	4.6	8.4	1.8	5.2
Brazil	6.0	3.7	6.6	4.5	4.9

*Source: EPE /Captive Consumption + Free Consumption

1.6 Evolution of Operating Data of Affiliates

General information	Consolidated –Eletrobrás System				
	2003	2004	2005	2006	2007
Installed capacity (MW)*	35,398	36,282	37,056	37,941	39,735
Transmission lines (km)	55,512	55,869	56,443	56,544	56,789
Own generation (GWh)**	207,842	212,266	218,955	241,162	233,112
Energy sold (GWh)**	233,615	218,718	221,087	243,105	239,998
Employees*	21,685	22,332	23,076	24,998	26,177

*It includes 50% of Itaipu and the subsidiaries Eletronorte Manaus and Boa Vista Energia.

*Cepel – High Voltage
Laboratory
(Cepel/Milton
Maurente Files)*



In line with the policy to consolidate and expand its operations in the international energy sector, Eletrobrás participated, jointly with the Ministry of Foreign Affairs in understandings with entities from Latin America countries, with the purpose of meeting the three technical cooperation projects that should be signed in 2008.

Two of them resulted at the request of Instituto Costarricense de Eletricidade (ICE) and were sent to Furnas and Cepel, in view of the interest areas: maintenance of electric power plants and certification of laboratories, respectively. The third, resulting from a request of the Venezuelan CVG Edelca to Cepel, basically involves cooperation in technical and laboratorial training.

In addition, the pursuit of business opportunity prospection of mutual interest in Africa - Angola and Namibia, jointly with Furnas continued. Supporting the Ministry of Mines and Energy, Eletrobrás also took part in negotiations related to inventory survey of area of the Uruguai river, on the frontier of Brazil and Argentina. Such survey is also supported by the International Treaty signed in 1982 between these both countries.

With the purpose of fostering regional integration, Eletrobrás holder of the Chairmanship and the management of the Executive Secretariat of the Brazilian Committee of Energy Integration (Bracier) and Regional Committee (Cier), took part in two international meetings held by the Committee, in Uruguay and in Colombia.

In 2007, Bracier concluded the project "Diagnosis of energy efficiency situation in South America countries", which purpose is to carry out a diagnosis of the energy efficiency situation and seeking subsidies so that the 10 member countries of South America may have the opportunity to elaborate local incentive policies for the development of the matter. The results showed many needs, opportunities and great potential in this region, but also concluded that the expertise developed in some countries, by means of their experience and competences, enables the provisioning of solutions to meet energy integration and sustainability in the region.

Outside the regional scenario, in 2007 Eletrobrás took part in an agreement to provide international consulting services to Três Gargantas plant, at the request of China Three Gorges Project Corporation – CTGPC to Itaipu. It was also visited by foreign delegations from Costa Rica, China, Equator, France, Russia, Poland, England, Korea, Zimbabwe, El Salvador, India and Nigeria.

1.8 Strategic Planning

Continuing the work developed in 2006, part of the Work Groups created for the development of the Action Plans – indispensable for meeting the Strategic Goals – concluded their works, resulting in Resolutions approved by the Board of Directors, as follows:

Corporate Strategy N° 2 – Investments/ New Businesses

- **Action Plan1:** Establishment of Physical and Financial Goals Agreements of Eletrobrás with the federal government and with its affiliates and of Business and Social and Environmental Responsibility Guidelines for the affiliates.
- **Action Plan2:** Detailed studies for the elaboration of a proposal of the business types of **Eletrobras'** potential interest. Development of a work process for regular prospection of information in order to enable that the creation of business opportunity may have a proactive nature in the company. Development of institutional and financing modeling for each type of potential business, with the purpose of attracting new investments and new investors.
- **Action Plan3:** Proposal of the following guidelines for new partnership model at **Eletrobras** System and with its private partners:
 - o Coordination, by **Eletrobrás**, of the participation of affiliates in all partnerships, providing synergy of the Eletrobras system's results;
 - o Direct corporate participation by **Eletrobrás**, jointly with the affiliates, in partnerships of the system;
 - o **Eletrobrás'** participation by means of non-redeemable ordinary and preferred shares, enabling the continuation of the enterprise until the end of concession;
 - o Limitation of the participation of **Eletrobrás** System companies by 49% of the capital stock, in case of partnership, preferably with participation of the holding **Eletrobrás**;
 - o Sedimentation of the category of strategic partner of **Eletrobrás** system, and not only as an affiliate, which will be selected based on criteria such as risk x return profile and long-term view;
 - o Creation of Investment Committees of the affiliates, with representation at **Eletrobrás**.

*Eletronuclear – Generator Pool
of the Nuclear Plant Angra 2
(Eletronuclear Files)*

Corporate Strategy N° 4 – Share portfolio

- **Action Plan1:** Implementation of Share Portfolio Management Policy of Eletrobrás, with its own methodology structuring and adoption of qualitative and quantitative indicators.

Corporate Strategy N° 10 – Company's Image

- **Action Plan1:** Structuring of an integrated communication policy involving Marketing, Social Responsibility and Environment.
- **Action Plan2:** Definition of criteria for granting of sponsorships.
- **Action Plan3:** Development of an endomarketing program for Eletrobrás.



2. Corporate and Financial Analysis

ANÁLISE CORPORATIVA E FINANCEIRA

*Transmission Towers
(Eletrobrás Files)*

2.1 Economic and Financial Performance

Eletrobrás ended 2007 with profit of R\$ 1,547,9 million, equivalent to R\$ 1.37 per lot of one thousand shares. In 2006, the company registered a profit of R\$ 1,161.3 million, equivalent to R\$ 1.03 per lot of one thousand shares, registering an increase of 33%.

The performance of Real compared to other foreign currencies and the fact that Eletrobrás holds a relevant share of its receivables (net of liabilities) – R\$ 15,197.0 million (US\$ 8,579.6 million) – indexed to external currencies, with emphasis on US dollar, created a loss scenario for the company in 2007, which withheld its evolution.

Along the 12 months of 2007, Eletrobrás registered Exchange losses in the amount of R\$ 3,001.7 million. In the same period of the prior year, the company presented exchange losses in the amount of R\$ 1,599.3 million, arising out of its financing and loans portfolio. In relation to the exchange variations arising out of internal price levels, in 2007, the company presented a gain of R\$ 529,2 million, 60% higher than the one noted in 2006, when gains were registered in the amount of R\$ 330,6 million.

Despite the strong reduction in income, caused by exchange matters, however, the influence of financial income resulting greatly from its financing and loans portfolio, enabled Eletrobrás to register expressive net gain of R\$ 3,741.7 million, as a result of its investment program along many years and the low indebtedness level. In 2006, financing and loan portfolio granted generated a net gain of R\$ 3.499,4 million.

The income generated by the 21 companies in which Eletrobrás holds investments, which were assessed by equity method, positively impacted the company's revenue of the year, when the company registered gains of R\$ 1,883.3 million. This result was influenced by the surplus noted in the Complementary Pension Plan Foundations, sponsored by the companies of Eletrobrás system, in the amount of R\$ 1,224.4 million, with emphasis to Fundação Real Grandeza, which, alone, contributed to a surplus of R\$ 1,138.0 million.

Electricity sale, despite the expressive revenue of approximately R\$ 7.555,6 million, corresponding to the sale of the energy generated by Itaipu Binacional and by the Incentive Program to Alternative Energy Sources (Proinfa), did not represent gains to the company, pursuant to Law No.10.438/02.

In relation to the energy of Itaipu, Eletrobrás registered an equivalent to R\$ 96 million, resulting from the development of electricity sale activity, in the period from January to December 2007, corresponding to the surplus generated by the activity in the 12 months, to be transferred to consumers in future years, via tariff. The accumulated and recoverable deficit, arising out of electricity sale operations of Itaipu, at December 31, 2007 corresponds to R\$ 179,5 million and is not a risk for the company's investors, in view of the activity modeling established in the applicable law.

Proinfa, which grants Eletrobrás the right to sell the energy produced in the following 20 years, generated in 2007 a surplus of R\$ 250,4 million, carried out within the limits of the program, without impacting the stockholder's profitability.

Eletrobrás has also sought new businesses in the electricity generation and transmission sectors in order to increment its share in the sector, increasing its resources generation

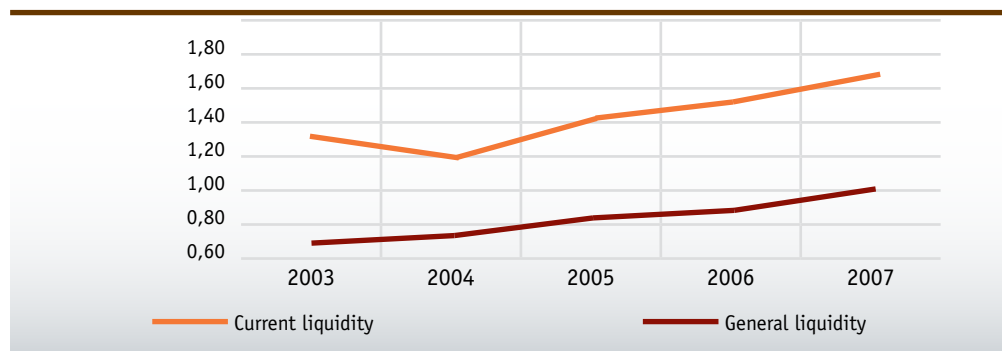
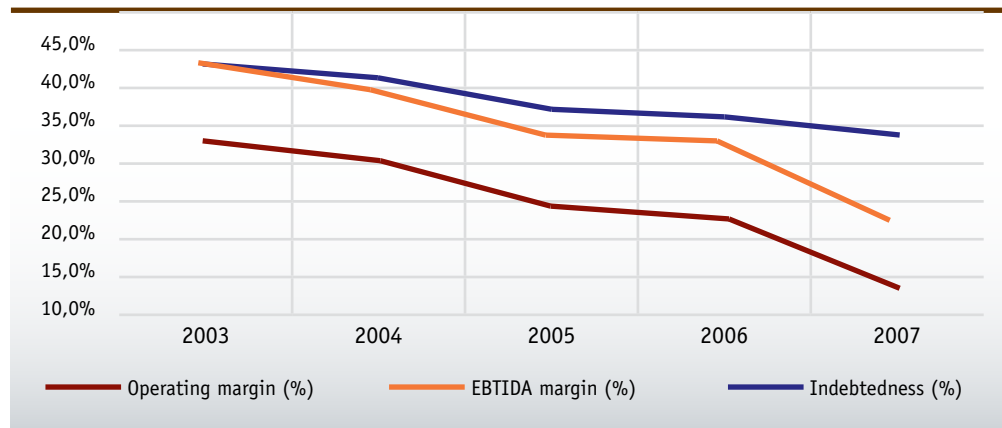
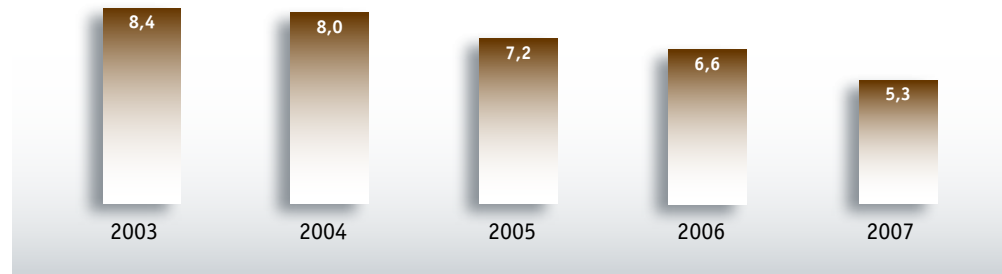
capacity, focusing on the expansion of its profitability and greater remuneration of its stockholders. The company is listed at the Corporate Sustainability Index of Bovespa (ISE), which means that it is recognized in the market by its transparency and good corporate governance practices. Today, it is listed under Bovespa's Level 1- Corporate Governance Levels.

The concept of corporate sustainability is based on the triple bottom line principle, which grants the same weight to environmental, social and financial indicators. The principle assumes that a project may be prejudiced by a big environmental liability or by labor practices not acceptable worldwide. Due to this reason, big international financial institutions attribute lower risk to companies that present such sustainability practices included in their business strategies. And having the Sustainability Index means that such companies have lower costs with international fund generation, either in the equity market or in the debt one. Big pension funds have great interest in sustainable companies.

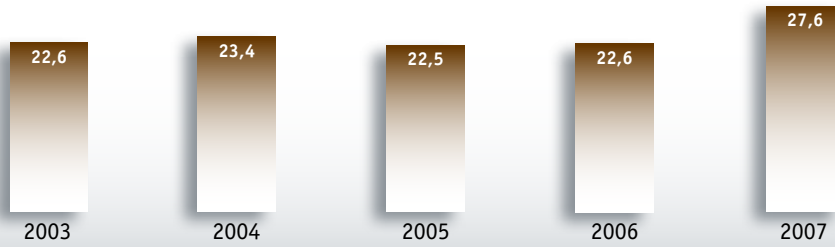
Accordingly, Eletrobrás has also adhered to the Global Covenant with a strategic position along with the biggest companies of the world, aligned by UNO in relation to Corporate Social Responsibility. Seeking a more sustainable and inclusive global economy, the Covenant establishes 10 universal principles, involving human rights, labor rights, environmental protection and fighting corruption. The Global Covenant is related to big Socially Responsible Investment movements which address the corporate sustainability concept in a worldwide level. Thus, Eletrobrás has worked seriously to show its investors its social-environmental actions, considered to be politically correct. In addition to such measures, the Company is bound to obtain its registration from Securities and Exchange Commission (SEC), of the United States, to comply with Sarbanes-Oxley Law.

	01/01/06 a 31/12/06	01/01/07 a 31/12/07
IGPM index variation	3.85%	7.75%
US\$ variation	-8.66%	-17.15%

EBTIDA (R\$ BILLION)

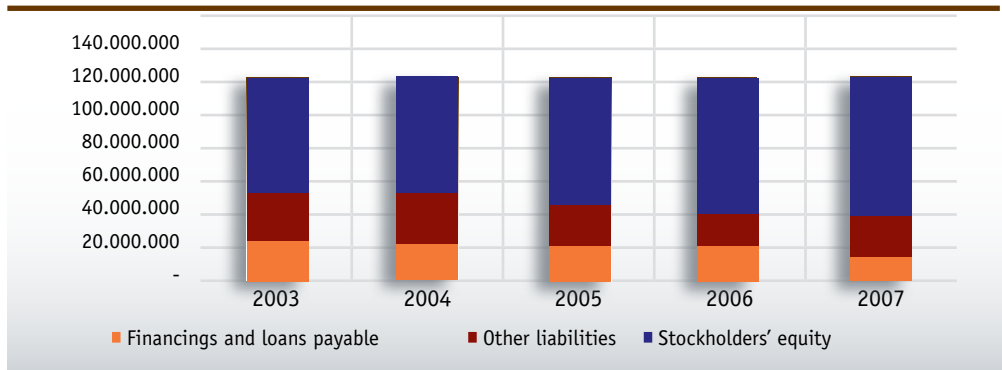
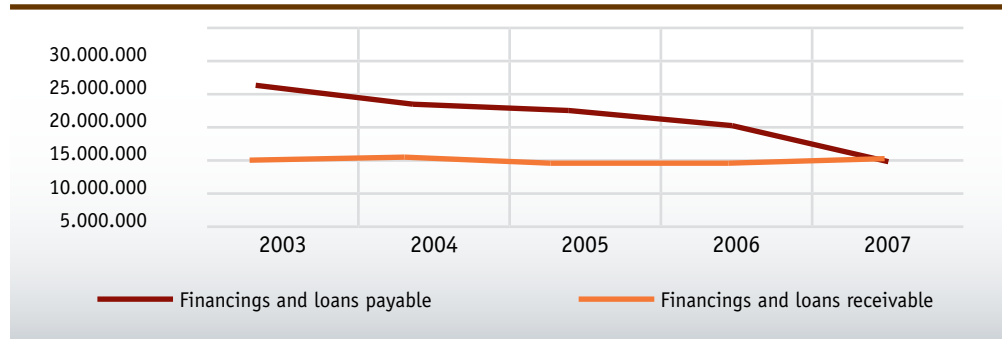


TOTAL REVENUE (RS BILLION)



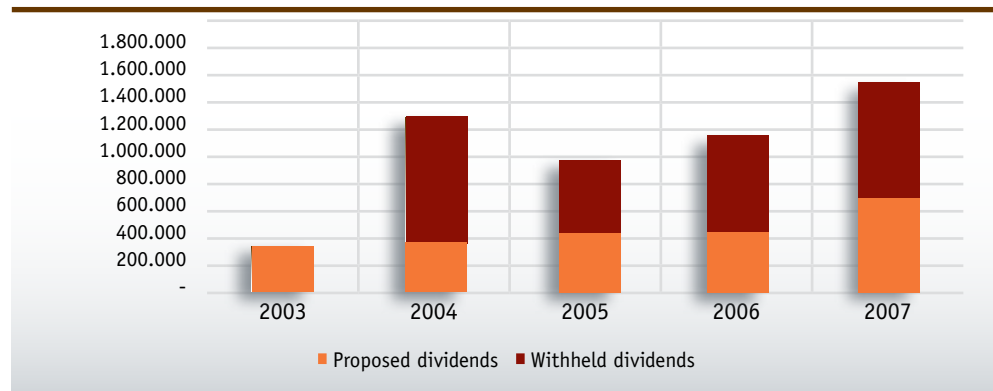
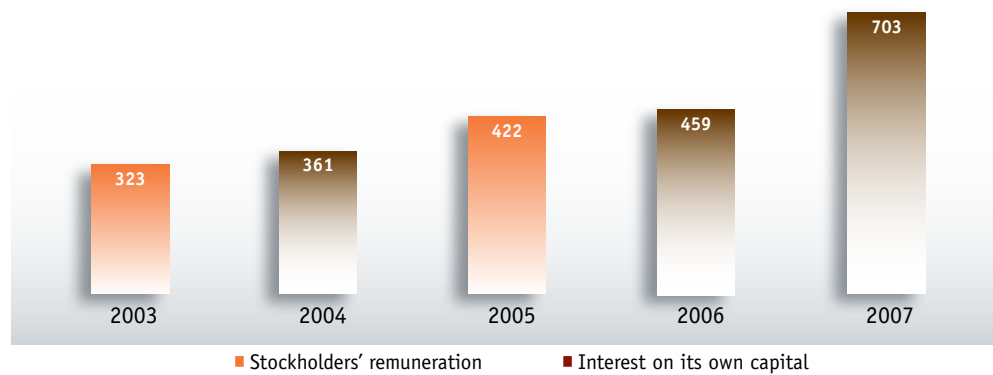
*Cepel – Laboratory Tests
under Pollution
(Cepel/Milton Maurente Files)*

2.3 Capital Structure and Indebtedness



2.4 Stockholders' Remuneration

DIVIDENDS - R\$ MILLION



2.5 Primary Result

The primary result goal of Eletrobrás system, for 2007, was of R\$ 1,380 million, according to Decree No. 5.939, of October 19, 2006.

Years	Result	R\$ million
2007	Surplus	2,789.0
2006	Surplus	2,137.2
2005	Surplus	2,864.8
2004	Surplus	1,650.5
2003	Surplus	1,211.0



*Centro de Operações do Sistema
Eletrosul (Cose)
(Eletrosul/Anísio Borges Files)*

2.6 Corporate Risk Analysis

Since the creation of the Risks and Profitability Analysis Division Eletrobras has taken the first steps to adopt practices and tools for a systematic treatment of risks. Accordingly, it aims at meeting the fundamental premises of corporate governance and sustainability, improving the company's image for different stakeholders and adding value to its operations.

During 2007, two big projects started. The first one refers to the hedge program, with derivative instruments to mitigate the exchange risk of Eletrobrás, based on studies extending from May to July and meetings with financial institutions. In the second semester four Executive Committee's Resolutions and three Board of Director's Deliberations were approved on the matter, defining the regulatory basis for the structuring of the operations. The beginning of negotiations is estimated for the first quarter of 2008. The program will reduce, substantially, the volatility in the company's results, making them clearer and aligned with its operating development.

The second project was the implementation of corporate risk management, firstly focused on the Financial Directory. The purpose was developing an analysis methodology and qualitative measuring, so as to consolidate the risk culture, passing through all decision making processes in the company. Different strategic areas were mapped, with emphasis on the impact of the activities on the volatility level of the estimated cash flow.

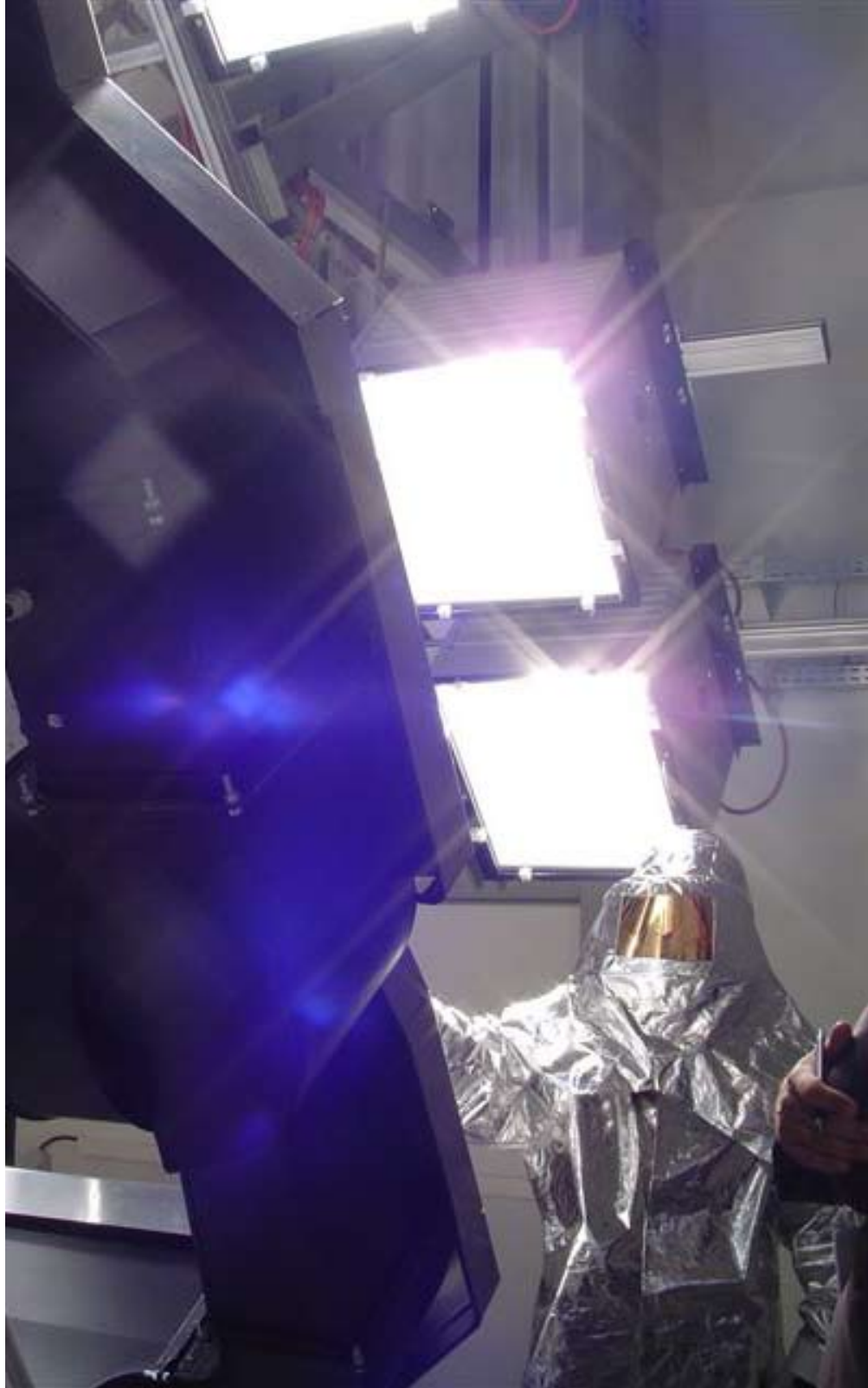
The process resulted in the contracting of *Ernst & Young* consulting, already responsible for the adjustments to *Sarbanes-Oxley* Law. The consulting work will continue along the first semester of 2008 and will provide the company with a risk integrated management model that will enable it to identify, manage, and monitor the relevant exposures and opportunities with focus on strategic objectives of Eletrobrás. This model will also enable the integration of isolated practices existing in the company, such as the treatment of environmental, equity, operating issue and IT risks.

2.7. Past-Due Debt – Renegotiation

ΣΥΓΓΡΑΣΤΗ-ΠΙΣΤΩΣ ΔΕΒΤΗ – ΚΑΝΟΤΟΜΟΙΕΣ

In the year of 2007, the main negotiations were made with affiliated and federal distribution companies with the purpose of solving the past-due debt, issue and, thus enabling the continuity of loans and financing receipt, as well as participation in energy auctions and authorized tariff readjustments. It also aimed at reducing the frustrations with Eletrobrás' revenue and a better estimate of the entry of such receivables, with positive effects on its economic and financial statements, in which R\$ 7,398.2 million were negotiated, as demonstrated below:

Company	Renegotiated R\$ million	Conditions
Ceal	44.0	Suspension of the principal from 01.01.2007 to 31.12.2007 of the agreements in force.
Ceron	55.0	Suspension of the principal and incorporation of interest from 01.01.2007 to 30.12.2007 of the ECF-1861/99 agreement, with changes in the interest and administration rates.
Ceam	37.0	Suspension of the principal and incorporation of the interest in the period from 01.01.2007 to 31.12.2007 of the agreements in force.
Cepisa	73.2	Suspension of the principal and incorporation of the interest in the period from 01.01.2007 to 31.12.2007 of the agreements in force, except for ECF-2582/06 agreement.
Manaus Energia	68.0	Suspension of the principal and incorporation of the interest in the period from 01.02.2007 to 31.12.2007 of the agreements in force, except for ECF-2301/03 and RES-0391/03 agreements, which will have interest incorporation, and the ECR-0237/86 agreement.
Manaus Energia	61.2	Past due debt payable in installments related to the payment made by Eletrobrás, as guarantor with El Paso.
Chesf	52.8	Incorporation of administration fee between 01/01/07 and 30/11/07 and extension of the amortization to other three installments for ECF-1197/95 agreement. Resolution 043/07.
Chesf	38.0	Incorporation of administration fee between 01/01/07 and 30/11/07 and extension of the amortization period for additional three installments for the ECF-1197/95 agreement. Resolution 196/07.
Lightpar	15.3	Liquidation of the past due debt of the RES-734/99 agreement, in cash and by means of accounting.
Itaipu	2,965.2	Removal of the US inflation from financing agreements and adjustment of the debt balances between Eletrobrás and the National Treasury.
Furnas	105.3	Extension of the grace period of ECF-2614/2007 agreement, transferring the single amortization to 30/01/2008.
Eletronuclear	74.5	Suspension of the enforceability of principal from transfer agreement installments with maturity on 21/06/2007, transferring the payment to 21/12/2007.
Eletronuclear	156.5	Refinancing of the principal installments of transfer agreements with maturity on 21/12/2007.
Eletronorte	3,577.2	Liquidation of the past-due amounts of RGR agreement. Transfer of the past-due and due amounts of the agreements to the account called Advances for Future Capital Increase. Refinancing of the past-due amounts of the Res-929/98 agreement.
CEEE	75.0	Refinancing of the past-due amounts of the agreements financed with RO and suspension of the payment of the principal from ECF-1714/98 agreement.
TOTAL	7,398.2	



Eletróbrás / Procel - Solar Simulator- PUC/MG (Eletróbrás Files)

In order to meet the requests from the stockholders provided from capitalization of compulsory loan credits, in 2007, Eletrobrás implemented in Banco Bradesco S.A. system, 13.016.222 preferred shares of "B" class. Eletrobrás sent the amount of R\$ 15,713,762.78, related to interest of compulsory loan credits restatement, to concessionaires of electric power distribution to be transferred to industrial consumers.



*CGTEE – Candiota III
(CGTEE Files)*



*Cepel - Detail of insulators
(Cepel/Milton Maurente Files)*

3. Investors Relations and Financial Market



Eletróbrás – Meeting of the Capital Stock Management Department (Eletróbrás / Jorge Coelho Files)

3.1. Rating

Risk classification of Eletrobrás' debt papers is directly related to the risk classification obtained by the country, since the federal government is its majority stockholder. According to the agency Standard & Poor's, the sovereign rating, in the global level, ended the year with BBB level for businesses in local currency and BB+ for foreign currency, reaching the investment grade for businesses in local currency. In reality, the effect of this classification may be noted in the risk-country (difference between the interest rate paid by the Brazilian and US treasury securities).

The highest amount reached occurred in November 26, (252 points), while the lowest, 137, was registered in June 18. The risk-country ended 2007 at 222 points, and the evolution along 2007 is illustrated as follows:

EMBI + (2007)



Eletrobrás bonds with maturity in 2015 ended the year with a BB+ rating for businesses in foreign currency, according to Standard & Poor's classification.

There has been a reduction in the yield of the debt papers issued by Eletrobrás, at 1.9% along 2007. The highest value recorded occurred in August 23, 7.1%, while the lowest, 5.8%, was noted in April 24.

YIELD OF BONDS WITH MATURITY IN 2015



*Night view of Itaipu
(Itaipu Binacional
Files)*

3.2. Stockholding Basis

3.2. Stockholding Basis

Stockholders	N°. of shares at 31/12/2006	*N°. Of shares at 31/12/2007
União	261.923.621.935	523.847.243
BNDESPAR	66.878.975.753	133.757.950
FND	22.810.749.898	45.621.589
FGP	20.000.000.000	40.000.000
Outros	193.135.858.339	386.271.720
TOTAL	564.749.250.925	1.129.498.502

(*) Shares were grouped at the ratio of 500/1 in August /07.

Number of stockholders – bookkeeping system:

Type	31/12/2006	31/12/2007	Variation %
Common stockholders	3.721	3.992	7.28
Preferred stockholders	16.384	16.444	0.36
TOTAL	20.105	20.436	1.64

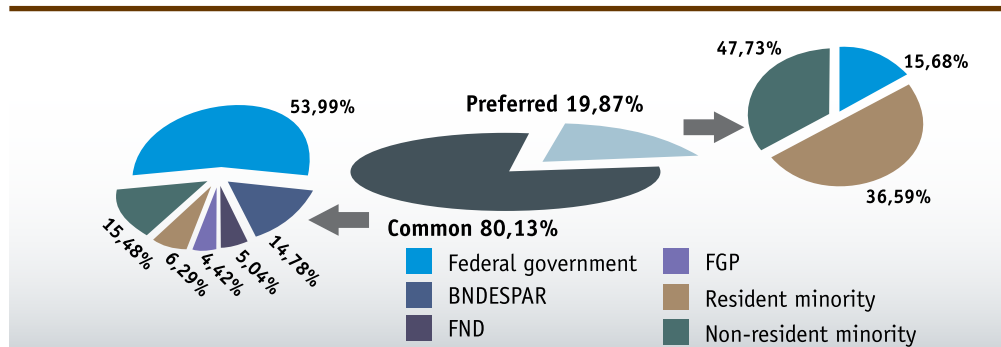
Number of non-resident stockholders:

Type	31/12/2006	31/12/2007	Variation %
Common stockholders	264	288	9,09
Preferred stockholders	257	283	10,11
TOTAL	521	571	9,59

Number of resident stockholders:

Tipo	31/12/2006	31/12/2007	Varição %
Common stockholders	3.457	3.704	7.14
Preferred stockholders	15.235	16.161	6.07
TOTAL	18.692	19.865	6.27

CAPITAL STRUCTURE – DECEMBER 2007:



3.3. Corporate Governance Indicators

3.3. COLETORES COLETORES COLETORES

Corporate Sustainability Index of Bovespa (ISE): Eletrobrás had its shares listed in the said index in December 2007, being one of those companies that have the best corporate sustainability practices based on the concept Triple Bottom Line. Currently, 43 shares issued by 34 companies of 14 economy sectors are listed at ISE Bovespa.

Level 1 of Bovespa's Corporate Governance: Eletrobrás continues working in order to increase its transparency. In September 29, it had listed on level 1 of Bovespa's corporate governance. This adhesion is voluntary and the company, its controllers and administrators undertake the commitment to follow the listing regulation standards of Bovespa. The principal objectives are the improvement of information disclosure to the financial market (more transparency) and shareholding scattering.

American Depositary Receipts (ADRs) Level 2: they are certificates issued by foreign banks that correspond to Brazilian company's shares, since they may not be sold abroad. ADRs have three different levels of issuance, being level 3 the one that enables the launching of new shares. Currently, ADRs sold by Eletrobrás are under level 1 and are sold in over-the-counter market, that is, are not sold in stock exchange, and, accordingly, it is not possible to generate funds from such papers. The objective is introducing the company to the investor, preparing it for future funding. Eletrobrás has been concluding the adjustment of the financial statements to US-GAAP standard, the adjustments of actuarial part, the legal standards for the elaboration of Form 20-F, as well as the control mapping of Law Sarbanes Oxley Law (SOX), with the purpose of moving to Level 2. Accordingly, its shares will start to be traded in stock exchange, such as, the NYSE (New York Stock Exchange).

*Eletronuclear – Control Room
of the Nuclear Plant Angra 2
(Eletronuclear Files)*

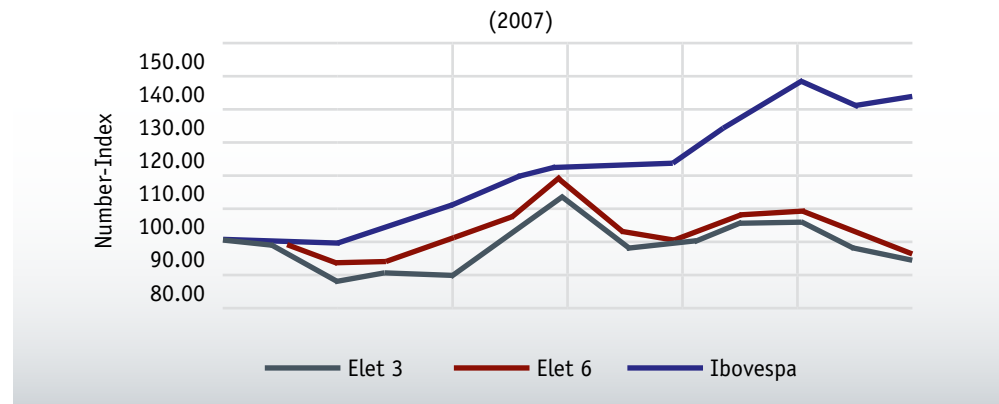


3.4. Analysis of Ibovespa and Eletrobrás Shares

3.4. Ανάλυση οι μετοχές της ΕΙΕΤΡΟΒΡΑΣ και ΕΙΒΟΒΕΣΠΑ

Between December 2006 and December 2007, Ibovespa valuation was of 43.65%, while Common (Elet3) and preferred (Elet6) shares devalued by 6.32% and 4.18%, respectively.

ELET 3, ELET6 AND IBOVESPA (DEC 2006 = 100)

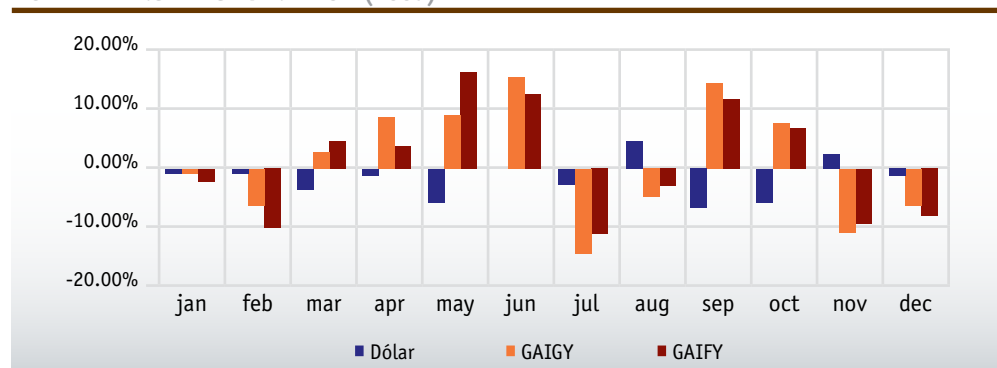


3.5. American Depositary Receipt (Adr) Program

3.5. AMERICAN DEPOSITARY RECEIPT (ADR) PROGRAM

ADR Level I: Eletrobrás shares sold in New York over-the counter market, both Common (CAIFY) and preferred (CAIGY), were valued by 9.28% and 13.66%, respectively, in 2007. While real valued, compared to US dollar, 17.15%, ordinary shares valued 9.28% and preferred shares, 13.66%.

MONTHLY PERCENTAGE VARIATION (2007)



CAIGY — Eletrobrás preferred shares (Lot of 500 shares): The ADRs of Eletrobrás preferred shares presented the highest value on November 6, 2007, closing at US\$ 15.30. The minimum value of such shares recorded in the year occurred in March 5, when the quotation reached US\$ 9.65. In 2007, such paper closed the year quoted at US\$ 12.90, with a valuation of 13.66%, compared to the closing at December 2006, which amounted to US\$ 11.35.

CAIFY — Eletrobrás Common shares (Lot of 500 shares): In 2007, the ADRs of Eletrobras Common shares recorded maximum quotation of US\$ 15.85, in November 6. The minimum value recorded was of US\$ 9.90 in March 5. In 2007, this share ended the year quoted at US\$ 12.95, with a valuation of 9.28% in relation to 2006, when it closed the year quoted at US\$ 11.85.

3.6 Latibex

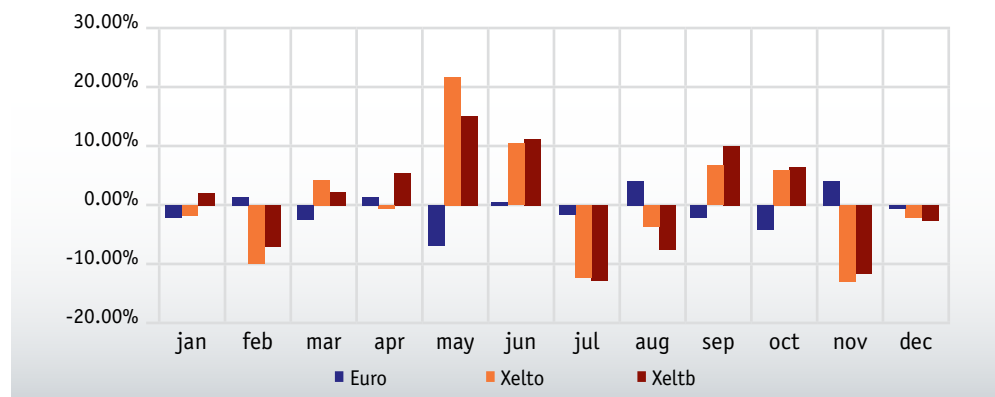
(Latin American Stock Market in Madrid Stock Exchange):

(LATIN AMERICAN STOCK MARKET IN MADRID STOCK EXCHANGE):

3.6 LATIBEX

Euro was devalued against the Real, at -7.50%, in 2007. Ordinary shares (Xelto) valued in the same period 1.66%, while preferred shares (Xeltb) valued 8.25%.

MONTHLY PERCENTAGE VARIATION - 2007



Xeltb: Preferred shares of Latibex program closed, at the end of 2007, at € 9.05. In 2006, such asset closed at € 8.36, which reflects a valuation of 8.25%. During 2007, the highest quotation was reached in July 2, when it reached € 11.29. The lowest one was noted in August 16, which was € 7.24.

Xelto: Such asset, which represents the Common shares of Latibex program, in 2007 was valued by 1.66%, since in 2006, it closed at € 9.06 and in 2007, closed at € 9.21. Along 2007, the highest quotation was reached in June 21 (€ 11.30). The lowest was noted in August 17 (€ 6.50).

3.7. Eletrobrás Share Portfolio

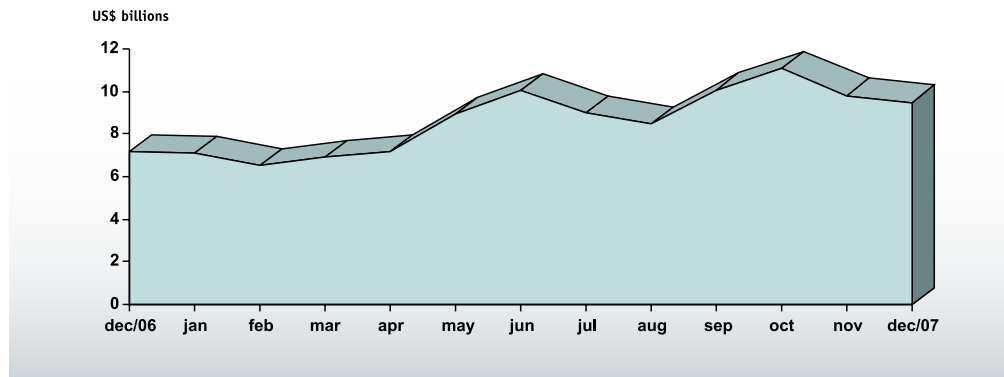
Eletrobrás has shares of publicly trade companies of the electric power sector, including companies of generation, transmission and distribution, in the amount of R\$ 6,576.1 billion, at December 31, 2007. Of this amount, R\$ 4,626.1 billion were offered as guarantee of different law suits, great part of them involving claims against compulsory loans and obligations.

Company	Type	Quotation – R\$	Total value – R\$ million	Blocked value – R\$ million
CTEEP - PN	PN	38.70	1,800.5	1,543.8
CTEEP - ON	ON	35.36	217.8	130.8
Cesp - ON	ON	35.30	1.3	0.0
Cesp - PNA	PNA	33.01	220.0	212.0
CEB - PNA	PNA	41.97	8.2	8.2
CEB - PNB	PNB	39.39	4.2	4.2
AES Tietê - ON	ON	79.00	3.0	1.0
AES Tietê - PN	PN	66.50	500.5	474.2
Copel - ON	ON	29.50	45.2	0.0
Celg - ON	ON	26.20	0.6	0.0
Celpe - PNA	PNA	29.00	33.0	23.8
Celpe - PNB	PNB	29.23	0.2	0.0
Celpe - ON	ON	24.59	0.5	0.0
Celpa - PNA	PNA	16.50	2.0	1.4
Celpa - PNB	PNB	14.61	15.7	15.7
Celpa - ON	ON	14.89	307.7	0.0
CEEE D - ON	ON	7.49	918.9	799.6
CEEE D - PNB	PNB	16.00	56.1	56.1
CEEE GT - ON	ON	5.70	699.3	608.6
CEEE GT - PNB	PNB	5.70	20.0	20.0
Emae - PN	PN	12.34	177.9	177.9
Cemat - ON	ON	10.00	21.1	9.4
Cemat - PN	PN	9.30	383.2	383.2
Coelce - PNA	PNA	21.50	85.3	85.3
Coelce - PNB	PNB	21.69	33.2	33.2
Cemar - PNA	PNA	0.00	0.0	0.0
Cemar - PNB	PNB	0.28	17.0	0.0
Cemar - ON	ON	0.15	810.2	0.0
CGEEP - PN	PN	39.00	17.2	10.8
Celesc - PNB	PNB	42.50	176.1	26.9
Celesc - ON	ON	53.78	0.2	0.0
Total	---	---	6,576.1	4,626.1

Annual variation of Eletrobrás portfolio

R\$ million at 31/12/2006	R\$ million at 31.12.2007	% 2006-2007
4.731,5	6.576.1	138,98%

ELETROBRÁS' SHARES MARKET VALUE



Stock portfolio graph

3.8. Funds Generated in the International Market

After the negotiations started in prior years, in April 2007, financing agreements were signed between Eletrobrás and the banks China Development Bank – CDB and BNP Paribas, in the amount of US\$ 430 million. The funds were intended to be used at CGTEE, by means of a transfer agreement with Eletrobrás and applied in the construction project of Phase C of the thermoelectric plant Candiota II.

The financing started on June 5, 2006, after the signature of the Agreement for Improvement of Cooperation in Construction Infrastructure Implementation Area, signed in Beijing, between the Brazilian and Chinese governments, and corroborated by Legislative Decree No. 409. The Financing operation was approved by the Federal Senate, according to the terms of Resolution No. 34, on August 3, 2006, which guaranteed the contract by Eletrobrás of financing with CDB and BNP Paribas banks.

The operation was carried out in two parts: Part I, in the amount of US\$ 281 million, with maturity of 15 years and *Libor* interest increased by 0.75% a.a.; and Part II, in the amount of US\$ 149 million, with maturity of 8 years and *Libor* interest increased by 1.30% a.a.

Along the year, negotiations were made to obtain loan from the German bank KfW, in the amount of € 37.5 million, to be transferred to Eletrosul. Such funds will be used to build a small power plant complex, named São Bernardo. Government authorizations are still pending for the performance of such operations.

The year 2007 was marked by US financial market turbulence and the consequent credit restriction in international financial markets, while capital market was reduced in the number of issuances from emerging countries. In view of this scenario, Eletrobrás carried out no fund generation during 2007.

In this year, negotiations were started to obtain the corresponding authorizations to conduct a fund raising program of US\$ 600 million for the next year, with the purpose of financing the projects listed in PAC and also the projects from companies of Eletrobrás system in gained at the auctions.

3.9 Independent Auditors

In compliance with CVM Instruction No. 381, of January 14, 2003, Eletrobrás informs that it has retained the independent auditors' services of the firm BDO Trevisan Auditores Independentes, for a period of three years, counted from August 1, 2005, for the performance of auditing of the holding's financial statements and consolidated information of the Eletrobrás System. Additionally, the Company has no other service agreement entered with the said company, unless the one related to auditing services.

The following table presents a list of the independent auditors of the companies of Eletrobrás System which, individually, also provided independent auditing services during 2007:

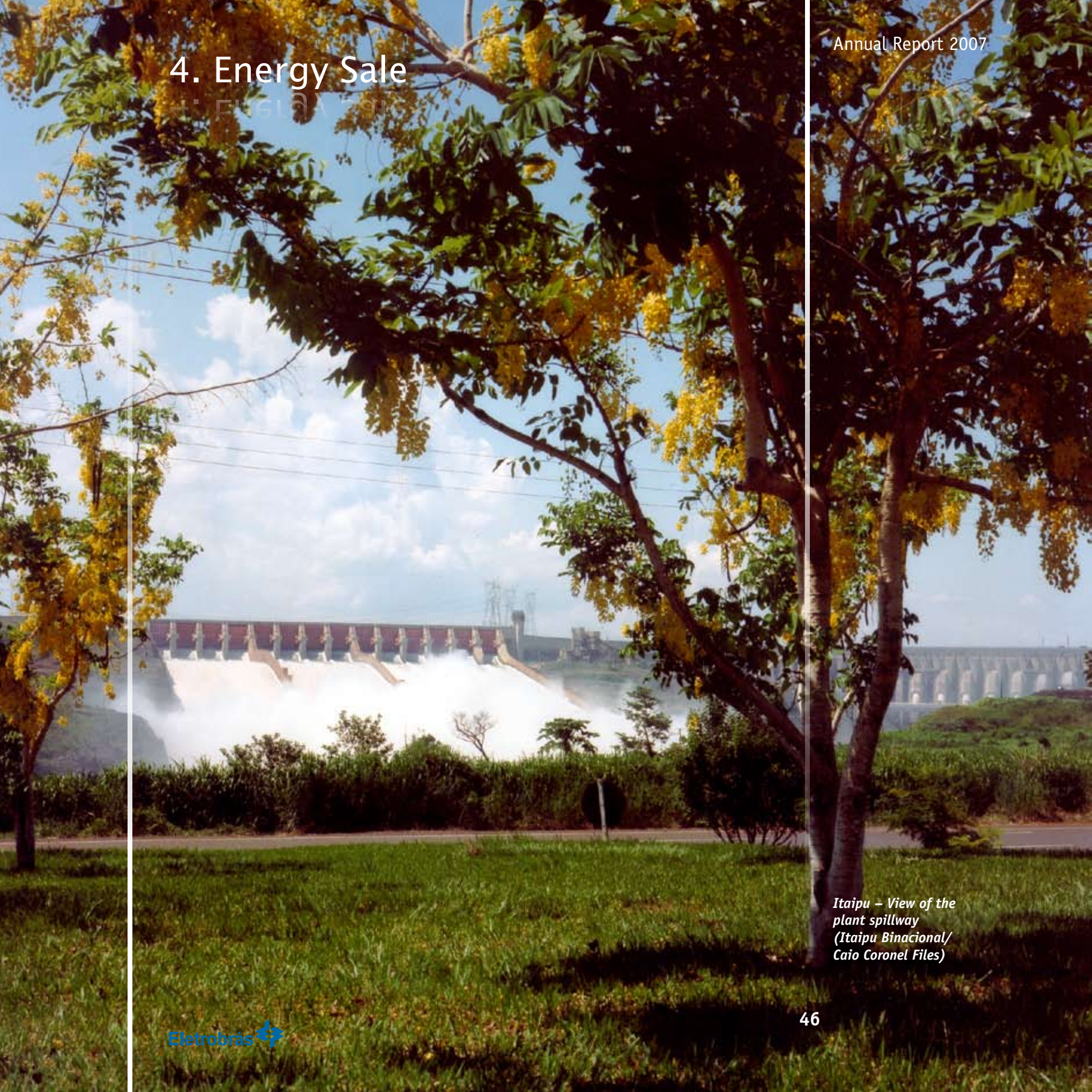
Companies	Firms
CGTEE	Deloitte Touche Tohmatsu
Chesf	Boucinhas & Campos + SOTECONTI
Eletronorte	BDO Trevisan Auditores Independentes
Eletronuclear	HLB Audilink e CIA.
Eletrosul	Horwath Tufani, Reis & Soares
Furnas	HLB Audilink e CIA.
Itaipu	BDO Trevisan Auditores Independentes
Lightpar	Russell Bedford Brasil

*Chesf Transmission Lines
(Chesf Files)*



4. Energy Sale

ENGLA ENIG



*Itaipu – View of the
plant spillway
(Itaipu Binacional/
Caio Coronel Files)*

Law No. 10.438, of April 26, 2002, established that Eletrobrás would be the Energy Sales Agent of Itaipu. In this case, the company, in 2007, transferred to the concessionaires of the South, Southeast and Mid-West regions, 71,711,655 MWh of energy related to the contracted power, which corresponded to revenue of approximately US\$ 3,3 billion. The energy supplied in excess of the one related to the contracted Power and acquired by Eletrobrás was of 11,040,795 MWh, corresponding to a revenue, with the Electric Power Sale Chamber, in the amount of R\$ 210 million. The startup of the generating unit 18A added 700 MW to the plant, increasing its total capacity to 14,000 MW.

*Itaipu Binacional –
Turbine Axis of one
of the generator units
(Itaipu Binacional/
Caio Coronel Files)*



4.2 Proinfa

The Program for Incentive to Alternative Energy Sources (Proinfa) has the purpose of increasing the participation in electric power produced by enterprises based on Aeolian sources, Small Hydroelectric Power Plant (PCH) and Biomass, in the National Interconnected System (SIN). Accordingly, Proinfa contributes to diversify the country's energy matrix, by using local energy resources and the creation of jobs, which enables it to be in line with the federal government's development programs.

As sale agent of energy and manager of Proinfa agreements, Eletrobrás certified, in 2007, the commercial startup of ten enterprises, being one aeolian, six small hydroelectric power plants (PCHs), and three bio-mass plants, adding 231.10 MW of power to the National Electric System.

Total Proinfa enterprises operating up to 31/12/2007:

Sources	Enterprises in operation	Operated Power (MW)
Small hydroelectric Power plans (PCH)	6	136.00
Aeolian	1	10.20
Biomass	3	84.90
TOTAL	10	231.10

Proinfa Energy Amounts and Costs – 2007

Eletrobrás elaborates, on a timely basis, the Annual Proinfa Plan (PAP), a document that summarizes the energy amounts and costs of the program for each year and, in September, it sends it to Aneel for approval. In September 2007, the amounts related to the period from January to August were computed and informed, as well as the estimates for the subsequent months until the end of the year. The chart below shows the amounts related to 2007 and included in PAP-2008. The energy amounts and costs expressed in the table refer to the portion of energy contracted from the enterprises.

Source	Nº. of enterprises	PAP	
		Energy (MWh)	Annual cost (R\$ million)
Biomass	20	1,367,780	149,031.0
Aeolian	06	625,491	145,189.3
Small hydroelectric Power plants (PCH)	23	1,209,183	164,225.3
TOTAL	49	3,202,454	458,445.6



4.3 Frontier Interconnections



*Windmills of the plant
registered with Proinfa
(Eletrobrás/José Roberto
Pinto Almeida Files)*

Interconnection with Uruguay through frequency converting station of Rivera:

Eletrobrás, through authorization granted by Aneel Resolution No. 043, of February 1, 2001, holds, on the Brazilian side, the exclusiveness of the right to use the facilities of the Frequency Converting Station for energy import or export. The converting station, which power is of 70 MW, interconnects Rivera, in Uruguay with the substation of Santana do Livramento, located in Rio Grande do Sul, in Brazil.

During 2007, Eletrobrás, by means of an agreement with the state-owned company Administración Nacional de Usinas y Transmisiones Eléctricas (UTE), assigned the right to use the converting station facilities through refunding. The sale result of the converting station of Rivera in CCEE, in 2007, was positive in the amount of R\$ 6.5 million.

Interconnection with Argentina through frequency converting station of Uruguaiiana:

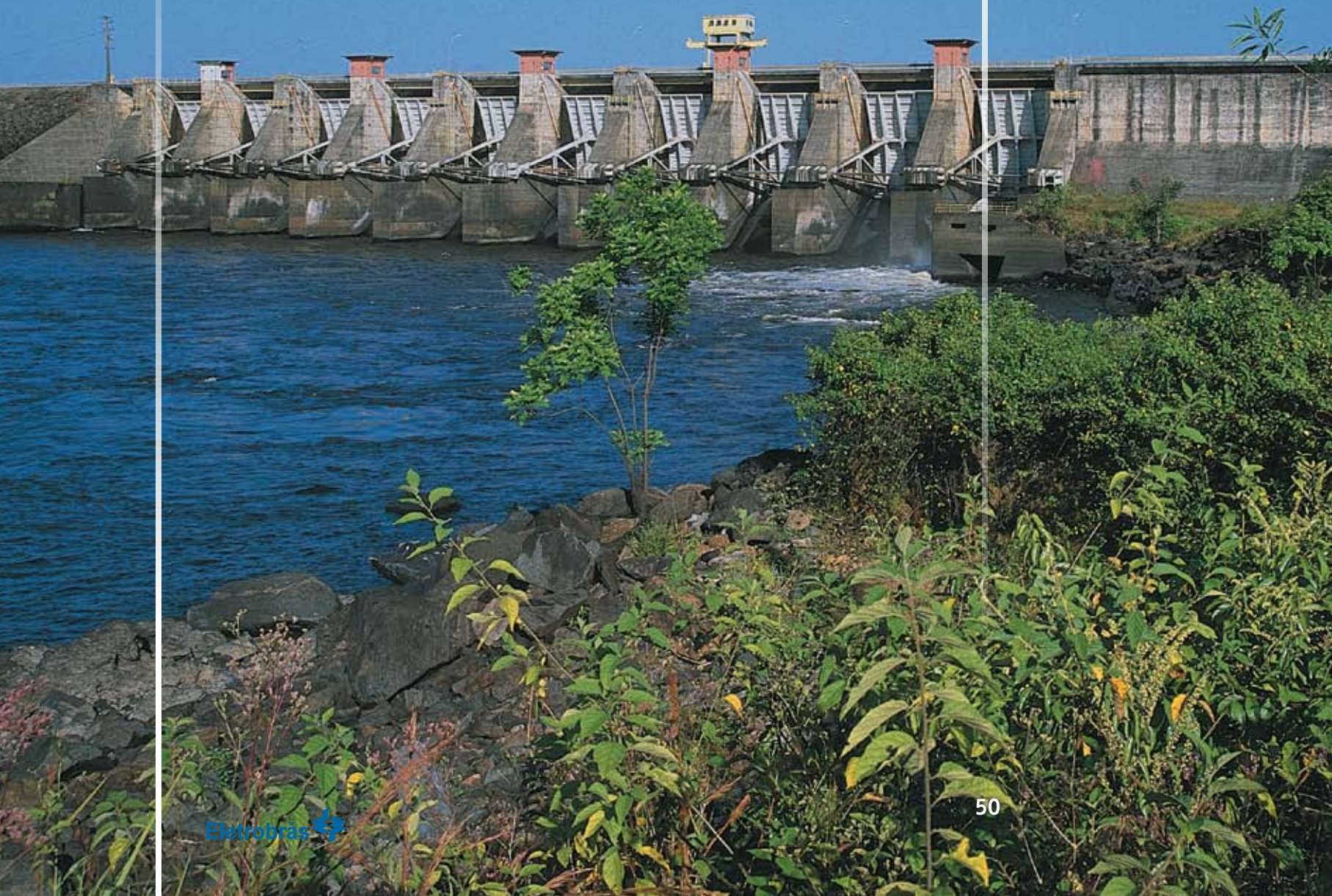
Eletrobrás, by means of Aneel resolution No. 266, of July 13, 2001, was authorized to import and export electric power through the Frequency Converting Station of Uruguaiiana, with capacity of 50 MW, that interconnects *Paso de Los Libres*, in Argentina, with the substation Uruguaiiana 5, located in the State of Rio Grande do Sul, Brazil.

In 2007, meetings involving Eletrobrás were made with the purpose of settling the debt of the Argentinean company Ebisa with Eletrosul and, thus, enabling the resume of interchanging operations through the converting station.

5. Investments

Annual Report 2007

*Eletronorte –
Hydroelectric View
(Eletronorte Files)*



Eletrobrás System budget in 2007 for investments amounted to R\$ 3.1 billion in generation, transmission and distribution systems of electric Power, by the affiliates and federal companies of distribution, corresponding to 56.8% of the annual limit approved in the amount of R\$ 5.5 billion, established by Law No. 11.625, of December 26, 2007.

Investment of Eletrobrás system in 2007 (In R\$ million)

Companies	Approved limit Law no. 11.625/07 (A)	Accomplished in the year (B)	% (B/A)
Eletrobrás	130,015.7	8,113.6	6.2
Furnas	1,200,000.0	822,539.4	68.5
Eletronuclear	504,579.2	307,586.4	61.0
Chesf	802,642.9	524,603.2	65.4
Eletronorte	720,000.0	572,919.2	79.6
Eletrosul	507,471.7	298,464.9	58.8
CGTEE	560,243.2	142,763.4	25.5
Lightpar	30.0	4.6	15.3
Cepel	20,600.0	18,043.6	87.6
Total affiliated companies	4,445,582.7	2,695,038.4	60.6
Manaus	325,500.0	59,530.2	18.3
Boa Vista	17,973.2	9,895.3	55.1
Ceron	186,651.5	63,387.5	34.0
Eletoacre	70,000.0	67,112.8	95.9
Ceam	101,000.0	49,902.3	49.4
Cepisa	190,000.0	70,418.8	37.1
Ceal	128,450.0	88,993.0	69.3
Total federal distribution companies	1,019,574.6	409,239.8	40.1
Total	5,465,157.3	3,104,278.2	56.8

Nature of Investments	Approved by Law nº. 11.625/07	Performance	
		Accumulated R\$ million	In %
Generation	2,541,598.8	1,284,272.7	49.0
Transmission	1,872,063.7	1,287,926.1	68.6
Distribution	582,048.1	331,847.3	58.0
Environmental Quality	104,538.7	20,211.3	74.2
Research	20,600.0	18,043.6	87.6
Infraestrutura	344,308.0	161,977.2	47.1
Total	5,465,157.3	3,104,278.2	56.8

Some companies presented low results in its investments due to the following factors:

Holding Eletrobrás:

- Delays in bidding processes for acquisition of computer, information and teleprocessing assets. Postponed to 2008 the costs with maintenance and adjustment of facilities, furniture, vehicles, machinery and equipment.
- Agreements with affiliates and/or partners were not concluded for feasibility studies, with the purpose of investing in electric power generation enterprises.
- Lawsuits have prevented the conclusion of the Inventory Studies and Feasibility Projects for Implementation of Generation and Transmission Systems in the Amazon Region.

Affiliates and Federal Companies of Distribution:

- Delay in the signature of the agreement ECV - 205/2006 and in the bidding process for construction and assembly of thermoelectric network (gas pipeline) to supply Independent Electric Power Producers, in Manaus (AM).
- Difficulties noted by the company in the bidding process.
- Problems related to environmental issues.
- Delays in construction, equipment delivery and service performance.
- Non-payment to Eletrobrás, preventing the receipt of funds.
- In relation to the program *Luz para Todos*, which represents part of the investment budget of federalized companies, factors such as: difficult access to certain places due to rainfalls, embargo of certain works by environmental bodies, and difficulties in bidding processes affected the meeting of the schedule.
- Delay in the installation of work fields for the construction of plans and transmission lines of the affiliates Furnas, Eletrosul and Chesf, caused by environmental licenses.
- Delay of the construction of Angra 3 to 2008 - Eletronuclear.
- Delay of the expansion of Candiota III Plant – CGTEE.

In 2007, the companies of Eletrobrás System worked, individually or in partnerships with private companies, to carry out the following enterprises:

- **Thermoelectric Power Plant of Santa Cruz:** Expansion of the plant continued, involving a unit of 200 MW in open cycle (Unit 6), with generation date postponed to February 2008.
- **Hydroelectric Power Plant of Retiro Baixo:** Works stated in February 2007 continued. Commercial startup of the first generating unit is estimated by April 2009. Focus on the interest of 49% held by Furnas Centrais Elétricas S.A. in this enterprise.
- **Hydroelectric Power Plant of Simplício:** Works started in January 2007 continued. Commercial startup of the first generating unit is estimated by June 2010. Interest of 100% held by Furnas.
- **Hydroelectric Power Plant of Baguari:** Works started in May 2007 continued. Commercial startup of the first generating unit is estimated by September 2009. Focus on the interest of 15% held by Furnas Centrais Elétricas S.A. in this enterprise.
- **UTN Angra 3:** Authorization to resume the construction of the plant, through CNPE resolution no. 003 of June 25, 2007, in order to obtain the Installation License (IL) up to April 2008, with the commercial startup of the generating unit of 1,350 MW in May 2014.
- **Hydroelectric Power Plant of Serra do Fação:** Work started in May 2007. Commercial startup of the first generating unit is estimated by October 2010. Interest of 49.5% held by Furnas Centrais Elétricas S/A in this enterprise.
- **Hydroelectric Power Plant of Dardanelos:** Work started in September 2007. Commercial startup of the first generating unit is estimated by December 2010. Interest held by Centrais Elétricas do Norte do Brasil S.A. (Eletronorte), with 24.5%, and by Companhia Hidro Elétrica do São Francisco (Chesf), with 24.5%.
- **Hydroelectric Power Plant of Itaipu:** Expansions of the plant are concluded, and two units (9A and 18A) are operating.
- **Hydroelectric Power Plant of Foz do Chapecó:** Work started in January 2007. Commercial startup of the first generating unit is estimated by August 2010. Interest of 40% held by Furnas Centrais Elétricas S.A. in the enterprise.
- **Hydroelectric Power Plant of Mauá:** Work performed by contracted constructor, to be started in January 2008. Commercial startup of the first generating unit is estimated by December 2010. Interest of 49% held by Centrais Elétricas do Sul do Brasil S.A. (Eletrosul) in the enterprise.
- **Hydroelectric Power Plant of Passo de São João:** Work started in November 2007. Commercial startup of the first generating unit is estimated by December 2009. Eletrosul holds 100% of the interest.
- **Thermoelectric Power Plant of Candiota III (Pres. Médici – Phase C):** Works in progress. Commercial startup of the first generating unit is estimated by December 2009.

5.3 In Transmission

In 2007, 68.8% of the funds invested were used in transmission (R\$ 1,287.8 million), great part of it used in construction and expansion of substations. Among the actions are:

- Expansion of Acre/Rondônia System
 - o Continuity of the works at LTs 230 kV Ji-Paraná/Pimenta Bueno Circuit 1 and Pimenta Bueno/Vilhena;
 - o LT 138 kV Rio Branco/Epitaciolândia, LT 69 kV Rio Branco I/Sena Madureira Circuit 1.
- Expansion of South Transmission System
 - o Conclusion of new substations Atlântida and Gravataí and expansion of substations Campos Novos and Itajaí;
 - o Construction of LT 230 kV Atlântida 2/Osório 2 – CD;
 - o Construction of LT 230 kV Biguaçu/Palhoça – CD;
 - o Construction of LT 230 kV J. Lacerda A - Blumenau/Biguaçu;
 - o Continuity of the construction of LT 230 kV Desterro/Palhoça.
- Expansion of Northeast Transmission System
 - o Expansions of substations Cauípe, Cotegipe, Irecê, Piripiri, Barreiras, Santo Antônio de Jesus, Picos and Juazeiro II;
 - o Construction of LT 230 kV Milagres/Tauá.
- Expansions and improvements in the transmission System of the North and Northeast Regions, focusing on substations Marabá and São Luís.
- Expansions in the Transmission Systems RJ, ES, SP, MG, GO, MT and DF.

It is important to note that the performance of the companies in the implementation of transmission projects was strongly affected by the delay in the granting of licenses by the environmental bodies, which caused a rescheduling of many enterprises to 2008, as follows: LT 230 kV Milagres/Coremas - C2; LT 345 kV Macaé/Campos – C3; LT 345 kV Tijuco Preto/Itapeti; LT 345 kV Itapeti/Northeast; LT 230 kV Ibicoara – Brumado; LT 230 kV Funil – Itapebi; LT 230 kV Picos – Tauá, and LT 230 kV Paraíso - Açu.

5.4 In Isolated Systems

Eletrobrás, through the Operating Technical Group of the North Region (GTON), supports the planning, operation and maintenance activities of nearly 300 Isolated Systems. The actions include the follow up of generation of the thermal plan and the fuel consumption, in addition to the operation with affiliated concessionaires with the purpose of investing in improvements in the services provided to the Northern Region.

The Companies of Eletrobrás System that operate in the region (Isolated System), invested in 2007, R\$ 304.7 million, as demonstrated in the chart below:

Projects	Isolated system (In R\$ million)		
	Estimated	Accomplished	Ratio %
Generation	273.8	48.6	9.29
Transmission	297.6	191.1	64.23
Distribution	125.3	65.0	51.86
Environmental Quality	0.1	0.0	0.00
TOTAL	696.8	304.7	43.73

Eletrobrás – Program Luz para Todos in Santa Cruz / Ceroc (Eletrobrás Files)



5.5 Expansion of Electric Power Offer of the Eletrobrás System

Expansion studies in the energy sector are fundamental for Eletrobrás' strategic planning and may be used as a basis for decision making processes regarding investments, for granting of financings or interest holding in generation enterprises.

In the Ten-Year Plan of Electric Power Expansion (PDEE) 2007-2016, elaborated by the Empresa de Pesquisa Energética (EPE), Eletrobrás System played an important role in the studies of big hydroelectric projects, such as Belo Monte, Santo Antônio and Jirau, plants of Rio Teles Pires, among others. As well as in the participation of studies in the nuclear plant Angra 3 and charcoal in the South of the country, which have demonstrated an increasing relevance of those sources of energy and the importance that Eletrobrás System will certainly have in the feasibility of enterprises of such nature.

As initial references for the analysis of the expansion of Eletrobrás System, the history of its participation in the country over the past five years and the current installed capacity of the country, per type of generation, are demonstrated as follows:

Evolution of Eletrobrás System Participation X Brasil

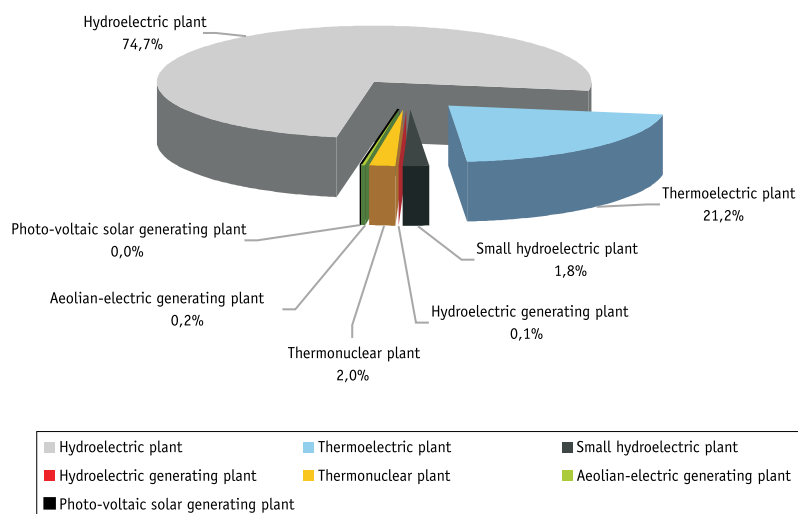
Brazil	2003	2004	2005	2006	2007
Installed capacity (MW)*	83,807	90,679	92,866	96,295	100,352
Eletrobrás system					
Installed capacity (MW)*	35,398	36,282	37,056	37,941	39,735
Installed capacity (% Brazil)	42.2%	40.0%	39.9%	39.4%	39.6%
Plants in operation **	47	47	46	46	46

*Source: SFG Report of Aneel - 15/01/2008. Note: Eletrobras system's installed capacity includes 50% of Itaipu plant.

Brasil – Installed capacity /2007

Type	Power (MW) *	%
Hydroelectric plant - Hydroelectric Power Plant of**	74,937	74.7
Thermoelectric plant - Thermoelectric Power Plant of	21,229	21.2
Small hydroelectric plant - PCH	1,820	1.8
Hydroelectric generating plant - CGH	112	0.1
Thermonuclear plant - UTN	2,007	2.0
Aeolian-Electric Generating Plant - EOL	247	0.2
Photo-Voltaic Solar Generating Plant - SOL	0,02	0.0
TOTAL	100,353	100.0

*SOURCE: ANEEL – SFG – 15/01/2008/** WITH ITAIPU NACIONAL (7.000 MW)



The medium term reference scenario of PDEE presents a GDP growth rate of 4.2% a year for the period between 2007 and 2016, which results in a growth rate of its own energy power of 5.0% a year of the National Interconnected System. With the purpose of meeting such demand, it is estimated, on the offer side, an expansion of the installed capacity by 69% (13 GW) in thermoelectric and 41% (32 GW) in hydroelectric plants for the same period. The table below shows the planned plants that will benefit from direct investments of the System. It is important to mention that the System expansion also occurs indirectly by means of investments in Specific Purpose Companies, involving 5.514 MW of installed capacity in plants already licensed.

Eletrobrás System – Plants to be started up *

Company	Hydroelectric	Capacity (MW)	Estimated date
Eletrosul	Passo São João	77	09/2009
	Barra do Chapéu **	15	11/2008
	Itararé **	9	11/2008
	João Borges **	19	12/2008
	Pinheiro**	10	12/2008
	São Domingos***	48	No estimate
Furnas	Simplício	334	09/2009
	Batalha**	53	06/2010
CGTEE	Presidente Médici (Candiota III)	350	01/2010

* Source: Aneel site on 21/01/2008/** Delayed works. Source: SFG report of Aneel - 15/01/2008/** Extremely delayed works. Source: SFG report of Aneel - 15/01/2008.

The long-term reference scenario of the National Energy Plan (PNE) 2030, elaborated by EPE, indicates a population growth of 53 million people, which means a total of 239 million Brazilians in 2030. Considering this scenario, an average rate for economy growth of 4.1% was adopted. Thus, PNE 2030 assumed favorable premises for the expansion of hydroelectric energy offer, demonstrating a clear position in supporting the government in this type of generation. In strategic terms, this would stimulate the Eletrobrás System participation in the defense of the country's natural vocation towards hydroelectricity.

*Furnas – Transmission Line
Vitória / Ouro Preto 2
(Furnas / Alexandre
Guzanche Files)*



5.6 New Enterprises and Partnerships

In 2007, the companies of Eletrobrás system took part in partnerships with private companies in the following enterprises:

Principal participations in SPCs *

Company	Enterprises	Capacity (MW)	Participation %	Estimated date
Chesf	Hydroelectric Power Plant of Dardanelos	261	24.5	Jan/2011
Eletronorte	Hydroelectric Power Plant of Dardanelos	---	24.5	Jan/2011
Eletrósul	Hydroelectric Power Plant of Mauá	361	49.0	Jan/2011
	Hydroelectric Power Plant of Santo Antônio**	3.150	39.0	Jan/2012
	Hydroelectric Power Plant of Peixe Angical***	452	40.0	---
Furnas	Hydroelectric Power Plant of Foz do Chapecó	855	40.0	Aug/2010
	Hydroelectric Power Plant of Baguari	140	15.0	Sep/2009
	Hydroelectric Power Plant of Retiro Baixo	82	49.0	Apr/2009
	Hydroelectric Power Plant of Serra do Facão	213	49.0	Oct/2010
Eletronorte	LT Juba/Jauru - 402 km	230 kV	45.0	---

* Specific Purpose Company (SPC) - Source: Banco de Dados de Geração - BIG of Aneel - 22/01/08/** Source: EPE/*** The only one in operation.



5.7 Ordinary Resources

2.1 OLQIU9IL K62ONLC62

The resources used in 2007 in federal distribution companies, in affiliates and in corporate interests were made as in the chart below, with emphasis on:

Those used in Eletronorte: for liquidation of the past-due amounts of RGR agreements, transfer of past-due amounts and due amounts of RO agreements for Advances for Future Capital Increase and refinancing of past-due amounts of Res-929/98 agreement.

Those used in Furnas: short-term loans for investments in the implementation of UHEs Simplicio and Batalha and modernization of UHEs Furnas, Luiz Carlos Barreto, Mascarenhas de Moraes, Porto Colômbia and Funil.

Those used in Eletronuclear: coverage of non-programmed shutdowns of Angra 1 Nuclear Power Plant.

Those used in Ceam: long-term loans to cover operating deficit.

Investments	Economic release *	Financial release	Total
For future capital increase:	R\$ million	R\$ million	R\$ million
Eletronorte	1,213,232.7	---	1,213,232.7
Loans/Financings:			
Federalized companies:			
Ceam	---	247,458.9	247,458.9
Cepisa	---	12,000.0	12,000.0
Manaus Energia	62,170.0	---	62,170.0
Affiliates:			
Eletronuclear	177,538.6	---	177,538.6
Eletronorte	1,980,178.5	---	1,980,178.5
Eletrosul	83,730.4	18,638.1	102,368.5
Furnas	99,802.1	300,197.9	400,000.0
Itaipu	17,609.2	21,917.0	39,526.2
Corporate interest			
CEEE-GT	35,832.1	---	35,832.1
TOTAL	3,670,093.6	600,211.9	4,270,305.5

*Economic release – It is the release without transfer of funds, which occurs through compensation between debits and credits.

5.8 Growth Acceleration Program (PAC)

5.8 Growth Acceleration Program (PAC)

Financial Release (R\$ thousand)

Company	Estimated for 2007	Accomplished in 2007
Eletróbrás	9,450	173
Furnas	955,015	745,083
Eletronuclear	50	0
Chesf	54,207	80,875
Eletronorte	570,717	746,864
Eletrósul	332,610	160,751
CGTEE	413,237	88,615
Boa vista	5,770	710
Ceron	83,205	49,568
Eletróacre	45,695	53,844
Cepisa	110,087	31,630
Ceal	80,064	61,918
TOTAL	2,660,107	2,020,032

Investments in generation:

Studies and inventories

They refer, mainly to the participation of the companies of Eletróbrás system in studies of inventories and feasibility of uses of hydrographic basis for the construction of new generation enterprises. The following are the principal projects: Hydroelectric Power Plant of Belo Monte (11.181,3 MW); UHE of Jirau (3.300 MW); UHE of Mirador (80 MW); UHE of Maranhão Baixo (125 MW); UHE of Buriti Queimado (320 MW); UHE of Água Limpa (142 MW); UHE of Castelhana (64 MW); UHE of Estreito Parnaíba (56 MW); UHE of Uruçuí (134 MW); UHE of Ribeiro Gonçalves (113 MW); UHE of Cachoeira (63 MW); UHE of Pedra Branca (320 MW); UHE of Riacho Seco (240 MW); UHE of Novo Acordo (160 MW); UHE of Jurema (46 MW); UHE of Cachoeirão (64 MW); UHE of Toricoejo (76 MW); UHE of Torixoréu (408 MW); UHE of Marabá (2.160 MW); UHE of Tabajara (350 MW).

Works under concession contracts

UHE of Batalha (53,6 MW), UHE of Simplício (305,7 MW), UHE of Passo São João (71,1 MW), UTE of Candiota III – Phase C (350 MW), Angra 3 Nuclear Power Plan (1.350 MW).

As a relevant fact in 2007, there was an auction for concession of UHE of Santo Antônio 3.150 MW, on December 10, 2007, of which winner was the consortium Madeira Energia, of which leader was Furnas Centrais Elétricas S.A., with interest of 39%, consisting of the Fundo Amazônia Energia (Banco Banif and Santander with 20%), Odebrecht Investimentos (17,6%), Construtora Andrade Gutierrez (12,4%), Companhia Energética de Minas Gerais – Cemig (10%) and by Construtora Norberto Odebrecht (1%). Works may start in 2008.

*UHE (Hydroelectric
Power Plant)
UTE (Thermoelectric
Power Plant)*

6. Cepel Research and Development Activities για Διαγιομιστή Αερίων



Cepel - Laboratório de Alta Corrente, in Adrianópolis (Cepel/Milton Maurente Files)

The beneficiaries of the activities performed by Centro de Pesquisas de Energia Elétrica (Cepel) are not only in the Eletrobrás system. Among them, there are the Ministries of Mines and Energy, of the Environment and Science and Technology, sectorial entities such as EPE, ONS, CCEE and Aneel, in addition to concessionaires and manufacturers.

Cepel has developed studies and research that generate technology for transmission, enabling, for example, the increase in capacity, reduction of passage rates and better outline for line installation; equipment monitoring and diagnosis, with the purpose of optimizing investments and safety in operations; conservation and efficient use of energy; and metallurgy and material such as superconductors. It also provides technical support to important government programs and projects, such as Luz para Todos, Proinfa, Procel and ReLuz, cooperating also with the elaboration of Energy Expansion Plans.

With a complex of 30 laboratories – 20 of which located in its head Office at Cidade Universitária, in Rio de Janeiro, and ten others, at Cepel Unit located in Adrianópolis, in the municipality of Nova Iguaçu (RJ) -, Cepel carries out surveys for conduction of research projects, type exams, investigation analysis and compliance for certification. Many of these laboratories are pioneers in Brazil and others do not have similar ones in the South America.

In a partnership with Eletrobrás and Procel, the Center has equipped its energy efficiency laboratories, adjusting them to work in the granting of Procel label, in addition to providing technical information for certification of equipment as part of the Brazilian Labeling Program of Inmetro. During the years, the exams and technologic services carried out by Cepel have contributed for the improvement of the quality of electric equipment in the Brazilian industry and the technologic development of the sector, providing more reliability to the transmission and distribution systems and generating savings for electric power consumption.

Cepel, in 2007, developed 102 corporate projects of R&D for the companies of Eletrobrás system, such as: Monitoring and Diagnosis of Equipment and Facilities (16); Conservation and Efficient Energy Use (13); Transmission Technology (10); Network Planning; Operation and Analysis (9); Scada/EMS - Sage Technologies (8); Metallurgy and Material (7); Distributed Generation (7); Operation Planning (5); Generation Expansion Planning (4); Environment (4); Stochastic Hydrology and Hydrous Resources (3); Electric Measures and Loss Combat (3); Renewable Energies (3); Computer Techniques and Methodologies (3); Transmission System Expansion Planning (2); Local Automation and Disturbances Analysis (2); Financial Analysis of Projects and Tariffs (1); Reliability (1); Energy Quality (1). Eletrobrás chairs Cepel's Board of Directors, assuring the necessary strategic guidelines for the Research Center operation.

As guarantee for the financing of the Center's research projects, Eletrobrás and its affiliates (Chesf, Eletronorte, Eletrosul and Furnas), provided, through annual contribution, funds for the budget of the year in the amount of R\$ 109,9 million, with actual increase of 3,4%, compared to 2006. Other funds, provided from technologic projects and services of the Center contributed with other R\$ 22,3 million, totalizing R\$ 132,2 million, directly invested in 2007.

Research and Development – R&D

Eletrobrás, in addition to the inversions and legal contributions, uses 0.5% of its capital stock, annually, in the Technologic Development Fund (FDT), being great part of it (from 60% to 70%) used in the Centro de Pesquisas de Energia Elétrica (Cepel). Also, its affiliated companies' contract in the Center the so-called Institutional Projects, basically intended for R&D.

From 2000 to 2007, Eletrobrás system invested R\$ 1.276,5 million, of which R\$ 288,2 million only in 2007, in an estimated amount of R\$ 353,5 million for 2008. Additionally, in 2007, R\$ 50 million were collected to the Ministry of Science and Technology (MCT) and R\$ 19,2 million to the Ministry of Mines and Energy (MME/EPE).

Federal distribution companies contracted R\$ 25 million in Research and Development in the period 2006-2007. The developed projects and studies with technologic innovation principally aimed at: avoiding electric power waste; reduction of operating costs; increase of reliability and safety of systems and facilities and development of alternative energy sources. Such measures carried out in Eletrobrás system are coordinated by the Research and Development Corporate Integration Committee (Cicop), related to the High Council of the Eletrobrás system (Consize) and coordinated by the Technology Director of Eletrobrás.

National Industry Improvement and Supply and Logistics Policy Programs

In the logistics area, in 2007, the principal activities below were developed:

- Maintenance of the Material Classification of Eletrobrás system, responsible for standardizing the material descriptions used in generation, transmission and distribution of electric power.
- Maintenance of Centro de Catalogação do Setor Elétrico (Cecase), responsible for registering material, equipment and services orders of the public sector used in electric power generation, transmission and distribution.
- Logistic support to the purchase planning policies of Eletrobrás system, with the purpose of sectorial programming of the acquisitions of goods and services with suppliers.

Rules and Quality:

The principal activities in the quality area were the development of improvements in the Quality Management System (SGQ), with the purpose of maintaining the certification granted by BRTÜV, certifying entity registered by Inmetro, and the implementation in another area of the company. In relation to the project NBR 19000, on suppliers training, an assessment was made on the failures in the equipment provided to the affiliates, which enabled the development of quality auditing program in suppliers of bypass keys.

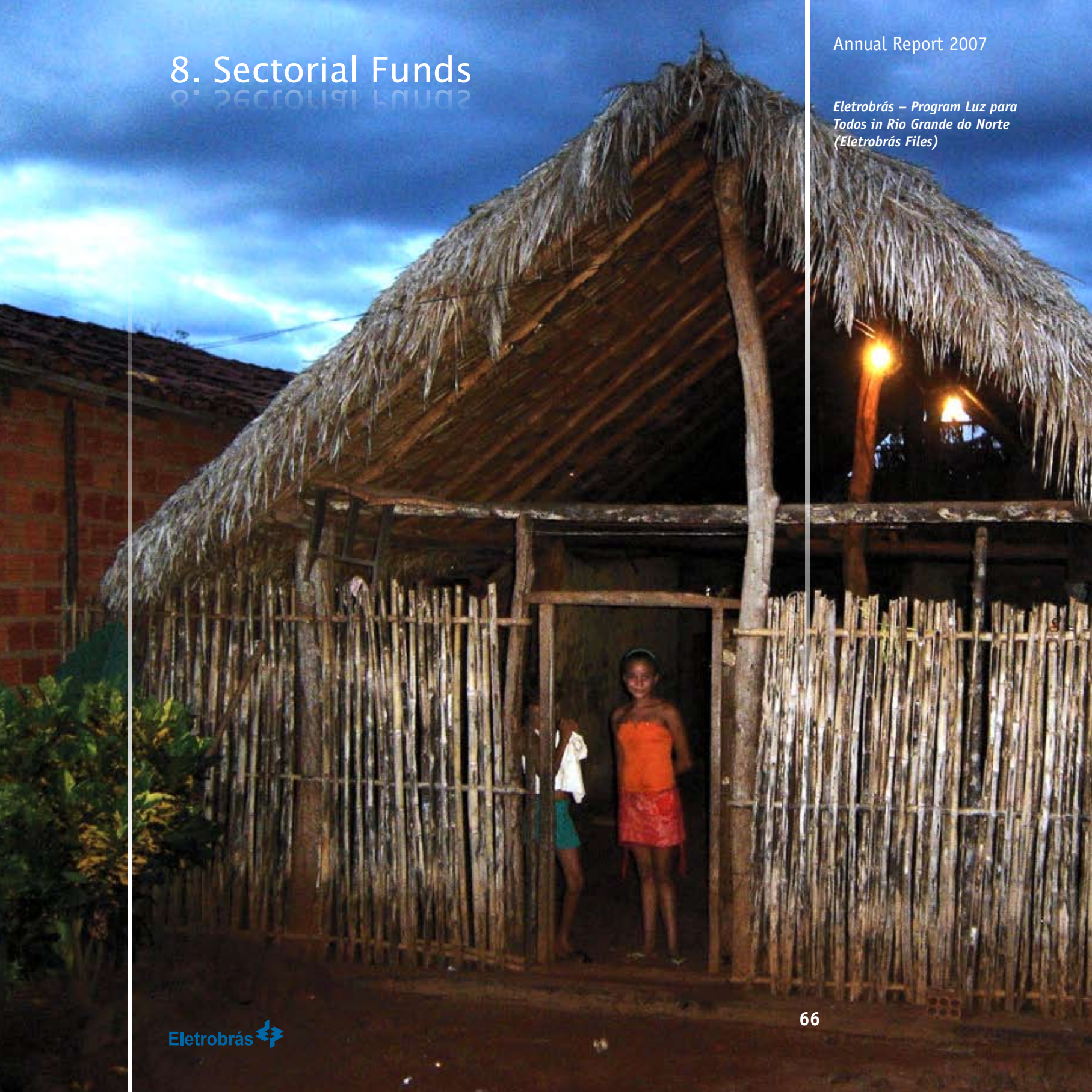
In Technical Rules area, specific demands of the sector were met, as well as the elaboration, in the Associação Brasileira de Normas Técnicas (ABNT), by a secretary group of Eletrobrás, of Brazilian Rules for Aeolian Generation Turbines, based on IEC international rules. Also in relation to standardization, activities related to coordination were developed and performed by Eletrobrás, of Subcommittee of the Technical Committee TC 176- Quality, of the International Organization for Standardization (ISO), including the attendance in an international meeting held in Cairo.

8. Sectorial Funds

8. SECTORIAL FUNDS

Annual Report 2007

Eletrobrás – Program Luz para Todos in Rio Grande do Norte (Eletrobrás Files)



8.1 Global Reversion Reserve (RGR)

8.1 C|OP9| B6V6L2|OU B626L6 (BCB)

As manager of the funds generated from RGR, as per the legislation in force, Eletrobrás invested in the financial year of 2007, the amount of R\$ 847,5 million. The movement related to the receipt and withdrawals of such funds is represented as follows:

Generation and use in 2007:

Movement	R\$ million
Receipts:	
Collection of installments	1,845.2
Other	472.1
Withdrawals:	
Financings	847.5
Other	47.0

Region	Financing granted - R\$ million	%
North	89,838.1	10.6
Northeast	266,074.0	31.4
Mid-West	130,025.1	15.3
South	64,004.0	7.6
Southeast	297,521.1	35.1
TOTAL	847,462.3	100.0

Credit lines

Program	Financing granted R\$ million	%
Luz Para Todos	491,980.1	58.1
Reluz / Conservation	33,522.0	4.0
Generation	38,174.0	4.5
Transmission	245,164.1	28.8
Distribution	26,797.1	3.2
Modernization of thermal plants	11,825.0	1.4
TOTAL	847,462.3	100.0

8.2 Energy Development Account – CDE

8.2 ΕΠΙΔΟΛ ΔΕΛΕΙΟΒΩΜΕΤ ΑΥΣΣΟΝΗΤ – CDE

To compensate electric power concessionaires for the reduction in the revenue provided from consumer services of Low Income Residential Subclass, an economic subvention was created at first with funds from RGR, and then, in 2004, from CDE. In 2007, the amount of R\$ 3,366 million was granted from that source, being R\$ 1,030 million for Low Income class, serving 51 electric power distribution concessionaires, and R\$ 1,417 million for the program “Luz Para Todos”, as per the movement shown in the table below:

Receipts and uses in 2007:

Movement	In R\$ million
Receipts: CDE+UBP+ Aneel Penalties	
Collection of installments	2,537.1
Other	161.1
Uses:	
Subvention Luz para Todos	1,416.8
Subvention – Low Income	1,030.3
Other	655.4

With a budget provided by the Ministry of Mines and Energy (MME) in the amount of R\$ 503 million, Eletrobrás transferred the amounts to the generating agents owners of the thermal electric plants that take part in the Energy Development Account (CDE), that use mineral coal from local origin.

Eletrobrás finances and installs Production Community Centers (CCP) for the generation of income in communities served by the program Luz para Todos (Eletrobrás / Jorge Coelho Files)

Eletrobrás – Program Reluz – Lighting of Cruz Vermelha Square – RJ (Eletrobrás/Ivson Alves Files)



8.3 Fuel Consumption Account (CCC)

8.3 FUEL CONSUMPTION ACCOUNT (CCC)

The Isolated Systems Fuel Consumption Account (CCC-Isol) is a fund managed by Eletrobrás which aims at covering part of the expenses with acquisition of fuel used in electric power generation of thermal electric plants not integrated to the National Interconnected System (SIN). Great part of such plants is located in the Northern region of Brazil.

CCC-Isol includes the payments for enterprises with sub-rogation of the Account's benefits, covering great part of the costs in measures for current or future savings, as the replacement of petroleum by-products with other electric power generation sources.

The coverage of costs is made through expenses refunding. The income that supports this coverage is provided from monthly collections made by the electric power distribution and transmission companies in the country.

In 2007, the Annual Fuel Plan estimated an annual quota of R\$ 2,871 billion to cover expenses of R\$ 3,352 billion. The difference between the income and expense of R\$ 481 million will be covered by a positive balance from the prior year. From said expenses, 96% were used to cover fuels and 4% for transfers to entrepreneurs subject to sub-rogation. The generation indicated by the Operating Technical Group of the North Region (GTON) to be met in 2007 was of 8.736.149 MWh, with consumption of 717 thousand tons of fuel oil, 224 thousand tons of PGE oil, 831 million liters of diesel oil and 537 million liters of light PTE oil.



8.4 Luz para Todos (Electricity for Everyone)

8.4 ΓΙΑ ΤΗΣ ΒΑΣΙΣ ΤΟ ΟΡΟΣ (ΕΙΣΘΕΤΙΚΑ ΓΙΑ ΕΛΕΙΛΟΥΣ)

In the period from 2004 to 2007, more than 7 million people were benefited in the Brazilian rural areas with electricity, by means of 1,435,935 connections of the program. Of this amount, 397,877 connections were made only in 2007. During the year, R\$ 1.91 billion were released, being R\$ 1.42 billion originated from the Energy Development Account (CDE) and R\$ 0.49 billion from the Global Reserve Account (RGR).

The Project Management System of the program Luz para Todos (Electricity for Everyone) registered 76.493 projects in a total of, since 2004, 192,821 proposals registered including: connections in the rural areas of 5,055 Brazilian municipalities; the construction of 246,596km electric networks of high and low tension; implementation of 2,551,329 posts; installation of 389,149 transformers; and installation of 1,943 photo-voltaic systems.

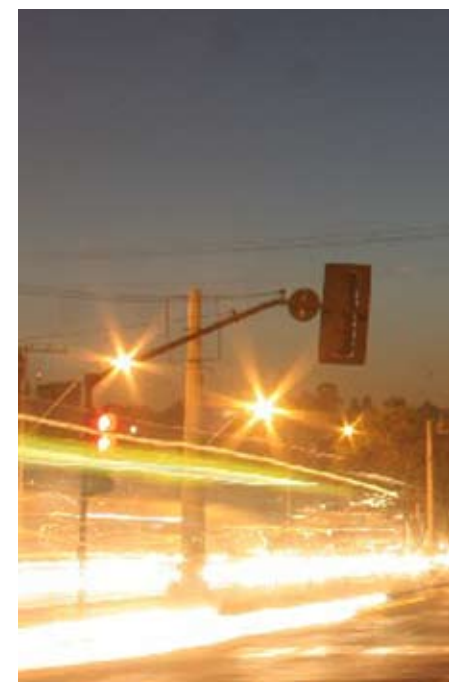
In relation to the goals undertaken for 2007, 88.4% of the global goal of 450,000 connections was achieved, considering the commitments made by the providers with Eletrobrás and the state governments. Up to December 31, 1,058,874 connections were recorded, corresponding to 68.8 % of the total connections contracted between the providers and Eletrobrás. Until the same date, the amount disbursed to those providers was R\$ 4.80 billion (funds from the Energy Development Account (CDE) and from the Global Reversion Reserve (RGR), from a total funds contracted of R\$ 7.03 billion, that is, 68.2 % of the total contracted funds.

The following table presents the amounts of the contracted and released funds up to December 31, 2007, distributed per region.

Region	Accumulated amounts up to 31.12.2007 (R\$ million)					
	Contracted funds			Released funds		
	CDE	RGR	CDE+RGR	CDE	RGR	CDE+RGR
North	1,056.9	119.1	1,176.0	795.4	92.6	888.0
Northeast	3,022.3	521.1	3,543.4	1,953.4	354.5	2,307.9
Mid-West	381.3	312.2	693.5	260.3	219.1	479.4
Southeast	488.1	731.2	1,219.3	395.3	473.2	868.5
South	262.5	140.0	402.5	161.2	93.4	254.6
Brazil	5,211.1	1,823.6	7,034.7	3,565.6	1,232.8	4,798.4

Region	Nº. of contracted connections up to 31.12.2007 between the providers and Eletrobrás
Mid-West	112,442
North	213,100
Northeast	824,903
South	97,552
Southeast	290,563
Total	1,538,560

The Reluz Program benefits cities all over the country (Eletrobrás Files)



The National Program of Efficient Public Illumination – (Reluz) benefited 131 municipalities in 2007, improving the efficiency of more than 166 thousand public illumination points and caused energy saving of approximately 66.7 thousand MWh/year and a reduction in demand of nearly 15.2 thousand kW. Also, nearly 1,065 new efficient points were installed. The total investment in 2007 amounted to R\$ 50.2 million, and Eletrobrás financed R\$ 37.6 million, originated from RGR.

The allocation of the invested funds and the effective results, per region, as shown as follows:

Region	Mid-West	North	Northeast	South	Southeast	TOTAL
Funds – R\$ million	---	0.4	1.0	---	48.8	50.2
No. of points	---	425	5,387	---	162,239	168,051
Demand reduction (kW)	---	---*	644	---	14,594	15,238

*Quantity of points related to the implementation of the expansion of efficient public illumination and accordingly, with no demand reduction.



8.6 Procel

The National Program of Electric Energy Conservation (Procel) is a Federal Government program coordinated by the Ministry of Mines and Energy - MME, intended to stimulate the efficient use of electric energy in the country and to avoid its waste. In this program, Eletrobrás plays the role of Executive Secretariat, and is responsible for the planning and execution of the Program's actions, providing technical and financial support.

The benefits generated by Procel may be recorded both for the saved energy and for the investments avoided in the expansion of the sector, which are reversed into benefits to the population.

In 2007, Procel, with investments of nearly R\$ 52.6 million, including funds from the Global Reversion Reserve (RGR), developed projects that contributed to a energy saving which was preliminarily estimated in the amount of 3 thousand GWh. These results may be compared to the electric energy consumption of nearly 1.7 million of homes in one-year period, representing a postponed investment for the electric sector of nearly R\$ 2.35 billion, which may be allocated to priority government programs in other areas.

The chart below shows the energy saving estimated in the period from 2001 to 2007.

LEGEND: PROCEL – SAVED ENERGY – GWH/YEAR



Created in 1993, Procel label for Energy Saving has the purpose of informing consumers, on an annual basis, on more efficient electrical appliances and equipment in their categories. The granting of said label is a joint work performed by Eletrobrás/Procel and the Brazilian Labeling Program (Inmetro/PBE).

Among the actions developed for Procel Label in 2007, emphasis is given to its granting to 2,341 models, distributed in 21 categories of equipment and electrical appliances, representing an increase of 49% in relation to 2006. 2007 was also the first year in which Procel Label was granted to TV sets in stand-by, a category that included 38 equipments.

Procel Award contemplates academic papers and practical solutions aimed at energy saving (Eletrobrás / Jorge Coelho Files)



Procel operates nationwide through sectorial programs in public building areas, environmental sanitation, municipal energy management, industry and buildings. The results from 2003 to 2007 are expressive: 718 big and medium industries are participants; 4,200 trained technicians in industry and 446 in sanitation; 120 water and sewage companies participating; 249 municipalities with implemented energy management; 37 laboratories installed with 210 scholarships distributed, in addition to 25 hospital units operating with more energy efficiency.



9. Corporate Management



Engineer Henrique Mello, one of the beacons of technical excellence in the company, lends his name to the auditorium at the Corporate University of the Eletrobrás System (Unise), opened in 2007.

(Eletrobrás / Jorge Coelho Files)

Press and Internal Communication

Eletrobrás launched in 2007 the second Image Report in the press. In one-year period, the average readers exposed to the company's name REACHED 44 million, based on data provided by Instituto Verificador de Circulação (IVC). The index of favorable exposure (ratio between favorable exposure and total exposures measured in centimeters per column) reached the average of 70.94% in 2007.

The clipping – follow up of issues disclosed in the press – gathered 15,283 issues that directly mentioned the name of Eletrobrás in 2007. Of this total, 2,828 issues were in the press (newspapers and magazines), 943 issues on news sites, 626 on the radio and 46 on TV.

In relation to Internal Communication, press produced and disclosed in 2007 electronic news Notícias da Eletrobrás, Eletrobrás Magazine and Newspaper, in addition to the production and edition of Rádio Eletrobrás programs.

Publicity

In December 2007, Eletrobrás and Agência 3 signed a publicity service agreement. Accordingly, the first institutional publicity campaign started to be developed, to be disclosed in 2008. The principal objective is disclosing Eletrobrás system and its participation in the country's development, as well as the importance of energy to people's lives.

Sponsorships

According to the Eletrobrás strategic planning objectives, a sponsorship policy was approved by the Directors, considering the opportunity of fostering and disclosing the company's transparent image. The policy criteria established by Eletrobrás include institutional and market interests, as a mixed-capital company, with the federal government's purposes, by emphasizing the valuation of culture, sports and technical production of the electric power sector.

Eletrobrás sponsors projects in the following segments:

- **Culture** – projects included in the Law for Cultural Incentive by the Ministry of Culture.
- **Sports and para-sports** – projects that do not depend on tax benefits, provided that they are aligned with policies provided by the Ministry of Sports, and in compliance with the technical and administrative criteria and selection defined by the company.
- **Social-environmental projects** – projects developed by actions related to the promotion and recovery of the threatened environment and species and fostering of sustainable development, with the purpose of obtaining improvements in life conditions of individuals and communities.

- **Other segments** – projects focusing on Eletrobrás interest areas, provided that they meet the technical and administrative criteria of evaluation and selection defined by the company.

In the cultural area, in 2007, Eletrobrás sponsored Teatro Municipal do Rio de Janeiro for a ballet performance called *The Nutcracker*, by Tchaikovsky. In sports, the company sponsored the Brazilian male and female basketball teams, in addition to the Project *Cuidando do Presente com a Energia Necessária para ter Futuro (Taking care of the present with the necessary energy to have future)*, which consisted of preparation of Brazilian basketball players, male and female, on wheelchairs to take part in para-Pan-American games Rio 2007.



In the cultural area, in 2007, Eletrobrás sponsored the Nutcracker Ballet, by Tchaikovsky, at Teatro Municipal. (Eletrobrás / Jorge Coelho Files)

Provided from public examinations carried out during 2005, in 2007, Eletrobrás integrated 124 new employees. For other vacancies and to create a reserve list, the company elaborated another public examination for many positions for graduation and high-schooling level. The first employees will be called in 2008, continuing the selective process.

In 2007, as in the prior year, the following programs were carried out: Evaluation and Development Programs, Diet Reeducation, Ergonomic, Attention to Smoking, Women's Health, Heart Health, Medicine, Trip and Energy & Movement, as well as the vaccination of its employees against the flue (521 vaccines), against tetanus (160 vaccines) against hepatitis B (100 vaccines) and against hepatitis C (28 vaccines).

Eletrobrás holding, in compliance with the guidelines of the Young Apprentice Program, signed a Technical Cooperation Agreement with the Ministry of Labor and Jobs and Senai, to contract 42 young people in compliance with the Young Apprentice Law. Eletrobrás was awarded with the prize "Empresa Parceira do Programa Primeiro Emprego" (Partner Company of the First Job Program) recognizing its actions to meet the demands for job opportunities in the market.

Training and Development

In 2007, 406 events were held to train the company's technicians and managers, in addition to participation in its principal business. From a total of 3951 participant employees, 3739 attended short-term training courses (courses, seminars, congresses, lectures), 212 took part in long-term training courses (MBA, master, doctor degrees), 150 of the Foreign Language Program.

The total investments in these training and development programs amounted to R\$ 4,648.0 thousand and expense refunding for employees who attended graduation courses amounted to R\$ 153.1 thousand. For better integration and improvement of its employees, Eletrobrás invested in 20 technical visits to the electric power sector facilities, last year, resulting in effective participation of 387 employees.

To stimulate continuous learning and knowledge retention of the employees, the Corporate University of Eletrobrás System – Unise was expanded, with the implementation of TV Eletrobrás, Unise Channel and the Auditorium Henrique Mello that enable the development and transmission of educational and informative contents, in addition to disclosing events and achievements of Eletrobrás System.

9.3 Administrative Actions

Among the principal activities developed in 2007 are: the creation of the Bidding and Agreements Area and of the Physical and Fiscal Receipt Area; development of the Project Escola de Contratações da Eletrobrás (Eletrobrás Contracting School); consolidation of the use of electronic auction for bidding processes; Meeting of Eletrobrás Managers; Workshop on Bidding and Agreements; Partial Outsourcing of the Fleet; and implementation of Automatic management system and Follow-up of Fleet Fuel Supply, with reduction of 51.43% of the expenses with fuel and 16.67% in the operating costs of the fleet in Rio de Janeiro, compared to 2006.

In 2007, bidding process in the following areas were concluded: 13 contracts by invitation letter, in the amount of R\$ 612.4 thousand; 23 auctions, being 10 in person, in a total of R\$ 2.7 million and 13 electronic auctions in a total of R\$ 1.1 million, in addition to price comparison bidding process in the amount of R\$ 58 thousand.

Also, in 2007, it was created Eletrobrás Corporate Website with the modernization and better access facility to the company's information on the Internet. The Data Center was reorganized with the purpose of increasing the security level of information technology facilities. Help-desk was outsourced to improve the quality of users' service. It also adopted free software platform Linux in Adabas environment to reduce costs.



Corporate University of the Eletrobrás System (Unise) promotes partnerships with several areas of the company for the qualification of employees. (Eletrobrás / Jorge Coelho Files)

Among the actions proposed by the Internal Auditing Plan are audits in all corporate administrative segments, management audit of federal distribution companies (Ceal, Cepisa, Eletoacre, Ceron and Ceam), and general audit in Lightpar and general audit in Fundação Eletrobrás de Seguridade Social – Eletros.

To meet the requirements under Section 404 of Sabanes-Oxley law, Internal Audit was responsible for mapping and evaluation-identification and mitigation of risks in internal controls, in entity level, and of administrative, financial and budget processes of the companies of Eletrobrás System, of which principal focus was the testing of control effectiveness.

Internal Audit area was also responsible for coordinating the Permanent Commission of Ethics of Eletrobrás (CEE) and leverage of the procedures with the other internal audits of the companies of Eletrobrás System.

*(Eletrobrás /
Jorge Coelho Files)*



9.5 Ombudsman

Ombudsman was created in May 2005, with the purpose of establishing a permanent, agile, and efficient communication channel between high management of Eletrobrás, its employees and the society in general. Many activities were performed in 2007, such as: Internal Seminars of Ombudsman Management and Meeting of Ombudsmen of the Companies of Eletrobrás System.

There was also the Gender Channel, in a partnership with the Social Responsibility Area, which purpose was receiving confidential comments, suggestions and/or complaints related to matters involving equal rights among sexes, as well as moral and sexual harassments, and a channel to receive complaints and information on possible irregularities on accounting entries, among others. In 2007, Ombudsman received 2444 requests, 72% of the demands were solved.

*The Ombudsman areas of Eletrobrás System are integrated with the purpose of ensuring the best service to internal and external clients of its companies.
(Eletrobrás / Jorge Coelho Files)*





10. Social Responsibility

10. RESPONSABILIDADE SOCIAL



*Eletrobrás supports projects for the development and improvement of quality of life in Quilombola communities.
(Eletrobrás / Jorge Coelho Files)*

Eletrobrás Corporate Social Responsibility is inserted in the company's management and is based on a set of values that guide its mission, vision, leadership model, management policies and mainly the Code of Ethics. The company's responsibilities with its public and communities where it operates are included in RS Guidelines of Eletrobrás.

In June 2006, Eletrobrás joined a group of nearly one thousand companies in many countries and affirmed its adhesion to the principles of the Global Covenant. The commitment has the purpose of causing international corporate community leaderships to support the United Nations in fostering fundamental values in the environment, human and labor rights areas.

By confirming its commitment with gender and citizenship issues, Eletrobrás was certified by the Pro-Equity of Gender Label (2006/2007), by the Special Secretariat of Women's Policies (SPM), of the Presidency of the Republic, in view of the practices adopted in establishing equal opportunities between men and women in the company. Among such actions, which are implemented in partnership with different areas of the company and monitored by the Permanent Committee for Gender Issues, a significant one was the creation of a Gender Channel, in a partnership with the Ombudsman (PRO), which is a confidential communication channel at the disposal of all employees for comments and/or complaints on issues related to moral and sexual harassment, discrimination of any nature, in addition to inclusion of spouses of the same sex in benefits granted by the company.

In relation to the society in general, Eletrobrás social responsibility may be noted in investments, supports and partnerships, with priority given to educational areas and professional trainings of youngsters and adults; generation of jobs and income and assistance to communities affected by the company's projects. In 2007, the Social Responsibility Department (DAS) developed and applied jointly with the Organization Department (DAO), the Covenant Rule for the Social Responsibility Project (EAE-04), creating and establishing criteria for analysis and selection of projects that may be subject to the company's sponsorship, which offers transparency in the social investment process.

It is important to emphasize that in 2007 the partnership with the Universalization Program Management Department (DEP) was improved for a joint effort in the program of energy productive use, a complementary Project to the program Luz para Todos (Electricity for Everyone), enabling the creation of new Production Community Centers (CCPs), with the purpose of fostering the economic and social development of the areas serviced by the rural electricity installation program of the federal government.

11. Federal Distribution Companies

COMPANIES

11. FEDERAL DISTRIBUTION

*PICTURE: (Light Poles
and Transformers)
Eletoacre and Boa Vista
Energia were considered
as the companies with
the best performance
in the control of losses.
(Eletoabrá / Jorge Coelho Files)*

Results of the Federal Distribution Companies:

The companies continue to be monitored by the Corporate Management Follow-up System (Siage). In 2007, notwithstanding the efforts made by Ceal, Cepisa, Ceron and Manaus Energia, those companies could not reach the electric power loss levels recognized by Aneel, and the goals established with Eletrobrás. In the case of Ceam, although it presents a descending curve of losses of electric power, it failed to reach the goal established by Eletrobrás. Eletoacre and Boa Vista Energia, which could reach the levels recognized by Aneel, are the companies with the best performance in fighting electric power losses.

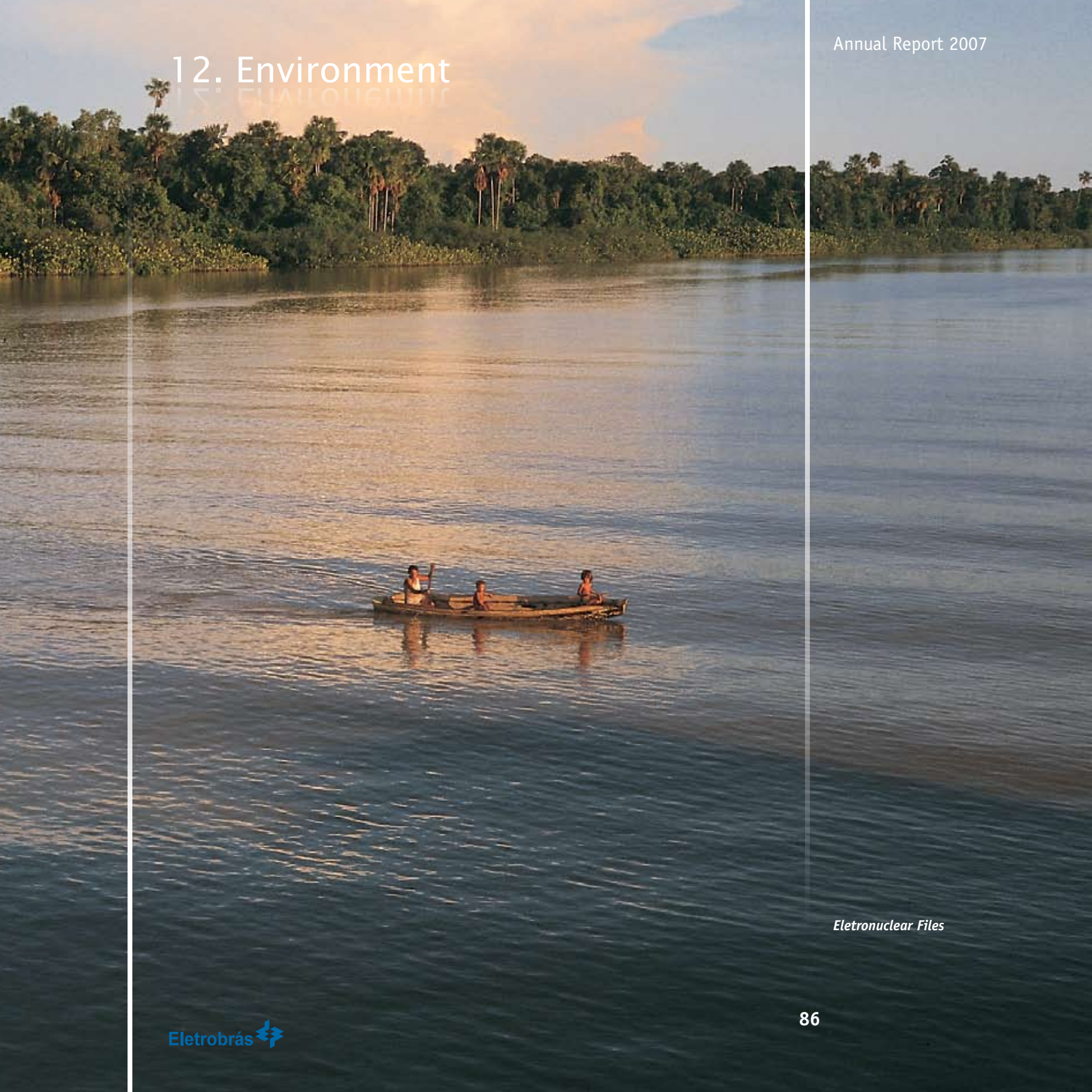
In relation to non-payments, Eletoacre was the only company to meet the goal established by Eletrobrás for billing x revenue in 2007.

Works for the process of corporate restructuring of Companhia Energética do Amazonas (Ceam) and of Manaus Energia S.A., for integration of the electric power distribution activities of the two concessionaires in the State of Amazonas, were performed and are under conclusion.

In 2007, Eletrobrás continued with the studies to change the corporate governance model adopted for the federal distribution companies, with the purpose of solving their financial-economic problems, as established by the Law that authorized Eletrobrás' participation in such companies and that included them in the National Privatization Program (PND).

Year	2003	2004	2005	2006	2007
Total consumers	2,376,727	2,465,889	2,574,481	2,724,847	2,868,792
Consumers per employee	4,091	4,009	3,893	3,767	3,594
Municipalities and places	564	568	571	575	579
Connections made - Urban	264,751	252,423	270,821	272,817	300,403
Connections made - Rural	28,171	30,393	44,165	55,055	50,803
Technical/commercial losses (MWh)	4,184,498	4,536,466	4,911,157	5,295,800	5,890,317
Market/MWh					
Required energy	12,920,541	13,750,228	14,812,196	15,677,112	16,868,794
Acquired energy	13,049,676	13,995,821	15,012,012	15,829,582	16,907,959
Energy sold	8,734,020	9,151,253	9,885,817	10,363,848	10,976,100
Own generation	2,390,790	2,284,871	2,634,849	2,583,651	2,459,186
PIEs generation	3,027,938	3,513,281	3,655,726	4,071,591	4,818,924
Operating					
Plants in operation	136	137	133	139	144
Substations	225	227	232	235	249
Distribution grids (km)	86,125	88,010	92,059	105,396	113,562
EBTIDA					
Ceal	15.20	51.53	84.81	42.28	48.55
Ceam	(76.70)	(71.18)	(67.57)	(190.84)	(348.77)
Cepisa	(33.30)	(41.18)	(25.91)	4.40	22.82
Ceron	0.60	19.97	10.18	15.25	15.07
Eletoacre	(3.50)	0.92	25.87	18.93	23.46
Boa Vista Energia	(70.40)	(24.06)	(19.57)	(11.12)	(13.75)
Manaus Energia	(58.60)	(48.10)	73.06	(134.05)	(408.22)

12. Environment



Eletronuclear Files

The environmental dimension is inserted in corporate and government activities performed by Eletrobrás as support to the decision-making processes. The Environmental Policy of Eletrobrás System, created in 2006, establishes that the social-environmental issues should be addressed in relation to the electric power enterprise of the companies that integrate them.

The fundamental premises of its formulation are based on public policies guidelines related to the environment, hydro resources and social welfare as well as international agreements in which Brazil is a party, such as the Climate Convention, Agenda 21, and Kyoto Protocol, and the holding's experience as issuer and manager of principles of social-environmental qualification of its activities.

Accordingly, the companies of Eletrobrás System seek continuous internalization of the environmental dimension and its improvement, both in the execution of their own projects and in partnerships or in supporting to third parties.

Environmental management actions are related to the company's activities. In 2007, an important one was the environmental licensing of the Hydroelectric Unit of Belo Monte, the implementation of Proinfa, the management of isolated systems, financing operations of the system companies, generation of external funds and relationship with capital markets.

By granting loans to projects, Eletrobrás carries out a previous environmental analysis of the same and follows up their execution in relation to environmental issues. In 2007, it coordinated the technical analysis of the environmental management project financed for Itaipu Binacional. The project had the purpose of expanding the environmental management principles adopted in the Brazilian margin to the Paraguayan margin of the reservoir, assuring the compliance with minimum protection standards for well-springs, as required by the Brazilian and Paraguayan laws.

In government project and programs management, Eletrobrás is the legal responsible for the environmental licensing of the Hydroelectric Unit of Belo Monte and coordinates the execution of environmental impact studies of the enterprise. In 2007, the revision and completion works of the environmental studies interrupted by judicial decision were resumed. The environmental licensing process of the enterprise before Ibama was resumed and the Reference Term was issued for the elaboration of the Environmental Impact Study.

Eletrobrás, as manager of energy purchase and sale agreements signed for Proinfa, also performs, on a permanent nature, environmental monitoring activities of the 144 enterprises of the program, comprising the checking of conformity with the licensing processes and implementation of the environmental programs.

In relation to the Isolated Systems Operation Program management, it carried out identification and analysis of the principal environmental issues related to the thermal Power plants and their neighborhood, by means of technical visits.

In relation to studies on critical environmental matters, in partnership with universities and research centers, the following projects continued: Strategic Environmental Analysis for Generation Expansion Planning and Incorporation of the Environmental Dimension to the

Transmission Planning, under development at Cepel; the Use of Microalgae in the Management of Emissions in Thermal Power Plants and Charcoal Plants under development at FURG. Arrangements with the Ministry of Science and Technology were made to estimate the contribution of hydroelectric reservoirs for elaboration of the National Inventory of Greenhouse Effects.

Also, a project was contracted with Cepel to support a corporate environmental management system. The Project IGS – Social-environmental indicators for the Corporate Sustainability Management of Eletrobrás system has the purposes of establishing a set of social-environmental performance indicators and implementing a database of related information, as a support for the evaluation and communication of improvement in social-environmental performance of the system's Companies.

Additionally, Eletrobrás has developed, jointly with the system's companies, activities in the environmental area that may enable a coherent action, continuously improved, adjusted to the legislation in force and to the guidelines mutually agreed. Such actions aim at assuring the compliance with the Environmental Policy principles of Eletrobrás System and implementing a work agenda involving mutual interest issues, defined in a specific forum of the Environmental area of the companies of the system, the Environment Sub-committee (SCMA), coordinated by Eletrobrás. SCMA is organically related to the Operation, Planning, Engineering and Environment Committee (Copem) which, in its turn, is related to the Higher Committee of Eletrobrás system (Consize).

SCMA operates as a technical and institutional space that provides greater interaction among the companies and defines the common guidelines for the treatment of social-environmental issues and the performance of procedures related to the necessary inter-institutional relationships. In 2007, SCMA activities included the inspection of the Report on Technical Aspects in the Development of Water-species in Reservoirs, of great importance for the adjustment of this activity with the electric power generation, and the Inventory of Greenhouse Effects of Eletrobrás System – year base 2005, which will be updated and improved on an annual basis. Also, it maintained the follow up of Bills which are interesting to the sector, to safeguard and guide parliament advisors of the companies and to the MME. SCMA has a document services at Eletrobrás website and a channel dedicated to the environment demands at the address scma.secretariaexecutiva@eletrobras.com.

In the System Sustainability Committee, Eletrobrás has coordinated integrated and systematic actions that include the diagnosis of the environmental management of the companies and implementation of improvements with the purpose of meeting its strategic objectives.



*Furnas – Detail of the planting
of native seedlings in the
garden at Marimondo Plant
(Furnas Files)*

*Environmental Protection
Strip, from Itaipu Reservoir
(Itaipu Binacional/Caio
Coronel Files)*



13. Social and Environmental Related Information



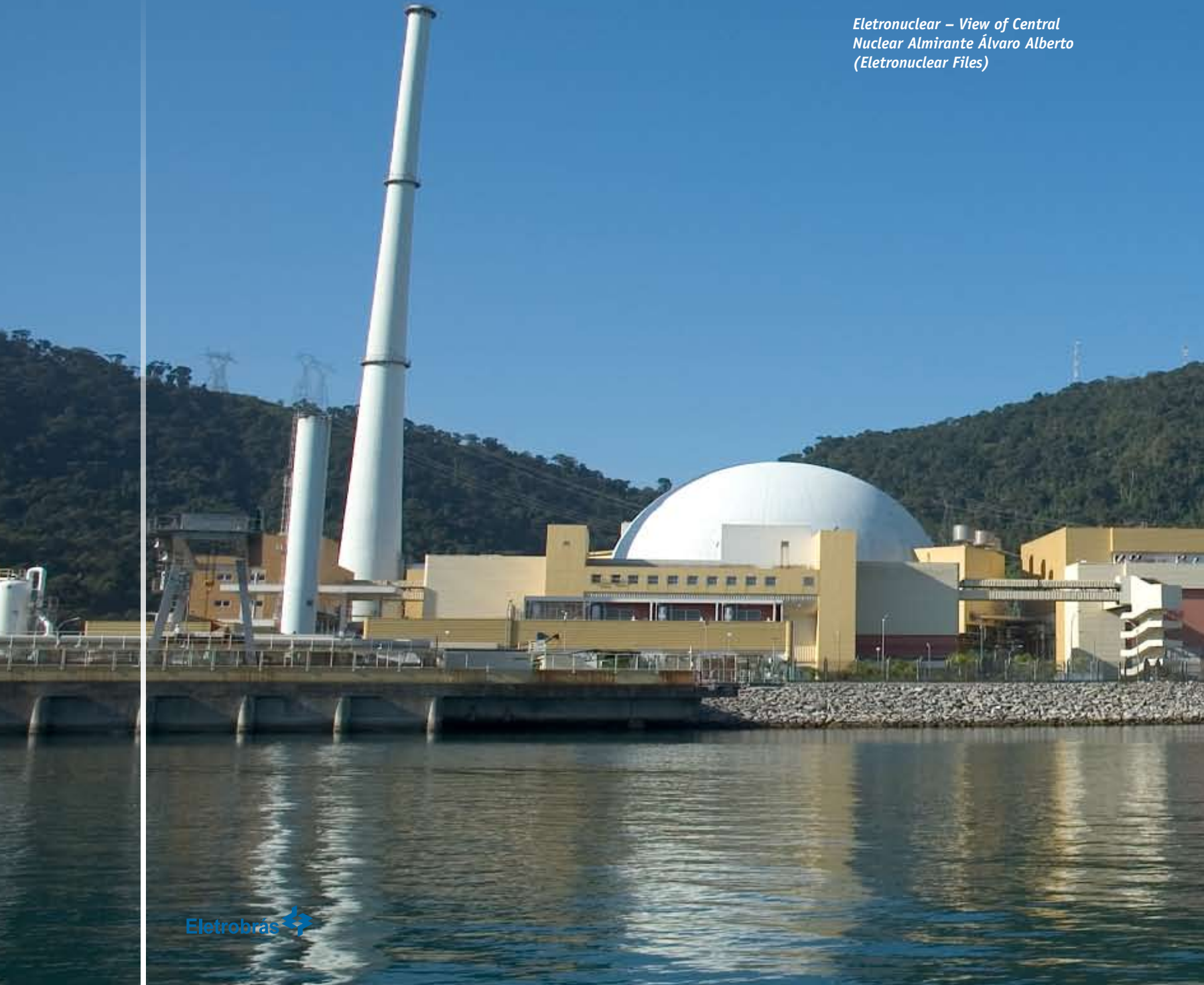
Eletrobrás Social Responsibility Department team also promotes actions of appreciation of employees, such as the Celebration of the International Women's Day (Eletrobrás / Jorge Coelho Files)

	HOLDING		CONSOLIDATED	
	2007	2006	2007	2006
I - HUMAN RESOURCES				
1.1 - Remuneration				
Gross Payroll	86,869	41,971	2,156,580	1,829,833
- Employees	85,232	40,283	2,141,200	1,814,096
- Directors	1,637	1,688	15,380	15,737
Ratio between the highest and lowest remuneration:				
- Employees	16,05	14,07	-	-
- Directors	1,00	1,00	-	-
1.2 - Benefits Granted				
Social costs	27,663	24,671	551,791	494,939
Meals	7,850	5,760	127,708	123,268
Transportation	525	562	13,278	13,839
Private pension plan	10,331	11,933	175,828	175,696
Health	10,988	7,351	184,048	160,744
Safety and labor medicine	2,106	1,383	14,239	14,214
Education / Nursery or Nursery Assistance	684	487	22,187	15,471
Culture	-	-	3,075	2,060
Professional training and development	3,729	2,602	54,464	49,145
Profit sharing or results	18,000	17,000	224,013	204,502
TOTAL	81,876	71,749	1,370,631	1,253,878
1.3 - Composição do corpo funcional				
N° of employees by the end of the year	934	975	20,351	19,098
N° of hired employees	25	138	1,667	1,279
N° of fired employees	67	68	415	580
N° of trainees at the end of the year	272	258	2,104	2,030
N° of handicapped employees at the end of the year	4	4	368	350
N° of outsourced service providers at the end of the year	-	-	1,878	2,081
N° of employees per sex				
- Male	638	671	16,591	15,637
- Female	296	304	3,760	3,461
N° of employees per age:				
- Under 18 years old	-	-	-	-
- From 18 to 35 years old	224	243	4,573	3,846
- From 36 to 60 years old	678	703	15,049	14,772
- Over 60 years old	32	29	729	480
N° of employees per educational background:				
- Illiterate	-	-	-	21
- Fundamental schooling	22	26	2,334	2,269
- High schooling	177	189	3,331	2,941
- Technical degree	0	0	6,060	6,511
- Graduation degree	402	440	6,347	5,216
- Post-graduation degree	333	320	2,279	2,140
Percentage of employees in top positions, per sex:				
- Male	0.76	0.76	-	-
- Female	0.24	0.24	-	-

	HOLDING		CONSOLIDATED	
	2007	2006	2007	2006
1.4 - Labor contingencies and liabilities				
Number of labor suits filed against the entity	341	531	2,680	3,629
Number of labor suits judged, with favorable decision	50	140	716	689
Number of labor suits judged, with unfavorable decision	25	69	395	682
Total amount indemnities and penalties paid as decided by the judges	16,314	2,379	43,873	33,820
II - INTERACTION BETWEEN THE COMPANY AND THE EXTERNAL ENVIRONMENT				
2.1 - Relationship with the Community				
Total investments with:				
- Education	286	2,602	17,010	14,632
- Culture	19,752	27,334	39,000	63,522
- Health and infra-structure	623	-	34,946	44,222
- Sports and leisure	6,695	6,769	10,654	9,896
- Meals	-	-	3,967	3,284
- Labor and income generation	831	738	3,372	4,009
- Reallocation of families	413	-	113,896	149,456
Other	235	-	3,106	3,626
Total investments	28,832	37,443	225,951	292,647
Taxes (less social costs)	1,131,336	938,054	2,554,314	2,034,421
Financial compensation due to the use of hydrous resources		-	512,566	509,902
Total - Relationship with the community	28,832	37,443	3,292,831	2,836,970
2.2 Interaction with Suppliers				
Social liability criteria used to select its suppliers		-	-	-
III - INTERACTION WITH THE ENVIRONMENT				
- Investments and costs with maintenance of operating processes to improve the environment;		-	93,577	81,338
- Investments and costs with preservation and/or recovery of degraded environments;		-	22,429	19,925
- Investments and costs with environmental education to employees, outsourced personnel, autonomous workers and managers of the entity;		-	141	154
- Investments and costs with environmental education to community;		-	5,235	3,446
- Investments and costs with other environmental projects;		-	215,635	91,335
- Number of environmental, administrative and law suits filed against the company;		-	12	9
- Total penalties and indemnities related to environmental issues, determined administratively and/or by judges;		-	-	-
- Environmental liabilities and contingencies		-	-	43
Total interaction with the environment		-	337,017	190,241
IV - OTHER INFORMATION				
Net income	9,439	7,0286	15,768,577	14,260,322
Operating income	1,401	1.471	1,961,327	896,848

Financial Statements 2007

*Eletronuclear – View of Central
Nuclear Almirante Álvaro Alberto
(Eletronuclear Files)*





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CENTRAIS ELÉTRICAS BRASILEIRAS S.A - ELETROBRÁS
BALANCE SHEETS FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006
(In thousands of Brazilian reais)

	Note	COMPANY		CONSOLIDATED	
		2007	2006 Reclassified	2007	2006 Reclassified
ASSETS					
CURRENT					
Cash and cash equivalents	8	5,585,519	2,877,879	8,094,907	5,459,139
Consumers and resellers	9	1,349,259	1,180,392	3,622,343	3,994,924
Loans and financing	10	3,034,328	5,985,076	1,506,511	1,414,788
Fuel Consumption Account - CCC		549,467	860,023	541,087	833,555
Return on investments	11	635,357	543,731	152,468	174,455
Securities		-	-	-	-
Rescheduled receivables	12	112,803	106,935	526,275	352,158
Deferred tax credits	14	1,773,215	1,213,421	2,443,072	1,842,337
Rights to reimbursement		179,460	275,468	179,460	275,468
Sundry receivables		290,840	2,278	427,358	128,224
Storeroom		2,519	2,427	603,177	519,816
Prepaid expenses		21	-	66,728	46,299
Other		74,002	65,632	446,573	374,279
		<u>13,586,790</u>	<u>13,113,262</u>	<u>18,609,959</u>	<u>15,415,442</u>
NONCURRENT					
LONG-TERM ASSETS					
Loans and financing	10	33,488,103	31,334,465	13,405,369	13,052,790
Rescheduled receivables	12	203,959	3,022,767	1,920,766	4,735,269
Marketable securities	13	1,491,900	1,411,661	1,495,242	1,414,136
Nuclear fuel inventories	17	-	-	657,188	594,169
Studies and projects	16	292,579	292,330	312,122	308,011
Consumers and resellers		-	-	26,178	589,223
Deferred tax credits	14	1,351,862	790,359	2,515,443	1,959,457
Pledges and restricted deposits		177,336	140,034	397,113	367,179
Fuel Consumption Account - CCC		500,512	474,052	500,512	474,052
Rights to reimbursement		590,025	-	590,025	-
Other		66,426	46,527	287,840	376,636
		<u>38,162,702</u>	<u>37,512,195</u>	<u>22,107,798</u>	<u>23,870,922</u>
Advances for increase in parent company's ownership interest	18	1,824,255	700,085	4,027	80,383
		<u>39,986,957</u>	<u>38,212,280</u>	<u>22,111,825</u>	<u>23,951,305</u>
INVESTMENTS	19	43,062,138	42,304,993	5,183,898	4,565,745
PROPERTY, PLANT AND EQUIPMENT	20	28,807	30,822	74,157,189	77,695,285
INTANGIBLE ASSETS	21	55,558	57,410	469,810	412,538
DEFERRED CHARGES		5,891	1,242	45,995	45,136
		43,152,394	42,394,467	79,856,892	82,718,704
TOTAL ASSETS		<u>96,726,141</u>	<u>93,720,009</u>	<u>120,578,676</u>	<u>122,085,451</u>

The accompanying notes and attachments I, II, III, IV, V, VI, VII and VIII are integral part of these financial statements

CENTRAIS ELÉTRICAS BRASILEIRAS S.A - ELETROBRÁS
BALANCE SHEETS FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006
(In thousands of Brazilian reais)

LIABILITIES AND STOCKHOLDERS' EQUITY	Note #	COMPANY		CONSOLIDATED	
		2007	2006 Reclassified	2007	2006 Reclassified
CURRENT					
Loans and financing	22	139.430	169.968	1.429.199	1.990.178
Compulsory loan	28	96.709	111.106	96.709	111.106
Trade accounts payable	24	1.269.365	1.159.921	2.291.929	1.976.903
Advances from consumers	27	202.250	102.387	237.441	134.909
Taxes and social contributions	26	1.092.560	918.483	1.823.838	1.448.655
Fuel Consumption Account - CCC		515.418	836.878	515.418	836.878
Stockholders' compensation	29	881.002	566.043	902.915	590.756
Payables to the Brazilian Federal Treasury	30	58.150	51.123	58.150	51.123
Estimated obligations		78.274	7.282	426.267	294.877
Reimbursement obligations		444.225	193.811	444.225	193.810
Complementary pension plans	31	-	-	183.512	338.355
Provisions for contingencies	32	-	-	1.029.109	893.299
Research and development		-	-	343.010	287.460
Fees as per regulations	25	-	-	514.897	591.290
Other		33.648	273.208	706.088	455.724
		<u>4.811.031</u>	<u>4.390.210</u>	<u>11.002.707</u>	<u>10.195.323</u>
NONCURRENT					
Loans and financing	22	1.576.872	2.007.461	12.981.322	17.819.926
Payables to the Brazilian Federal Treasury	30	726.989	459.808	726.989	459.808
Trade accounts payable		-	-	-	268.332
Global Reversion Reserve Quota - RGR		6.769.011	6.171.300	6.769.011	6.171.300
Compulsory loan	28	202.375	23.870	202.375	23.870
Taxes and social contributions	26	-	647.844	1.625.530	2.150.748
Obligations assumed for the release of assets	33	-	-	451.017	356.604
Advances from consumers	27	-	-	1.056.761	942.330
Fuel Consumption Account - CCC		500.512	474.052	1.143.258	1.036.531
Provisions for contingencies	32	1.214.528	1.298.389	2.042.787	2.147.921
Complementary pension plans	31	-	-	798.623	1.992.061
Provision for stockholders' deficit in investees		875.777	342.996	875.777	342.996
Reimbursement liabilities		0	-	0	-
Other		85.810	68.291	553.669	97.372
		<u>11.951.874</u>	<u>11.494.011</u>	<u>29.227.119</u>	<u>33.809.799</u>
INTEREST OF NON-CONTROLLING STOCKHOLDERS					
		-	-	385.614	244.541
STOCKHOLDERS' EQUITY					
	34				
Capital stock		24.235.829	24.235.829	24.235.829	24.235.829
Capital reserves		25.907.304	25.907.304	25.907.304	25.907.304
Revaluation surplus		208.109	230.538	208.109	230.538
Revenue reserves		25.800.369	24.054.259	25.800.369	24.054.259
		<u>76.151.611</u>	<u>74.427.930</u>	<u>76.151.611</u>	<u>74.427.930</u>
Advances for future capital increase		3.811.625	3.407.858	3.811.625	3.407.858
		<u>79.963.236</u>	<u>77.835.788</u>	<u>79.963.236</u>	<u>77.835.788</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		<u>96.726.141</u>	<u>93.720.009</u>	<u>120.578.676</u>	<u>122.085.451</u>

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

CENTRAIS ELÉTRICAS BRASILEIRAS S.A. - ELETROBRÁS
STATEMENT OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(In thousands of Brazilian reais)

	Note	COMPANY	
		2007	2006 Reclassified
OPERATING REVENUES			
Electricity sale and transmission	35	7.555.634	6.297.277
Electric power Grant-in-Aid		-	-
Interest on bills paid in arrears on electric power	36	-	-
(-) Sectorial charges	36	-	-
(-) State VAT (ICMS)		-	-
Ownership interests	37	1.883.289	988.561
Gains on reduction in liabilities	15	-	-
Other revenues		-	-
		<u>9.438.923</u>	<u>7.285.838</u>
OPERATING EXPENSES			
Personnel, material and services	38	318.370	287.024
Energy purchased for resale	39	7.152.195	6.256.845
Fuel for electricity production		-	-
PASEP and COFINS (taxes on sales)		86.947	62.925
Electricity network use		-	-
Financial compensation of water resources		-	-
Depreciation and amortization		7.016	5.947
Operating provisions	40	586.483	114.934
		-	-
Losses with assets	15	-	-
ITAIPU's income (loss) to be offset		-	-
Donations and contributions		126.400	140.743
Other		<u>356.336</u>	<u>182.588</u>
		<u>8.633.747</u>	<u>7.051.006</u>
OPERATING INCOME (LOSS) BEFORE FINANCIAL INCOME (EXPENSES)		<u>805.176</u>	<u>234.832</u>
FINANCIAL INCOME (EXPENSES)	41	<u>595.844</u>	<u>1.235.774</u>
OPERATING INCOME		<u>1.401.020</u>	<u>1.470.606</u>
NON-OPERATING INCOME (LOSS)		<u>-</u>	<u>-</u>
INCOME (LOSS) BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES, EMPLOYEES' AND MANAGEMENT PROFIT SHARING AND MINORITY INTEREST		<u>1.401.020</u>	<u>1.470.606</u>
Income tax		146.976	(210.603)
Social contribution tax on net income		17.861	(81.685)
INCOME (LOSS) BEFORE OWNERSHIP INTERESTS		<u>1.565.857</u>	<u>1.178.318</u>
Profit sharing	42	(18.000)	(17.000)
Minority interest		-	-
NET INCOME (LOSS) FOR THE YEAR / PERIOD		<u>1.547.857</u>	<u>1.161.318</u>
EARNINGS (LOSS) PER SHARE, NET		<u>R\$1,37</u>	<u>R\$1,03</u>

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

CONSOLIDATED				
Quarters				
4Q07	to 3Q07	4Q06	2007	2006 Reclassified
6.610.382	17.096.219	5.700.192	23.706.601	21.011.354
-	0	-	-	-
-	-	-	-	-
(312.134)	(802.342)	(252.750)	(1.114.476)	(1.292.529)
(128.645)	(310.065)	85.599	(438.710)	(465.555)
303.717	449.575	(41.196)	753.292	361.667
300.136	-	-	300.136	-
27.209	74.434	431.621	101.643	431.621
6.800.665	16.507.821	5.923.466	23.308.486	20.046.558
1.277.465	3.077.802	1.170.609	4.355.267	3.977.700
1.805.545	4.320.087	1.479.321	6.125.632	4.895.225
160.106	320.428	41.921	480.534	442.724
314.007	611.307	348.301	925.314	750.756
222.352	729.247	146.924	951.599	891.337
655.476	439.758	323.626	1.095.234	1.152.447
481.346	1.552.570	507.644	2.033.916	2.006.805
(84.273)	1.364.949	(73.345)	1.280.676	957.613
-	-	-	-	-
599.822	-	-	599.822	-
319.968	374.120	102.288	694.088	(390.916)
55.501	143.489	45.115	198.990	196.904
445.271	861.278	333.328	1.306.549	594.035
6.252.586	13.795.035	4.425.732	20.047.621	15.474.630
548.079	2.712.786	1.497.734	3.260.865	4.571.928
1.744.426	(2.671.095)	(1.058.606)	(926.669)	(2.706.039)
2.292.505	41.691	439.128	2.334.196	1.865.889
(18.032)	(18.847)	5.819	(36.879)	(17.964)
2.274.473	22.844	444.947	2.297.317	1.847.925
(354.303)	(59.006)	8.473	(413.309)	(411.620)
(116.972)	(55.020)	7.032	(171.992)	(151.373)
1.803.198	(91.182)	460.452	1.712.016	1.284.932
(159.926)	-	(138.469)	(159.926)	(138.468)
(4.098)	(135)	13.869	(4.233)	14.854
1.639.174	(91.317)	335.852	1.547.857	1.161.318
R\$1,45	(R\$0,08)	R\$0,30	R\$1,37	R\$1,03

CENTRAIS ELÉTRICAS BRASILEIRAS S.A. - ELETROBRÁS
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(In thousands of Brazilian reais)

	SUBSCRIBED AND PAID CAPITAL STOCK	CAPITAL RESERVES	REVALUATION RESERVE
As of December 31, 2005	24.235.829	25.907.304	247.855
Financial charges – Decree 2.673/98	-	-	-
Realization of revaluation surplus	-	-	(17.317)
Net income	-	-	-
Application of income:			
Recognition of reserves	-	-	-
Stockholders' compensation	-	-	-
As of December 31, 2006	24.235.829	25.907.304	230.538
Capital increase A.G.E as of April 28, 2005			
Reevaluation – associated companies	-	-	-
Financial charges – Decree 2.673/98	-	-	-
Realization of revaluation surplus	-	-	(22.429)
Net income	-	-	-
Application of income:			
Recognition of reserves	-	-	-
Stockholders' compensation	-	-	-
As of December 31, 2007	24.235.829	25.907.304	208.109

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

REVENUE RESERVES						
LEGAL RESERVE	STATUTORY RESERVE	DIVIDENDS NOT DISTRIBUTED	RETAINED EARNINGS	ACCUMULATED EARNINGS	ADVANCES FOR FUTURE CAPITAL INCREASE	T O T A L STOCKHOLDERS' EQUITY
1.595.578	14.318.074	6.448.973	-	-	2.961.277	75.714.889
-	-	972.548	-	-	446.581	1.419.129
-	-	-	-	17.317	-	-
-	-	-	-	1.161.317	-	1.161.317
58.066	592.272	-	68.748	(719.086)	-	-
-	-	-	-	(459.548)	-	(459.548)
1.653.644	14.910.346	7.421.521	68.748	-	3.407.858	77.835.788
-	-	-	-	-	-	-
-	-	879.311	-	-	403.767	1.283.078
-	-	-	-	22.429	-	-
-	-	-	-	1.547.857	-	1.547.857
77.394	789.405	-	-	(866.799)	-	-
-	-	-	-	(703.487)	-	(703.487)
1.731.038	15.699.751	8.300.832	68.748	-	3.811.625	79.963.236

CENTRAIS ELÉTRICAS BRASILEIRAS S.A. - ELETROBRÁS
STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEARS ENDED
DECEMBER 31 2007 AND 2006
(In thousands of Brazilian reais)

	COMPANY		CONSOLIDATED	
	12/31/2007	12/31/2006	12/31/2007	12/31/2006
SOURCE OF FUNDS				
From operations - net income	1.547.857	1.161.318	1.547.857	1.161.318
Noncash items:				
Depreciation and amortization	7.016	5.947	2.033.916	2.006.805
Long-term monetary variation, net	2.536.733	529.148	3.066.185	1.870.503
Adjustment to investments:	(1.455.947)	(575.696)	(306.002)	(73.467)
Regulatory assets	(287.746)	-	(287.746)	-
Long-term provisions	(938.109)	(663.429)	(412.433)	337.200
Minority interest	-	-	4.233	(14.854)
Financial charges on stockholders' equity	1.283.075	1.419.127	1.283.075	1.419.131
ITAIPU's income (loss) to be offset	-	-	(694.088)	(390.917)
Other	416.887	433.880	121.636	178.290
	<u>3.109.766</u>	<u>2.310.295</u>	<u>6.356.633</u>	<u>6.494.009</u>
From stockholders	-	-	-	-
From third parties				
Financing obtained	-	-	904.022	648.794
Global Reversion Reserve Quota and Compulsory Loan	875.571	1.105.965	875.571	1.105.965
Amounts transferred from current to noncurrent liabilities	28.010	149.742	57.136	270.459
Amounts transferred from noncurrent to current assets	3.309.303	2.666.759	3.980.084	2.481.870
Realization and disposal of investment	742.787	607.051	901.515	687.507
	<u>4.955.671</u>	<u>4.529.517</u>	<u>6.718.328</u>	<u>5.194.595</u>
TOTAL SOURCE OF FUNDS	<u><u>8.065.437</u></u>	<u><u>6.839.812</u></u>	<u><u>13.074.961</u></u>	<u><u>11.688.604</u></u>
APPLICATION OF FUNDS				
Acquisition of rights, property, plant and equipment and deferred expenses	8.013	17.877	3.194.193	3.153.722
Loans and financing granted	3.413.978	1.007.681	1.295.055	1.380.006
On interest in electric Power companies	-	-	-	-
Interests held in other companies	1.213.233	21.235	-	64.333
Amounts transferred from noncurrent to current	772.109	911.634	2.411.657	3.198.336
Stockholders' compensation	703.486	459.548	753.010	555.622
Amounts transferred from current to noncurrent assets	1.850.465	2.227.931	2.206.848	1.608.900
Other	51.449	23.171	827.065	275.549
	<u>8.012.733</u>	<u>4.669.077</u>	<u>10.687.828</u>	<u>10.236.468</u>
TOTAL APPLICATION OF FUNDS	<u><u>8.012.733</u></u>	<u><u>4.669.077</u></u>	<u><u>10.687.828</u></u>	<u><u>10.236.468</u></u>
Changes in working capital	<u>52.704</u>	<u>2.170.735</u>	<u>2.387.133</u>	<u>1.452.136</u>
Statement of changes in working capital:				
Current assets:				
At beginning of year	13.113.262	10.236.414	15.415.442	12.697.332
At end of year	<u>13.586.788</u>	<u>13.113.264</u>	<u>18.609.959</u>	<u>15.415.441</u>
Change	<u>473.526</u>	<u>2.876.850</u>	<u>3.194.517</u>	<u>2.718.109</u>
Current liabilities:				
At beginning of year	4.390.209	3.684.093	10.195.323	8.929.351
At end of year	<u>4.811.030</u>	<u>4.390.209</u>	<u>11.002.707</u>	<u>10.195.324</u>
Change	<u>420.821</u>	<u>706.116</u>	<u>807.384</u>	<u>1.265.973</u>
Changes in working capital	<u>52.704</u>	<u>2.170.734</u>	<u>2.387.133</u>	<u>1.452.136</u>

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

CENTRAIS ELÉTRICAS BRASILEIRAS S.A - ELETROBRÁS
ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006
(In thousands of Brazilian reais)

	COMPANY		CONSOLIDATED	
	12/31/2007	12/31/2006	12/31/2007	12/31/2006
OPERATING ACTIVITIES				
Net income for the year	1.547.857	1.161.318	1.547.857	1.161.318
Adjustments to reconcile net income to cash provided by operating activities				
Depreciation and amortization	7.016	5.947	2.033.916	2.006.805
Long-term monetary variation, net	2.536.733	529.148	3.066.185	1.870.503
Adjustment to investments	(1.455.947)	(575.696)	(306.002)	(73.467)
Regulatory assets	(287.746)	-	(287.746)	-
Long-term provisions	(938.109)	(663.429)	(412.433)	337.200
Minority interest	-	-	4.233	(14.854)
Financial charges on stockholders' equity	1.283.075	1.419.127	1.283.075	1.419.131
ITAIPU's income (loss) to be offset	-	-	(694.088)	(390.917)
Other	416.887	433.880	121.636	178.290
Subtotal	3.109.766	2.310.295	6.356.633	6.494.009
(Increase) decrease in operating assets				
Consumers and resellers	(168.865)	184.724	372.582	127.507
Loans and financing - principal amount	183.695	(616.416)	(106.616)	(251.283)
Loans and financing - charges	2.767.053	(944.339)	14.892	(293.667)
Fuel Consumption Account - CCC	310.556	(681.082)	292.468	(670.728)
Return on investments	(91.626)	154.518	21.987	(103.664)
Marketable securities	-	237.010	-	237.349
Rescheduled receivables	(5.868)	(35.100)	(174.117)	43.257
Tax credits	(559.794)	19.847	(600.735)	(377.712)
Rights to reimbursement	96.008	188.481	96.008	188.481
Sundry receivables	(288.562)	(212)	(299.134)	264.379
Storeroom	(92)	79	(83.361)	(70.251)
Prepaid expenses	-	-	(20.429)	9.975
Other	(8.391)	126.047	(72.294)	13.359
	2.234.114	(1.366.443)	(558.748)	(882.998)
Increase (decrease) in operating liabilities				
Loans and financing	(26.902)	(28.841)	(578.539)	390.445
Loans and financing - charges	(3.636)	(2.046)	17.559	(51.382)
Compulsory loan	(14.397)	(55.168)	(14.397)	(55.168)
Trade accounts payable	109.444	(236.518)	315.026	(275.988)
Taxes and social contributions	174.077	(150.961)	375.183	(159.487)
Fuel Consumption Account - CCC	(321.460)	693.834	(321.460)	693.834
Stockholders' compensation	314.505	93.926	312.159	87.234
Payables to the Brazilian Federal Treasury:	7.027	4.884	7.027	4.884
Estimated obligations	70.992	(26.439)	131.390	72.405
Reimbursement obligations	250.415	-	250.415	-
Advances from consumers	99.863	-	102.532	74.729
Complementary pension plans	-	-	(154.843)	(52.643)
Provisions for contingencies	-	-	135.810	27.151
Research and development	-	-	55.550	-
Fees as per regulations	-	-	(76.393)	32.321
Other	(239.106)	219.635	250.364	283.829
	420.822	512.306	807.382	1.072.163
Funds provided by (used in) operating activities	5.764.702	1.456.157	6.605.267	6.683.174

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CENTRAIS ELÉTRICAS BRASILEIRAS S.A - ELETROBRÁS
ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006
(In thousands of Brazilian reais)



...Continued

	COMPANY		CONSOLIDATED	
	12/31/2007	12/31/2006	12/31/2007	12/31/2006
FINANCING ACTIVITIES				
Recursos recibidos de accionistas e partes relacionadas	-	-	-	-
Long-term loans and financing obtained	-	-	904.022	648.794
Long-term financing reclassified as current	(772.109)	(911.634)	(2.411.657)	(3.198.336)
Stockholders' compensation	(703.486)	(459.548)	(753.010)	(555.622)
Loans and financing granted - disbursements	(3.413.978)	(1.007.681)	(1.295.055)	(1.380.006)
Loans and financing granted - receipts	3.309.303	2.666.759	3.980.084	2.481.870
Refinancing obtained (current liabilities reclassified as noncurrent)	28.010	149.742	57.136	270.459
Refinancing granted (current assets reclassified as long-term)	(1.850.465)	(2.227.931)	(2.206.848)	(1.608.900)
Compulsory loan and RGR	875.571	1.105.965	875.571	1.105.965
Other	16.640	(23.171)	(827.065)	(275.548)
Funds provided by (used in) financing activities	(2.510.514)	(707.499)	(1.676.822)	(2.511.324)
INVESTMENT ACTIVITIES				
Acquisition of property, plant and equipment	(8.013)	(17.877)	(3.194.193)	(3.153.722)
Investments	(538.535)	585.816	901.515	623.175
Funds provided by (used in) investments	(546.548)	567.939	(2.292.678)	(2.530.547)
Increase (decrease) in cash and cash equivalents	2.707.640	1.316.597	2.635.767	1.641.302
Cash and cash equivalents at beginning of year	2.877.879	1.561.282	5.459.139	3.817.837
Cash and cash equivalents at end of year	5.585.519	2.877.879	8.094.907	5.459.139
	2.707.640	1.316.597	2.635.768	1.641.302

CENTRAIS ELÉTRICAS BRASILEIRAS S.A. - ELETROBRÁS
ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENTS
STATEMENT OF ADDED VALUE FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006
(In thousands of Brazilian reais)

1 - REVENUE (EXPENSES)

Sales of goods, products, and services
Non-operating revenues (expenses)
Não operacionais

2 - INPUTS ACQUIRED FROM THIRD PARTIES

Materials, services and others
Sectorial charges
Energy purchased for resale
Fuel for electricity production

3 - GROSS ADDED VALUE

4 - DEDUCTIONS

Operating provisions
Depreciation, amortization and depletion

5 - NET ADDED VALUE PRODUCED BY THE COMPANY

6 - ADDED VALUE RECEIVED THROUGH TRANSFERENCE

Ownership interests
Financial income

7 - TOTAL ADDED VALUE TO DISTRIBUTE

DISTRIBUTION OF ADDED VALUE

PERSONNEL

. Personnel, charges and management fees
. Profit sharing of employees
. Retirement and pension plans

TAXES

. Taxes and contributions

FINANCIAL CHARGES AND RENT

STOCKHOLDERS

. Dividends and interest on equity capital
. Interest of non-controlling stockholders
. Retained earnings

2007				2006			
COMPANY	Distribution %	CONSOLIDATED	Distribution %	COMPANY	Distribution %	CONSOLIDATED	Distribution %
7.555.634	125,47%	24.108.380	204,01%	6.297.277	120,28%	21.442.976	178,20%
-	0,00%	-	0,00%	-	0,00%	-	0,00%
-	0,00%	(36.879)	-0,31%	7.450	0,14%	(25.414)	-0,21%
7.555.634	125,47%	24.071.501	203,70%	6.304.727	120,42%	21.417.562	177,99%
(540.680)	-8,98%	(6.158.147)	-52,11%	(428.697)	-8,19%	(3.106.617)	-25,82%
-	-	(1.114.476)	-9,43%	-	-	(910.266)	-7,56%
(7.152.195)	-118,77%	(6.125.632)	-51,84%	(6.256.845)	-119,51%	(4.895.225)	-40,68%
-	-	(480.534)	-4,07%	-	-	(442.724)	-3,68%
(7.692.875)	-127,75%	(13.878.789)	-117,44%	(6.685.542)	-127,69%	(9.354.832)	-77,74%
(137.240)	-2,28%	10.192.713	86,25%	(380.815)	-7,27%	12.062.729	100,25%
(586.483)	-9,74%	(1.400.928)	-11,85%	(114.934)	-2,20%	(918.134)	-7,63%
(7.016)	-0,12%	(2.033.916)	-17,21%	(5.947)	-0,11%	(2.006.805)	-16,68%
(593.499)	-9,86%	(3.434.844)	-29,07%	(120.881)	-2,31%	(2.924.939)	-24,31%
(730.739)	-12,13%	6.757.868	57,19%	(501.696)	-9,58%	9.137.790	75,94%
1.883.289	31,27%	753.292	6,37%	988.561	18,88%	361.667	3,01%
4.869.301	80,86%	4.306.208	36,44%	4.748.760	90,70%	2.533.469	21,05%
6.752.590	112,13%	5.059.500	42,81%	5.737.321	109,58%	2.895.136	24,06%
6.021.851	100,00%	11.817.368	100,00%	5.235.625	100,00%	12.032.927	100,00%
248.352	4,12%	2.702.995	22,87%	177.175	3,38%	2.249.671	18,70%
18.000	0,30%	159.925	1,35%	17.000	0,32%	138.468	1,15%
12.073	0,20%	224.388	1,90%	11.933	0,23%	312.211	2,59%
278.425	4,62%	3.087.309	26,13%	206.108	3,94%	2.700.350	22,44%
(77.890)	-1,29%	1.949.325	16,50%	511.459	9,77%	1.779.304	14,79%
4.273.459	70,97%	5.232.878	44,28%	3.512.987	67,10%	6.391.956	53,12%
703.486	11,68%	703.486	5,95%	459.548	8,78%	459.548	3,82%
-	0,00%	(64.233)	-0,54%	-	0,00%	14.854	0,12%
844.371	14,02%	908.603	7,69%	701.769	13,40%	686.915	5,71%
1.547.857	25,70%	1.547.856	13,10%	1.161.317	22,18%	1.161.317	9,65%
6.021.851	100,00%	11.817.368	100,00%	5.235.625	100,00%	12.032.927	100,00%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006 (INDIVIDUAL AND CONSOLIDATED)

NOTE 1 – OPERATIONS

Eletrobrás is a public company headquartered in Brasília – DF, at Setor Comercial Norte, Quadra 4, Bloco B, 100, sala 203 – Asa Norte, with stocks listed at the stocks exchanges of São Paulo, Brazil, and Madrid, Spain. It has as business purpose to execute studies, projects, construction, and operation of electricity generating plants, transmission lines and energy distribution, as well as the execution of commercial transactions associated with those activities. It also has as purpose to cooperate with the Ministry of Mining and Energy in the formulation of the Brazilian power sector policies; and grant financing, and offer guarantees in Brazil and overseas; acquire debentures from the companies that work in the electric power public service and that are under its stock control; grant financing and give guarantees in Brazil or abroad in favor of technical-scientific research entities; promote and support research in the electric power sector associated with the activities of generation, transmission and distribution of electricity, as well as the performance of studies about the use of hydrographical basins for multiple purposes; contribute in the formation of the necessary technical personnel to the Brazilian electric sector, as well as the preparation of qualified workers through specific courses, in addition to assistance to Brazilian schools or granting of scholarships overseas and agreements with entities that cooperate in the formation of specialized technical personnel; cooperate at technical and administrative levels with the companies where it holds interests and with agencies of the Ministry of Mining and Energy.

The Company is responsible for the management of federal government funds, represented by the Global Reversal Reserve Quota (RGR), the Electric Development Account (CDE), the Use of Public Assets (UBP), and the Fuel Consumption Account (CCC). They finance the following programs of the Federal Government: Universalization of the Access to Electricity (“Luz para Todos”), National Program for Efficient Public Lighting (Reluz), Incentive Program for Alternative Sources of Electricity (Proinfa), National Program for Energy Conservation (Procel) and the acquisition of fossil fuels used in the isolated systems of electricity generation.

The Company is the manager of Proinfa, a Federal program that aims to diversify the Brazilian energetic matrix and seek regional solutions by renewable energy sources based on the economic use of available input and applicable technology. Eletrobrás is entitled to purchase the power produced though it until 2026.

Eletrobrás is the major stockholder of the companies Furnas Centrais Elétricas S.A. (Furnas), Centrais Elétricas do Norte do Brasil S.A. (Eletronorte), Companhia Hidro Elétrica do São Francisco (Chesf), Eletrosul Centrais Elétricas S.A., Eletrobrás Termonuclear S.A. (Eletronuclear) and of Companhia de Geração Térmica de Energia Elétrica (CGTEE). The main function of those controlled companies is the generation, transmission, and distribution of electricity.

Eletrobrás is also the controlling company of Light Participações S.A. (Lightpar) and, is a jointly-owner of Itaipu Binacional, under the terms of the International Treaty signed by the Governments of Brazil and Paraguay.

The Company is an indirect-owner of the companies Manaus Energia S.A. and Boa Vista Energia S.A., which are wholly-owned subsidiaries of Eletronorte and that generate and distribute electricity in the States of Amazonas and Roraima.

The Company is also the agent responsible for the commercialization of the electric power generated by Itaipu Binacional and through Proinfa.

NOTE 2 – PUBLIC SERVICE CONCESSIONS

Eletrobrás, through its controlled companies, holds various public service electricity concessions, whose details, installed capacity, and maturities are listed below (See notes 20 and Attachment IV):

I – Electricity Generation

IN OPERATION	RIVER NAME	CAPACITY IN MW	MATURITY
UHE Furnas	Grande	1,216	07/2015
UHE Estreito	Grande	1,050	07/2015
UHE Marimbondo	Grande	1,440	03/2017
UHE Itumbiara	Paranaíba	2,082	02/2020
UHE Serra da Mesa	Tocantins	1,275	05/2011
UHE Luiz Gonzaga	São Francisco	1,479	10/2015
UHE Xingó	São Francisco	3,162	10/2015
UHE Sobradinho	São Francisco	1,050	02/2022
UHE Tucuruí	Tocantins	8,370	07/2024
UHE Complexo Paulo Afonso	São Francisco	3,879	10/2015
UTE Santa Cruz	-	766	07/2015
Other generation concessions	-	2,552	Até 2035
IN CONSTRUCTION			
UHE Simplício	Paraíba do Sul	306	08/2041
UHE Baguari	Doce	140	08/2041
UHE Batalha	São Marcos	53	08/2041
		28,820	

The total installed capacity of the plants of Eletrobrás, including Itaipu Binacional and Eletronuclear, is about 38,000 MW. The electricity generation considers the following assumptions

- existence of periods, along the day and during the year, where there are higher or lower demands of power in the system, for which the plant or generation system was dimensioned;

- b) existence of periods where machines are removed from operation for execution of preventive or corrective maintenance, and
- c) the water availability of the river where it is located.

The production of electricity of the plants is a responsibility of the Energy Operation Planning and Scheduling area (Planejamento e Programação da Operação Eletroenergética), with planning and details that range from annual levels to daily schedules. It is currently prepared by the Electric Power National Operator (ONS), which defines the amounts and origin of the necessary generation to meet the Brazilian demand in an optimized manner, based on the water availability in the hydrographical basins and machines in operation, as well as the cost of generation and feasibility of transmission of that power through the interlinked system.

II – Electric Power Transmission

The transmission capacity of Eletrobrás is as follows:

	LINES IN KM	SUBSTATIONS	MATURITY
Furnas	19,278	46	07/2015
Eletronorte	9,840	55	07/2015
Chesf	18,468	83	06/2037
Eletrosul	9,145	36	07/2015
Other	655	-	07/2015
	57,386	220	

NOTE 3 – CORPORATE GOVERNANCE

In September 2006, the Company went through a restructuring process to comply with the practices of Corporate Governance level I of Bovespa (São Paulo Stock Exchange). Consequently, the Company that had shares listed in the Ibovespa index, is now also listed in the Corporate Governance Index - IGC and Business Sustainability Index - ISE.

NOTE 4 - RELATIONSHIP WITH INDEPENDENT AUDITORS

In compliance with the provisions of the Instruction 381 of the Brazilian Securities and Exchange Commission of January 14, 2003, Eletrobrás informs that it uses the independent auditing services of the firm BDO Trevisan Auditores Independentes. The said firm was engaged for a three-year period, counted upon August 1, 2005, for execution of audit services of individual and consolidated financial statements of Eletrobrás, and the Company does not have any other service agreements with the mentioned firm that not the financial statement audit services.

The independent auditors rendering individual audit services to the controlled companies of Eletrobrás are the following:

Controlled Companies	Independent Auditor
CGTEE	Deloitte Touche Tohmatsu
Chesf	Boucinhas & Campos + SOTECONTI
Eletronorte	BDO Trevisan
Eletronuclear	HLB Audilink e CIA
Eletrosul	Horwath Tufani, Reis & Soares
Furnas	HLB Audilink e CIA
Itaipu	BDO Trevisan
Lightpar	Russell Bedford Brasil
Manaus	HLB Audilink e CIA
Boa Vista	HLB Audilink e CIA

NOTE 5 - PRESENTATION OF THE FINANCIAL STATEMENTS

The individual and consolidated financial statements of the Company are presented in accordance with the accounting practices adopted in Brazil, and in consonance with the provisions of the Corporate Law, number 6,404/76, and regulations and complementary instructions of the Brazilian Securities and Exchange Commission (CVM), together with specific regulations of the Brazilian Electric Power Agency - Aneel, and have been examined by independent auditors.

With the objective of supplying additional information, the following statements are also presented:

- a) Statement of Cash Flows, prepared in accordance with the Accounting Standard and Procedure NPC 20 issued by Ibracon;
- b) Statement of Added Value, in accordance with the Decision of Federal Accounting Council CFC 1.010, of January 21, 2005, and
- c) A statement of disclosures about segments of an enterprise, according to the International Accounting Standard SFAS-131 issued by the Financial Accounting Standards Board.

For a better understanding, we list in Attachment VIII the main acronyms used in these notes to the financial statements.

NOTE 6 - SUMMARY OF MAIN ACCOUNTING PRACTICES

The following accounting practices have been adopted in the preparation of the individual and consolidated financial statements:

I - GENERAL

A) CASH AND CASH EQUIVALENTS

Stated at cost, they are represented by short-term financial investments, plus yield obtained until the closing date of the financial statements and do not exceed market value (See note 8);

B) CONSUMERS ARE RESELLERS

The balance of consumers and resellers (See Attachment I) is composed of receivables from the electricity sold to final consumers and concessionaires, including those stemming from the power traded at the Electricity Commercialization Chamber - CCEE, besides billed and unbilled supply, recorded under the accrual basis.

They also include fines on late payment on the part of consumers, and concession and permission holders;

C) LOANS AND FINANCING GRANTED

Granted loans and financing and the respective charges recognized until the balance sheet date are adjusted according to the monetary and exchange variation indexes established in the contracts (See Attachment II);

D) ALLOWANCE FOR DOUBTFUL ACCOUNTS

Provisions are recognized at amounts considered sufficient by the Company's management to cover possible losses in the realization of receivables (See notes 9, 10, 13 and 15 and Attachments I and II);

E) FUEL CONSUMPTION ACCOUNT (CCC)

Under the terms of Law 8,631 of March 04, 1993, Eletrobrás manages the amounts paid by holders of public electric power service concessions to be credited against the Fuel Consumption Account (CCC), corresponding to the annual share of expenditure with fuels for electricity generation. The amounts recorded in current assets, with a corresponding entry to current liabilities, correspond to the funds available kept in a blocked bank account and to the shares unsettled by concession holders;

F) PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment are demonstrated at cost, adjusted for inflation until December 31, 1995, in accordance with the Brazilian accounting practices. Depreciation is calculated under the straight-line method;

G) INVESTMENTS

Interests held in controlled companies and jointly-owned subsidiaries (See At-

tachment III), as well as other investments in related parties with stockholding corresponding to or exceeding 20% of the total capital of investees are valued under the equity method, in compliance with the terms of the Brazilian Corporate Law and Instruction CVM 247/96. The balancing entry of the adjustment stemming from that valuation is computed in income (loss). Other investments are valued at acquisition cost (See note 19);

H) FINANCINGS AND LOANS OBTAINED

Obtained loans and financing and the corresponding charges recognized until the balance sheet date are adjusted according to indexes established in the contracts and are demonstrated in Attachment V;

I) GLOBAL REVERSION RESERVE QUOTA - RGR

Drafts made by Eletrobrás in the account of RGR (See note 49) for concession of loans and financing to the concession holders are recorded as liabilities. Interest of 5% per annum is applied on such drafts, starting from the enactment of Law 8,631 in March 04, 1993;

J) COMPULSORY LOAN

It is recorded at principal amount, plus monetary variation, based on the IPCA-E index and interest of 6% per year (See note 28);

L) INCOME TAX AND SOCIAL CONTRIBUTION TAX ON NET INCOME

Corporate Income Tax - IRPJ is calculated under the annual taxable income, at the rate of 15% and surtax of 10% on taxable income, as defined by the prevailing tax law. Social Contribution Tax on Net Income - CSLL is calculated at the rate of 9% on adjusted income under the terms of the applicable law.

In compliance with CVM Decision 273 of August 20, 1998, and CVM Instruction 371, of June 27, 2002, deferred tax assets and liabilities, calculated on temporary differences, and tax losses carryforwards are recorded in current and noncurrent assets and noncurrent liabilities (See notes 14 and 26);

M) BENEFITS GRANTED TO EMPLOYEES

Actuarial obligations related to pension, retirement, and medical assistance plans are accrued for according to procedures established by CVM Decision 371/2000. That is based on actuarial calculations prepared by independent actuaries in conformity with the projected credit unit method, net of the assured assets of the plan, and costs referring to the increase at present value of the obligation, resulting from the service provided by the employee, which are recognized along the time of service of employees.

The projected credit unit method considers each time of service based on a benefit

unit, measured in the computation of the final obligation. Assumptions are also used, such as the estimated evolution of medical assistance costs, biometrics, and economic statistics, as well as historical information of incurred expenses and contributions of employees (See note 31);

N) OTHER RIGHTS AND OBLIGATIONS

Other assets are recorded at their actual cost values, adjusted when applicable by provisions to reflect their actual realizable values. They also include earnings and possible monetary and exchange variations incurred; liabilities are recorded at their known and estimated worth, plus monetary or exchange variations incurred.

O) DETERMINATION OF RESULT OF OPERATIONS

Revenue and expenses are determined under the accrual basis.

II – SPECIFIC PRACTICES OF THE ELECTRIC SECTOR

A) PROPERTY, PLANT AND EQUIPMENT IN USE

Property, plant, and equipment are demonstrated at acquisition or construction cost, adjusted for inflation until December 31, 1995, in accordance with the accounting practices adopted in Brazil.

Depreciation is calculated under the straight-line method. Annual depreciation rates are estimated in conformity with Instruction Aneel 44, as of March 17, 1999 (See note 20 and Attachments IV and IVa.);

B) PROPERTY, PLANT AND EQUIPMENT IN CONSTRUCTION

In accordance with the Accounting Manual for Electricity Utilities, interest and other financial charges (monetary and exchange variation), related to loans obtained with third parties applied in constructions in progress, are recorded as part of construction costs.

General management fees are recognized in property, plant, and equipment in construction. The recognition of direct costs with personnel and third party services is allowed based on the criteria established by the Regulating Agency (See note 20 and Attachments IV and IVa.);

C) CONCESSION-LINKED OBLIGATIONS

Obligations are recorded with a corresponding entry to the contributions received from the Federal Government and consumers, exclusively for investment in the electricity distribution grid. Obligations are recorded as reducers of property, plant and equipment, and at the end of concession, offset against the corresponding assets, including those acquired with the contributions received from the Gover-

nment and from consumers. Public service concession periods are established by Aneel (See note 20 and Attachments IV and IVa);

D) STOREROOM

Storeroom materials, classified as current assets, are recorded at the average acquisition cost. Those destined to the construction of property, plant, and equipment are classified in noncurrent assets, at acquisition cost. Recognized amounts do not exceed replacement costs or realizable values;

E) AMOUNTS STEMMING FROM THE GENERAL ELECTRIC SECTOR AGREEMENT

In accordance with the provisions of Aneel Decision 72 of February 7, 2002, the amounts referring to the Extraordinary Tariff Adjustment (RTE) are presented in the account "Consumers and resellers," as defined in Decision 91 of the Electricity Crisis Management Chamber - GCE, of December 21, 2001 and Law 10,438, of April 26, 2002 (See note 15);

F) OBLIGATIONS ASSUMED FOR THE RELEASE OF ASSETS

As established in the Accounting Manual for Electricity Utilities of Aneel, a provision is recognized along the useful economic lives of thermonuclear plants with the purpose of recognizing the costs to be incurred with their technical-operational deactivation to the respective accrual period, at the end of their useful lives.

The amounts recognized to the result of operations are based on annual quotas established in American dollars at the ratio of 1/40th of estimated expenditures, immediately recorded and translated according to the exchange rate of the end of the accrual month. Liabilities referring to the decommissioning of plants are adjusted according to the American dollar variation (See note 33);

G) STOCKS OF NUCLEAR FUEL

The uranium concentrate in stock, the corresponding services and the available nuclear fuel elements inside the reactor and in the so-called pool destined to the elements used, are recorded at acquisition cost.

The consumption of the nuclear fuel elements is recognized to income (loss) of the year as they are used in the generation of power (See note 17), and

H) SCHEDULED STOPS

The costs incurred before and during scheduled stops are initially recorded in Current assets. After operations are resumed at the plant, the costs are taken to the result of operations in monthly quotas, until the beginning of the next scheduled stop.

III - SPECIFIC ACCOUNTING PRACTICES OF ITAIPU BINACIONAL

In accounting for its operations, Itaipu Binacional follows accounting practices generally accepted in Brazil and Paraguay, with due regard for specific provisions of the International Treaty signed by the Brazilian and the Paraguayan governments on April 26, 1973, which regulates Itaipu Binacional. Below, the main provisions departing from accounting practices applicable in Brazil:

- a) Depreciation of facilities is not recorded, as the revenue is calculated based on charges on liabilities, not being included in the "Cost of Electricity Service", according to Attachment C to the Brazil-Paraguay International Treaty;
- b) Retained earnings are not part of the Stockholders' Equity, being appropriated to "Results to be Offset" and reclassified to property, plant and equipment, and
- c) In determining the return on equity capital, the realized profits are not taken into consideration, but shown as operating expenses under "Income."

IV - CHANGES IN ACCOUNTING PRACTICES

On December 28, 2007, Law No. 11,638/07 was enacted, which amended certain provisions of the Brazilian Corporate Law (No. 6,404/76), aiming to coordinate the accounting practices adopted in Brazil with International Financial Reporting Standards - IFRS.

The main changes brought by the mentioned Law, which came into effect starting on January 1, 2008, are commented in note 51 and, thus, do not produce effects on these financial statements.

NOTE 7 – CONSOLIDATION PROCEDURES

I - The Consolidated Financial statements have been prepared in accordance with the standards established by Instruction CVM 247 of March 27, 1996, and include the figures of Eletrobrás and the ones of the following controlled companies:

	ELETROBRÁS'S INTERESTS	
	2007 and 2006	
	Direct	Indirect
Furnas	99.54%	-
Chesf	99.45%	-
Eletrosul	99.71%	-
Eletronorte	98.66%	-
Eletronuclear	99.80%	-
Itaipu Binacional (*)	50.00%	-
CGTEE	99.94%	-
Litghtpar	81.61%	-
Manaus Energia (**)	-	100%
Boa Vista Energia (**)	-	100%

(*) - Under joint control with ANDE (Paraguay) - (**) - Indirect interest through Eletronorte

II - The Balance Sheets and the Statements of Operations for the years ended December 31, 2007 and 2006 of consolidated companies are summarized in Attachment VII.

III - We presented below the main consolidation practices adopted:

- a) elimination of the investors' investments in the investees, with a corresponding entry to its interests in the respective stockholders' equities;
- b) elimination of intercompany balances receivable and payable;
- c) elimination of intercompany revenues and expenses, and
- d) separate identification of the interests held by other stockholders in the equity and in results of the consolidated investees.

In view of the non-existence of unrealized income in intercompany operations, the net income and shareholders' equity of the controlling company is the same as the one consolidated.

IV - Consolidation procedures of the controlling company in relation to Itaipu Binacional

- a) The financial statements of Itaipu Binacional have been prepared in U.S. dollars and translated into reais at the exchange rate published by the Central Bank of Brazil on December 31, 2007 - US\$ 1.00 : R\$ 1.7713 (US\$ 1.00 : R\$ 2.1380 as of December 31, 2006);
- b) The income to offset of Itaipu Binacional was adjusted in the consolidated property, plant and equipment;
- c) The compensation on equity capital paid by Itaipu Binacional was recorded as income of the controlling company and eliminated in the consolidation, and
- d) All income generated by Itaipu Binacional in the account "Income to offset of Itaipu Binacional." was eliminated in the consolidation.

For analytical purposes, a summary of the consolidated balance sheet and statement of operations excluding the effects of Itaipu Binacional's proportional consolidation is presented below. It is intended to show the influence of Itaipu Binacional's financial statements in the consolidated financial statements of Eletrobrás. Given its specificities, this information should by no means be construed as representing the consolidated financial statements of Eletrobrás.

R\$ thousand
CONSOLIDATED BALANCE SHEET
 (for informative purposes only)

	2007	
	EXCLUDING ITAIPU	INCLUDING ITAIPU
ASSETS		
Current		
Consumers and resellers	3,583,564	3,622,343
Loans and financing	1,529,363	1,506,511
Other	13,398,228	13,481,105
	<u>18,511,155</u>	<u>18,609,959</u>
Noncurrent		
Long-term assets		
Loans and financing	20,656,088	13,405,369
Other	8,592,882	8,706,456
	<u>29,248,970</u>	<u>22,111,825</u>
Investments	5,272,463	5,183,898
Property, plant and equipment, deferred charges, and intangible assets	57,105,933	74,672,994
	<u>62,378,396</u>	<u>79,856,892</u>
Total assets	<u><u>110,138,521</u></u>	<u><u>120,578,676</u></u>
Liabilities and stockholders' equity		
Current		
Loans and financing	753,886	1,429,199
Trade accounts payable	2,853,120	2,291,929
Other	6,842,368	7,281,579
	<u>10,449,374</u>	<u>11,002,707</u>
Noncurrent		
Loans and financing	3,761,572	12,981,322
Other	15,578,725	16,245,797
	<u>19,340,297</u>	<u>29,227,119</u>
Stockholders' interest – ANDE	385,614	385,614
Stockholders' equity	<u>79,963,236</u>	<u>79,963,236</u>
	80,348,850	80,348,850
Total liabilities and stockholders' equity	<u><u>110,138,521</u></u>	<u><u>120,578,676</u></u>

R\$ thousand
STATEMENT OF OPERATIONS
 (for informative purposes only)

	2007	
	EXCLUDING ITAIPU	INCLUDING ITAIPU
Operating revenues		
Electricity sale and transmission	23,542,027	23,706,601
Deductions	(1,553,186)	(1,553,186)
Other	401,780	401,779
	22,390,621	22,555,194
Operating expenses		
Energy purchased for resale	(9,144,679)	(6,125,632)
Depreciation and amortization	(2,033,916)	(2,033,916)
Itaipu's income to be offset	-	(694,088)
Other	(9,950,100)	(11,193,985)
	(21,128,695)	(20,047,621)
Operating income before financial Income	1,261,926	2,507,573
Financial income (expenses)	336,123	(926,669)
Income from participating interests held	734,957	753,292
Operating income	2,333,006	2,334,196
Non-operating income (loss)	(35,689)	(36,879)
Income before Corporate Income Tax (IRPJ) and Social Contribution Tax (CSLL)	2,297,317	2,297,317
CSLL and IRPJ	(585,301)	(585,301)
Income before interests held	1,712,016	1,712,016
Profit sharing	(159,926)	(159,926)
Minority interest	(4,233)	(4,233)
Net income	1,547,857	1,547,857
Earnings per share	R\$ 1,37	R\$ 1,37

NOTE 8 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents are held at Banco do Brasil S.A., under the terms of specific legislation (Decree Law no. 1,290 of December 3, 1973) applying to mixed-capital companies under federal control, and amendments arising from the Brazilian Central Bank Resolution no. 2.917 of December 19, 2001, which determined new investment mechanisms for companies integrating indirect Federal Administration.

Readily realizable short-term investments are part of off-the-market investment funds, the return on which is calculated based on the Average Selic Rate (Central Bank Overnight rate).

Total cash and cash equivalents as of December 31, 2007 is demonstrated below:

	R\$ thousand			
	COMPANY		CONSOLIDADO	
	2007	2006	2007	2006
Cash in hand and in banks	32,374	791	238,828	91,749
Financial investments	5,553,145	2,877,088	7,856,079	5,367,390
	5,585,519	2,877,879	8,094,907	5,459,139

NOTE 9 - CONSUMERS AND RESELLERS OF ELECTRICITY

I - The receivables relating to consumers and resellers are detailed in Attachment I to these notes and include the regulatory assets described in item I of note 15.

II - Sale of the electricity generated by Itaipu Binacional

Under Law 10,438 of April 26, 2002, Eletrobrás is responsible for the sale in Brazil of the electricity produced by Itaipu Binacional.

In the year 2007, the equivalent to 82,753 GWh was distributed, with the tariff for electricity supplied (purchase) by Itaipu at US\$ 22.20/kW and the tariff for energy transfer (sale) at US\$ 23.75/kW.

The results of the Itaipu Binacional's electricity sales, under the terms of Decree 4,550, of December 27, 2002, observing the amendments introduced by Decree 6.265, of November 22, 2007, will be appropriated as follows (See item II, of note 15):

- a) if positive, to the Residential and Rural consumers of the National Interconnected Power System using up to 350 kWh, through apportionment ratably to the individual consumption and credit of bonuses in the electricity bills.
- b) if negative, it is included by Aneel in the calculation of the contracted power tariff in the year subsequent to the result formation.

In the year 2007, the activity was positive by R\$ 96,009 thousand, and the respective obligations were included in the account "Rights to Reimbursement."

III – PROINFA

Sales within the scope of Proinfa generated a positive net income in 2007 of R\$250,414 thousand, not producing effects on Eletrobrás's net income for the year. The net balance of the activity is presented in current liabilities and corresponds to R\$444,225 thousand (R\$ 193,810 thousand on December 31, 2006), and is included under the caption "Refund Obligations."

IV – Electricity Commercialization Chamber - CCEE

The amounts relating to operations performed in CCEE's sphere of action are recorded based on the information given by CCEE itself.

As a result of those operations in 2007, a net credit of R\$ 106,830 thousand was generated for Eletrobrás and its controlled companies.

Controlled company Furnas recorded R\$ 293,560 thousand of credits relating to distribution of energy by the former MAE in the period between September 2000 and September 2002. The respective financial settlements have been suspended due to preliminary orders granted in the course of legal actions filed by electricity distribution concessionaires against Aneel and MAE, presently CCEE. Due to the uncertainty of realization, the Company keeps an Allowance for Doubtful Accounts, corresponding to the full amount of credit taken in the last quarter of 2007.

In accordance with the rules established by the Market Agreement, the resolution of those disputes would imply a new recording, and the attendant settlement between the parties would occur without CCEE's intervention. To this end, negotiations were initiated with the participation of Aneel, CCEE and the agents involved, in order to solve judicial disputes connected with the accounting process and liquidation, and enable negotiation of a solution for those actions. (See note 12 item c).

V – Allowance for doubtful accounts

The Company set up and maintains an allowance for doubtful accounts in accordance with rules established by Aneel, based on an analysis of the overdue receivables and past experience with losses, at an amount deemed sufficient to cover possible losses on any such accounts. The balance as of December 31, 2007 corresponded to R\$ 1,241,317 thousand (R\$ 978,517 thousand on December 31, 2006), and had the following composition:

	R\$ thousand CONSOLIDATED	
	2007	2006
RTE (Free Energy – loss of revenue and Portion A)	309,732	351,988
Consumers and resellers		
Companhia de Eletricidade do Amapá (CEA)	413,302	298,285
Other	224,723	328,244
	638,025	626,529
Short-term energy – CCEE	293,560	-
	1,241,317	978,517

The balance of allowance for doubtful accounts - RTE refers to the provisions set up to cover possible losses in the realization of assets recognized referring to loss of revenue, 'Portion A' and 'Free Energy' (See note 15).

For taxation purposes, the excess of provision recorded, taking into account the provisions of Law 9,430/1996 is added to the Taxable Income for IRPJ - Corporate Income Tax - calculation purposes, and to the CSLL – Social Contribution Tax, too.

NOTE 10 - LOANS AND FINANCING GRANTED

Loans and financing receivable refer to Eletrobrás' own resources, sectorial resources, external funds from development international agencies, financial institutions, and the issuance of bonds in the international financial market (See Attachment II).

All loans and financing are supported by contracts signed with sector companies. Most of these amounts are expected to be amortized in monthly installments over an average 10-year period, at an average of 8.99% p.a. interest rate, weighted by the debt balance.

Loans and financing granted under foreign-currency-restatement clauses represent nearly 46% of the total loan portfolio, whereas those based on indexes representing domestic price levels account for 27% of the portfolio.

I - Annual Adjustment Factor applied to the Contracts with Itaipu Binacional

As disclosed in the explanatory note about subsequent events on the Financial Statements for the year ended December 31, 2006, as well as in the significant notice published on January 19, 2007 by officials from the Ministries of Foreign Relations and the economic and energy area of Brazil and Paraguay, the Brazilian government made a commitment to take all necessary measures on an urgent basis, to suppress the annual adjustment factor applied to the financing contracts entered into between Itaipu Binacional and Eletrobrás, based on US *Industrial Goods* and Consumer Price rates.

The elimination of the annual adjustment factor, in effect starting in the year 2007, was made through mechanisms regulated by Law 6,265 of November 22, 2007, which preserve the flow of funds to Eletrobrás under the terms of Law 11,480, of May 30, 2007, and which authorized the renegotiation of credits of Eletrobrás, and the ones of the Federal Government with Itaipu Binacional.

Those measures affect the financing contracts granted to Itaipu, whose balance as of December 31, 2007 totaled R\$ 14,671,171 thousand. The amounts referring to the annual adjustment factor already recognized were preserved and incorporated to the debit balances of the contracts between Eletrobrás and Itaipu Binacional.

Therefore, starting in 2007, the so-called annual adjustment factor no longer is applicable on financing receivable from Itaipu Binacional (See Item II of note 15).

II - Eletronorte's Debt Restructuring

With the purpose of reestablishing economic and financial balance and obtaining terms compatible with Eletronorte's payment capacity, Eletrobrás' Board of Directors, according to explanatory note about subsequent events on the Financial Statements for the year ended December 31, 2006, approved the settlement of that controlled company's debt by converting part of the Eletronorte's loans and financing debts into capital.

Accordingly, the restructuring of Eletronorte's financing contracts, corresponding to R\$ 7,621,909 thousand, include the following terms:

- a) Settlement in kind of R\$ 601,510 thousand related to overdue contracts granted using RGR funds and foreign currency onlendings;
- b) Resumption, by the controlled company, of the flow of payments starting in 2007, with a grace period of one year for principal installments for contracts granted using RGR funds, and with no grace period for foreign currency onlendings;
- c) Conversion of part of the outstanding balance of overdue and falling due financing contracts, granted using Eletrobrás own resources, into an advance for future increase in capital, at an amount of R\$ 1,213,233 thousand, and
- d) Refinancing of past due installments, corresponding to R\$ 1,950,476 thousand, with a grace period of one year to start repaying the principal. The other financial terms originally agreed remain the same, such as maturity and charges.

Loans and financing granted by Eletrobrás, including interest, commissions, and rates, are detailed in Attachment II, and already consider that negotiation.

III – Receivables of AES-Eletropaulo – Lawsuit

In 1989, Eletrobrás filed a collection action against Eletropaulo, aiming to receive credits from financing not settled at the respective maturities, according to criteria and conditions established in the contract clauses.

A decision was rendered in April 1999, whereby Eletropaulo was condemned to pay the unsettled financed amount. Subsequently, a final and unappealable decision was rendered, meaning that Eletropaulo did not file any appeal against the lower court decision. Therefore, an action for the execution of the sentence establishing payment was filed by Eletrobrás at the 5th Civil Court of Rio de Janeiro.

However, in January 1998, there was a partial spin-off of the assets of Eletropaulo, giving rise to three different companies - Empresa Metropolitana de Águas e Energia S.A. (Emae), Empresa Paulista de Transmissão de Energia S.A. (EPTE) and Empresa Brasileira de Energia S.A. (EBE). Eletropaulo - Eletricidade de São Paulo S.A., had its name changed to Eletropaulo Metropolitana Eletricidade de São Paulo S.A.

Eletropaulo challenged the legitimacy of the Partial Spin-off Agreement, which was dismissed and the continuation of the execution ordered. In December 2003, Eletropaulo filed an interlocutory appeal, requesting the suspension of effects against the decision determining the execution. It was granted due to the understanding that Eletropaulo would not be legitimate to bear the execution, but CTEEP – Companhia de Transmissão de Energia Elétrica Paulista (the former EPTE), due to the effects of the mentioned partial spin-off agreement.

Extraordinary and Special appeals were filed by Eletrobrás discussing the decision about the appeal of Eletropaulo, being granted in the sense that the execution should continue and that the defense of Eletropaulo should be challenged through motion to stay collection filed by the debtor and not through a plea of lack of jurisdiction. Eletropaulo filed a motion for clarification of judgment, a special appeal according to specific court regulations and finally a request for resolution of conflict in decision. A final decision was rendered in November 2007, denying all the Appeals of Eletropaulo. After exhausting all possibility of success before the Superior Court of Justice - STJ, Eletropaulo presented an extraordinary appeal to the Supreme Federal Court - STF, which is about to be examined by one of the panel of judges.

In view of that scenario, the management of Eletrobrás will go ahead with the execution and, supported by the opinion of its legal advisors, considers the realization of the credit as practically certain.

As of December 31, 2007, such credits corresponded to a book value of R\$ 372,748 thousand, considering the original clauses of the contract with Eletropaulo, which adjusted according to the indexes practiced by the justice, reach the amount of R\$1,329,545 thousand.

The Company's management, in a conservative posture, did not record the adjustment portion based on criteria different from those agreed upon in the contracts, opting to wait for the execution.

IV – Allowance for Doubtful Account

The Company conservatively maintains a provision for doubtful accounts referring to the principal and debt service of several delinquent other companies in the amount of R\$ 80,630 thousand (R\$ 51,629 thousand on December 31, 2006).

These allowances are deemed sufficient by the Company's management to cover possible losses on any such accounts, based on analyses of the portfolio.

NOTE 11 - RETURN ON INVESTMENTS

This refers to dividends and interest on equity capital, net from Withholding Income Tax, arising from investments of permanent nature held by Eletrobrás and breakdowns as follows:

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2007	2006	2007	2006
Furnas	164,121	92,160	-	-
Chesf	238,680	198,249	-	-
Itaipu Binacional	10,628	17,615	-	-
Eletrosul	46,842	62,956	-	-
Eletronuclear	27,893	7,103	-	-
Cemar	57,990	56,281	57,990	56,281
CTEEP	33,295	81,097	33,295	81,097
Other	55,908	28,270	61,183	37,077
	<u>635,357</u>	<u>543,731</u>	<u>152,468</u>	<u>174,455</u>

NOTE 12 – RESCHEDULED RECEIVABLES

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2007	2006	2007	2006
CURRENT				
CEB	54,347	45,289	91,834	71,479
Celg	48,217	48,499	72,392	64,513
AES-SUL	10,227	12,288	10,227	12,288
Cemat	-	844	25,034	28,864
Rollover of States' debts	-	-	188,867	155,127
Other	12	15	137,921	19,887
	<u>112,803</u>	<u>106,935</u>	<u>526,275</u>	<u>352,158</u>
NONCURRENT				
Assignment of receivables of Itaipu	-	2,679,043	-	2,679,043
Celg	175,636	257,899	476,199	592,032
CEB	-	53,790	181,341	256,975
Rollover of States' debts	-	-	965,006	939,621
Other	28,323	32,035	298,220	267,598
	<u>203,959</u>	<u>3,022,767</u>	<u>1,920,766</u>	<u>4,735,269</u>
	<u>316,762</u>	<u>3,129,702</u>	<u>2,447,041</u>	<u>5,087,427</u>

The rescheduled receivables are formalized through agreements stipulating repayment of accumulated debt in installments and interest rates and monetary restatement, as well as the term for amortization of the principal and charges. The Company deems all these receivables recoverable, the following being worth mentioning:

a) Receivables arising from Electricity passed on to CEB

Eletrobrás has receivables from CEB arising from sale by Furnas of electricity generated by Itaipu Binacional, which have been subrogated since January 2003. In that year, these receivables were rescheduled due to default on the part of Distrito Federal-based CEB in the amount of R\$ 163,892 thousand. Through the rescheduling, among other things, the repayment of overdue debt by the end of 2008 (i.e., in 60 months' time) is stipulated, with SELIC-rate based restatement and collaterals, through direct transfer to Eletrobrás by the financial institution working for CEB of 4% of the latter's gross monthly sales.

The amount receivable as of December 31, 2007 was R\$ 54,347 thousand (R\$ 99,079 thousand on December 31, 2006).

Furnas also rescheduled receivables from CEB, in the amount of R\$ 191,129 thousand, referring to its own energy, payable in 144 monthly installments beginning in August 2003, each installment corresponding to 3% of its gross sales, with the possibility of automatic extension to the date of the final payment. The unpaid balance as of December 31, 2007 in the amount of R\$ 218,828 thousand (R\$ 210,373 on December 31, 2006) is subject to restatement based on the variation of IGP-M, plus interest of 1% p.m. Part of these credit rights in the amount of R\$ 162,000 thousand was assigned to the FIDC – Credit Rights Investment Fund – Furnas II (See note 23).

b) Receivables arising from Electricity passed on to CEB

CEB II - Through a private Instrument for Acknowledgment of Debt executed on June 1, 2006 between Furnas and CEB Distribuição, it was agreed a new period for payment of the invoices falling due in the months of June to October 2006, whose payments should be originally made on the 5th, 15th and 25th days of the respective months. Those invoices were linked to the acquisition of electricity as determined by Contracts CCEAR's 279 and 662/2004. The debt will be settled according to the following conditions:

- 1) Estimated amortization period of 24 months;
- 2) Adjustment of debit balance by the application of the average annual Selic rate on a pro rat basis, plus interest of 1.8% p.a.;
- 3) Until the settlement of the total debt, the parties agreed that the amounts that

Furnas may have to pay to CEB Distribuição could be used to offset the debt until the debit balance limit;

- 4) The default in any other commitment undertaken with Furnas exceeding a period of 10 days during the term of the instrument, will imply in the immediate collection of the overdue portions, regardless of previous communication.
- 5) Overdue amounts (monetarily restated according to the variation of the IPCA index of the month preceding the default) should be added of the following:
 - 1.a) fine of 2%, and
 - 1.b) interest on late payment of 1% per month, on a pro rata basis.

c) Receivables from electricity passed on to Celg

In 2003, Eletrobrás rescheduled with Celg the receivables arising from Itaipu Binacional's pass-on of energy to Celg and subrogated by Furnas to Eletrobrás, in the amount of R\$ 392,021 thousand. The terms of the rescheduling establish the realization of those receivables by direct transfer by the financial institution who collects Celg's bills, of 3.34% of the latter's gross monthly sales. The period for the payment is 216 months from January 2004 on and with the debt balance subject to restatement based on the U.S. dollar variation against the real.

The amount receivable as of December 31, 2007 corresponded to R\$ 223,853 thousand (R\$ 306,398 thousand on December 31, 2006), from which R\$ 175,636 thousand was recorded under noncurrent assets (R\$ 257,899 thousand on December 31, 2006).

In a similar way, in December 2003 the controlled company Furnas rescheduled R\$ 378,938 thousand, referring to own energy credits, payable in 216 months and subject to monthly restatement based on the IGP-M variation and bearing interest at 1% p.m. The monthly payment corresponds to 2.56% of Celg's gross sales, with guarantee supported by a blocked bank account. The debt balance as of December 31, 2007, was R\$ 324,738 thousand (R\$ 350,147 thousand on December 31, 2006). Part of these credit rights in the amount of R\$ 258,000 thousand was assigned to the FIDC – Credit Rights Investment Fund – Furnas II (See note 23).

d) Receivables arising from sale in the CCEE's sphere of action

In August 2005, the controlled company Furnas rescheduled Cemig's debt, in the amount of R\$62,308 thousand, relating to free energy sold in the CCEE's sphere of action in the period from September 2000 through September 2002, corresponding to the Emergency Power Saving Program period. The rescheduled receivable amounts to R\$ 72,083 thousand, and will be repaid in 50 monthly installments restated based on the Selic rate plus interest at 1% p.a.

e) Rollover of States' debts

In accordance with the Public Sector Financial Recovery Program implemented by Law No 8,727/93, Furnas entered into a receivables assignment agreement with the Federal Government in order to refinance Celg's power purchase debt existing at that time, which have been paid in 240 monthly installments since April 1994. Receivables are restated by the IGP-M at 11% p.a., and amounted to R\$ 527,027 thousand as of December 31, 2007, (R\$ 506,623 thousand on December 31, 2006), from which R\$ 438,455 thousand was recognized under noncurrent assets (R\$ 432,617 thousand on December 31, 2006). Part of these credit rights corresponding to R\$ 228,000 thousand was assigned to the FIDC – Credit Rights Investment Fund – Furnas II (See note 23).

Also, the controlled company Eletrosul had receivables amounting to R\$626,846 thousand as of December 31, 2007 (R\$ 588,125 thousand on December 31, 2006), against the Federal Government, which are restated by the IGP-M, bearing interest of 12.68% p.a., arising from the assumption of the controlled company's rights against the state-controlled electricity concessionaires, which have been realized since April 1994, in 240 monthly installments.

In accordance with the legislation in force, should any receivable balance still remain after the 20-year period has elapsed, the repayment may be extended for another 10 years.

Such hypothesis is foreseen, since the Federal Government only passes on the resources actually received from the States, which are legally limited to the commitment of the revenues.

f) Assignment of receivables – FEDERAL TREASURY

In 1998, Eletrobrás assigned to the Federal Government, part of its receivables from Itaipu Binacional, in the equivalent to US\$ 10,756,524 thousand, or 65.47% of the total receivables from that jointly-controlled company, with the attendant settlement of debts in the same amount.

As a consequence, a direct payment flow was set between Itaipu Binacional and the Federal Treasury, in a compatible manner with maturities of medium- and long-term debts – “DMLP”, incurred by the Federal Government in that year. Given the need to adjust the said payment flow, the installments paid by Itaipu Binacional to the Federal Government do not actually keep the proportion to the receivables assigned. As a consequence, the Federal Government must receive, up to 2007, monthly amounts greater than their share in the receivables assigned. This condition will be reversed after 2008, when due to the repayment of a substantial part of said “DMLP”, the Federal Government will be then entitled to smaller amounts than the 65.47%, in favor of Eletrobrás. Starting in 2016, the proportion will reach an equal balance.

Consequently, Eletrobrás records the difference between receivables appropriated under the accrual basis and those actually received as noncurrent assets at the amount of R\$ 2,965,275 thousand on December 31, 2007 (or US\$ 1,674,068 thousand).

As a result of the renegotiation of the receivables of Eletrobrás with Itaipu Binacional, executed under the provisions of Law 11,480 of May 30, 2007, such rights were incorporated to the debit balances of financing contracts with Itaipu Binacional, respecting the payment flow projected. Amounts paid until then, recorded in the account "Rescheduled receivables" were transferred to the account Loans and Financing in Current and Noncurrent Assets.

The details about loans and financing granted by Eletrobrás, presented in Attachment II, already contemplate the effects of the addition of those receivables.

NOTE 13 – MARKETABLE SECURITIES

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2007	2006	2007	2006
NONCURRENT				
CFT-E1	194,405	164,707	194,405	164,707
NTN-P	126,395	117,533	129,737	119,979
Partnership results	313,145	298,206	313,145	298,206
Temporary investments	202,228	175,308	202,228	175,308
Founders' shares	652,575	652,575	652,575	652,575
Other	3,152	3,332	3,152	3,361
	1,491,900	1,411,661	1,495,242	1,414,136

- a) CFT-E1 – These non-interest bearing government securities are subject to the General Market Price Index (IGP-M) variation and mature in August 2012. Eletrobrás maintains a valuation allowance set up in previous years and adjusted based on discounts applied in Capital Market corresponding to R\$ 91,761 thousand as of December 31, 2007 (R\$ 100,949 thousand on December 31, 2006), and shown as a reduction of the corresponding asset. It is the Company's intention to redeem the securities at maturity.
- b) NTN-P – These securities, received in payment during the investees' privatization process, by the disposal of corporate investments according to the National Privatization Program (PND). They are remunerated based on the TR – Reference Rate

published by the Central Bank of Brazil, bearing interest at 6% p.a. on the restated value as of the redemption date as from February 2012. It is the Company's intention to redeem the securities at maturity.

- c) Others - Refer to investment certificates of governmental grants destined for projects executed by the controlled companies Chesf and Eletronorte, called Finor/Finam. The Company keeps a provision for losses, set up based on the market value, corresponding to R\$ 284,414 thousand (R\$ 284,233 thousand on December 31, 2006) and shown as a reduction of the corresponding asset.
- d) Partnership Results – These refer to the revenues receivable on investments, under a partnership scheme (See note 19), with an average remuneration equivalent to the IGP-M variation plus interest varying from 12% to 13% p.a. on the capital contributed, as follows:

R\$ thousand		
COMPANY AND CONSOLIDATED		
	2007	2006
EATE	60,839	80,477
Tangará	48,181	40,829
Elejor	50,459	49,379
Itiquira	122,131	97,009
Other	31,535	30,512
	<u>313,145</u>	<u>298,206</u>

- e) Temporary Investments - the Company owns ordinary shares of state energy concessionaires previously owned by several Brazilian states, which were acquired as a result of the PND.

Those shares, which are included in the PND, are evaluated based on the book value of the above companies' equity, in order to identify and measure possible losses on realization, and considering that they have no actual market value.

The balance as of December 31, 2007, represented by advances for future capital increase, is shown net of R\$ 3,109,103 thousand (R\$ 3,066,709 thousand on December 31, 2006) mostly corresponding to prior years' accumulated provisions for losses, as shown below:

		R\$ thousand	
		COMPANY AND CONSOLIDATED	
		2007	2006
Ceal	Investment value	604,169	581,044
	(-) Provision for losses	(482,494)	(499,615)
		121,675	81,429
Cepisa	Investment value	857,680	837,629
	(-) Provision for losses	(857,680)	(837,629)
		-	-
Ceron	Investment value	986,818	985,024
	(-) Provision for losses	(986,818)	(955,059)
		-	29,965
Eletroacre	Investment value	165,514	161,403
	(-) Provision for losses	(84,961)	(97,490)
		80,553	63,913
Ceam	Investment value	697,150	676,916
	(-) Provision for losses	(697,150)	(676,916)
		-	-
TOTAL	Investment value	3,311,331	3,242,016
	(-) Provision for losses	(3,109,103)	(3,066,709)
		202,228	175,307

The companies Ceam, Cepisa, and Ceron present stockholders' deficit in the amounts of R\$ 657,508 thousand, R\$ 177,819 thousand, and R\$ 40,450 thousand, respectively. Eletrobrás has set up a provision to cover such deficit corresponding to R\$ 875,777 thousand (R\$ 342,996 thousand on December 31, 2006), considering the financial recovery commitments made under the PND.

- f) Founders' Shares – These arise from restructuring of investment in Investco S.A., with annual earnings in the equivalent to 10% of said companies' profits, payable together with dividends and redeemable by October 2032 through conversion in preferred shares of capital stock in the companies and values listed below:

R\$ thousand		
COMPANY AND CONSOLIDATED		
	2007	2006
Paulista Lajeado	49,975	49,975
Rede Lajeado	266,798	266,798
EDP Lajeado	184,577	184,577
CEB Lajeado	151,225	151,225
	<u>652,575</u>	<u>652,575</u>

NOTE 14 - TAX CREDITS AND DEFERRED TAX CREDITS

R\$ thousand				
	COMPANY		CONSOLIDATED	
	2007	2006	2007	2006
TAX CREDITS				
CURRENT ASSETS				
Withholding Income Tax (IRRF)	1,386,390	585,969	1,442,669	765,807
Prepaid IRPJ and CSLL	383,218	615,852	396,286	695,676
Tax loss carryforwards	-	-	19,423	-
Temporary IRPJ/CSLL differences	-	-	407,585	-
Pasep/Cofins (sales taxes) to be offset	3,607	11,600	45,672	257,652
Recoverable ICMS	-	-	63,544	9,121
Other	-	-	67,893	114,081
	<u>1,773,215</u>	<u>1,213,421</u>	<u>2,443,072</u>	<u>1,842,337</u>

Of the above tax credits, R\$ 763,721 thousand corresponding to IRPJ payables and R\$ 280,669 thousand corresponding to CSLL (See note 26), will be offset upon filing of the Company's Income Tax Return (DIPJ/2008).

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2007	2006	2007	2006
TAX CREDITS				
NONCURRENT				
Recoverable ICMS	-	-	939,193	961,679
Deferred tax credits:				
Tax loss carryforwards	-	-	50,895	87,495
Provision for interest on equity capital	239,185	156,246	239,185	156,246
Temporary differences	-	-	83,549	-
Provision for contingencies	457,407	457,407	469,115	457,407
Allowance for doubtful accounts	67,155	45,744	69,527	45,744
Provision for reduction to market value	127,899	130,962	130,049	130,962
Other	460,216	-	533,930	119,924
	<u>1,351,862</u>	<u>790,359</u>	<u>1,576,250</u>	<u>997,778</u>
	<u>1,351,862</u>	<u>790,359</u>	<u>2,515,443</u>	<u>1,959,457</u>

Deferred tax credits refer to temporary differences in IRPJ and CSLL tax bases, and will be used as these differences are realized.

Considering the Company's profitability record and the expected taxable income generation in next years, the recognition of those assets depends on the realization of the recorded deferred tax credits, identified with analyses of future trends, and based on technical studies about internal assumptions, economic, commercial, and tax future scenarios.

Given the nature of tax credits, their realization is expected for the next five to eight years, when triggered by the taxable events.

Unconstitutionality of PIS/Pasep and Cofins - The Supreme Court declared unconstitutional the section 1, art. 3 of Law 9,718/98, which expanded the PIS/Pasep and Cofins tax bases, and renewed the billing concept so it now encompasses all revenues earned by legal entities, regardless of the type of activity carried out and the accounting classification adopted. That provision had no legal supporting basis, which is why it was subsequently amended.

Based on the CTN, Brazilian Tributary Code, the Eletrobrás System's companies filed an appeal claiming for recognition of the right to, and actual reimbursement of the amount paid in excess, because the expansion of PIS/Pasep and Cofins tax bases is unconstitutional. To the date of completion of these financial statements, the claims had not been judged.

The Eletrobrás System's companies hold potential PIS/Pasep and Cofins credits waiting for a decision, and therefore, not recognized on these Financial Statements, given that the decision on the unconstitutionality of the matter only benefits the companies whose appeals have already been judged.

NOTE 15 - REGULATORY ASSETS

I - General Agreement for the Electricity Sector

In 2001, the Brazilian electricity sector was subjected to an Emergency Electricity Consumption Reduction Program, with the Federal Government forming the Electricity Crisis Management Chamber to manage demand adjustment programs, coordinate actions to increase energy supply, and implement emergency measures during the rationing period which lasted from June 1, 2001 to February 28, 2002.

Under Law 10,438/2002, which put into practice the legal instruments for implementation of the General Electric Sector Agreement due to the Reduction Program, Aneel was authorized to implement the RTE – Extraordinary Tariff Adjustment, with the objective of standing up to the financial impact on the Brazilian Interconnected Electric System, then under the effect of the said program.

In that scenario, electricity generating companies recognized credits related to 'free energy', revenue loss and 'Portion A', realizable under the terms of the General Agreement for the Electricity Sector, through Extraordinary Tariff Adjustment (RTE) and collected from final consumers, with variable maturities defined by Aneel for the different distributors.

In compliance with Circular Letter Aneel 2.409, of December 14, 2007, the Company recognized losses stemming from 'free energy' not billed by distributors within the period established in the regulations, corresponding to R\$ 599,822 thousand. That is recorded in the account "Losses in the recovery of assets" in the group of operating expenses, which was fully accrued for until the fourth quarter of 2007.

The corresponding obligations of the same type were written-off, at an amount of R\$ 300,136 thousand, and recorded in the account "Gains on reduction in liabilities" in the group of operating revenues, also fully accrued for. The net effect of the loss with the 'free energy' was R\$ 299,686 thousand.

Existing provisions were reversed, not producing effects on result of operations in 2007.

The net residual amounts deriving from the General Electric Sector Agreement which were recorded as regulatory assets can be seen under "Consumers and Resellers" (See Attachment I) as follows:

	R\$ thousand
	CONSOLIDATED
RTE – Portion A, Free Energy and loss or revenue	
Balance as of December 31, 2006	1,113,667
(-) Losses	(299,686)
(-) Realized amount	(287,279)
Realizable balance as of December 31, 2007	526,702
Allowance for Doubtful Accounts	
Balance as of December 31, 2006	(351,988)
(+) Reversal	299,686
(-) Recognition	(257,430)
Balance as of December 31, 2007	(309,732)
	216,970

Under the terms of the mentioned Circular Letter Aneel 2.409/2007, the realizable balance corresponding to 'free energy', net of losses already recognized, is R\$ 526,702 thousand (R\$1,413,803 thousand on December 31, 2006) and will receive the same treatment in case it is not realized within the established periods, whose maturities will occur mostly until the year 2009.

In accordance with the terms of the same Circular Letter of Aneel, and supported by studies the management prepared, the Company has set up an allowance for doubtful accounts of R\$257,430 thousand in the fourth quarter of 2007. Therefore, the total allowance amounts to R\$ 309,732 thousand (R\$ 351,988 thousand on December 31, 2006), deemed sufficient to cover possible losses that may occur until the end of the realization period.

The controlled company Furnas has assigned to the Credit Rights Investment Fund (FIDC) – Furnas I an amount of R\$ 126,000 thousand (See note 23) related to RTE.

II – Receivables from the commercialization of electricity generated at Itaipu Binacional

As of May 30, 2007, Law 11,480 was enacted, which authorized Eletrobrás to negotiate the elimination of the adjustment factor from the financing contracts entered into with Itaipu Binacional and the assignment of credits with the National Treasury starting in 2007.

Article 1 of the mentioned Law establishes that it is assured to Eletrobrás to keep the full flow or amounts received associated with the elimination of the adjustment factor from the financing contracts.

Besides, Decree 6.265 of November 22, 2007 was also passed, with the objective of regulating the commercialization of electricity of Itaipu Binacional, defining the different rate to be applied to the energy transfer tariff, creating a regulatory asset, corresponding to an annual factor taken from financing to be annually included in the tariff for transfer of energy starting in 2008.

Article 6 of the mentioned Law authorized Eletrobrás to include the difference referring to the elimination of the annual adjustment factor to the energy transfer tariff of power from Itaipu Binacional, whose values should be annually defined through an Interministry ordinance of the Finance Ministry and Ministry of Mining and Energy. The energy transfer tariff in effect in 2008 includes an amount of R\$ 65,196 thousand, (or US\$36,807 thousand), and was approved by Interministry ordinance MME/MF 318/2007.

In relation to that, in 2007, the Company recognized a regulatory asset presented under the caption “Rights to reimbursement” in Noncurrent assets, arising from the commercialization of the electricity of Itaipu Binacional at an amount of R\$ 590,025 thousand, (US\$ 333,103 thousand), established by Interministry ordinance MME/MF 318/2007 of December 17, 2007. From that amount, R\$ 302,279 thousand, (US\$ 170,654 thousand), will be transferred to the National Treasury until 2023. Such amounts will be realized by means of inclusion to the energy transfer tariff, to be implemented until 2023.

Therefore, the loss of financial revenue of Eletrobrás caused by the elimination of the adjustment factor from financing contracts executed with Itaipu Binacional was offset by its addition to the energy transfer tariff, not generating losses to the Company.

The method for determination of the regulatory asset was defined by Interministry ordinance MME/MF 313/2007 of December 11, 2007

NOTE 16 - STUDIES AND PROJECTS

These mainly refer to costs incurred by the Company on feasibility studies focusing the use of hydrographical basins and transmission lines, for construction of new hydroelectric plants and transmission systems.

Among these, the study of Rio Uruguay basin's use, conducted in accordance with the Argentina-Brazil International Treaty for implementation of the Garabi Plant, is worth mentioning. The costs incurred thereon until December 31, 2007, at the amount of R\$ 30,921 thousand (R\$ 30,921 thousand - December 31, 2006), are deemed recoverable by the Company's management.

Studies and projects also comprise costs incurred from several other studies and projects aiming the use of hydrographical resources, specially the ones for the rivers Madeira and Xingu. According to Article 45 of Law no. 8,987/95, the transfer will be indemnified by the Grantor Federal Government with resources obtained on the bid for concessions to exploit these resources.

We show below the amount of studies and projects costs, including those referring to the concessions to be bid for, net of the adjustment to reflect its probable realizable value:

PROJECTS	R\$ thousand	
	2007	2006
Inventory of Rio Uruguai basin	30,921	30,921
Inventory of Rio Madeira basin	26,500	26,500
Inventory of Baixo Araguaia – Tocantins basin	7,000	7,000
Inventory of Rio Xingu basin	40,000	40,000
Inventory of Rio Tapajós basin	7,000	7,000
Inventory of Trombetas – Erepecuru basin	7,500	7,500
Inventory of Médio Tocantins basin	20,078	20,078
UHE Barra do Peixe	9,374	9,374
UHE Belo Monte	52,256	52,256
UHE Cachoeira Porteira	17,521	17,521
UHE Serra Quebrada	27,163	27,163
UHE Ji-Paraná	10,667	10,667
Other studies	36,599	36,350
TOTAL - PARENT COMPANY	292,579	292,330
Foz do Rio Bezerra – feasibility study	14,086	14,086
Other studies	5,457	1,595
TOTAL - CONSOLIDATED	312,122	308,011

NOTE 17 – NUCLEAR FUEL INVENTORIES

The nuclear fuel used in Angra 1 and Angra 2 plants comprises elements produced with metal alloys and uranium.

In this initial stage, the uranium concentrate, and the services required for its production are classified as long-term assets, and recorded under Nuclear Fuel Inventories. After the production process is finished, the portion to be consumed during the following 12 months is classified as current assets.

The monthly amortization in operational expenses is done proportionally, taking into account the energy actually generated monthly, in comparison to the total energy calculated for each fuel element. Periodically, inventories and assessments of the nuclear fuel elements, which have been through the process of generation of electricity and are stored at the spent fuel pool, are performed.

Nuclear fuel inventories, as of December 31, 2007, destined to the operation of UTNs Angra 1 and Angra 2 were as follows:

	R\$ thousand	
	CONSOLIDATED	
	2007	2006
CURRENT		
Stockroom	42,990	47,018
Nuclear fuel inventories	243,325	217,684
	286,315	264,702
NONCURRENT		
Nuclear fuel inventories		
Uranium concentrate	71,301	77,442
Ready elements	194,633	101,808
Storeroom material	242,615	226,992
Services in progress - nuclear fuel	148,639	187,927
	657,188	594,169
	943,503	858,871

NOTE 18 - ADVANCES FOR INCREASE IN PARENT COMPANY'S OWNERSHIP INTEREST

Eletrobrás records the amounts referring to advances for future capital increase of the following invested companies under Noncurrent assets:

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2007	2006	2007	2006
Controlled companies:				
Furnas	31,154	31,154	-	-
Chesf	294,397	294,397	-	-
Eletrosul	94,576	114,599	-	-
Lightpar	62,285	62,285	-	-
Eletronorte	1,337,552	117,030	-	-
Eletronuclear	264	236	-	-
	<u>1,820,228</u>	<u>619,701</u>	<u>-</u>	<u>-</u>
Other investments	4,027	80,384	4,027	80,383
	<u>1,824,255</u>	<u>700,085</u>	<u>4,027</u>	<u>80,383</u>

As a result of Eletronorte's debt rescheduling (See note 10), part of its debt, corresponding to R\$ 1,213,233 thousand was converted into advance for future capital increase, already considered in the above balance.

NOTE 19 - INVESTMENTS

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2007	2006	2007	2006
Equity in earnings (loss)				
a) Controlled companies (Attachment III)	39,344,716	38,672,726	-	-
b) Significant affiliated companies				
CEEE-D (a) (b)	18,951	3,156	18,951	3,156
CEEE-GT (a) (b)	105,234	74,348	105,234	74,348
Emae (a) (b)	252,219	294,127	252,219	294,127
Cemat	455,384	363,157	455,384	363,157
CTEEP (a)	1,393,534	1,321,554	1,393,534	1,321,554
Cemar (a)	169,790	154,261	169,790	154,261
Celpa	379,584	438,695	379,584	438,695
Rede Lajeado	218,445	212,599	218,445	212,599
CEB Lajeado	61,233	60,513	61,233	60,513
EDP Lajeado (a)	102,957	101,738	102,957	101,738
Paulista Lajeado(a)	23,380	23,380	23,380	23,380
	<u>3,180,711</u>	<u>3,047,528</u>	<u>3,180,711</u>	<u>3,047,528</u>
Acquisition cost				
Cesp	269,680	269,680	269,680	269,680
Celesc	28,242	28,242	28,242	28,242
AES Tietê	23,047	23,047	23,047	23,047
Coelce	15,329	15,329	15,329	15,329
CDSA	11,801	11,801	11,801	11,801
Saelpa	11,272	11,272	11,272	11,272
Other investments	177,340	225,368	1,643,816	1,158,846
	<u>536,711</u>	<u>584,739</u>	<u>2,003,187</u>	<u>1,518,217</u>
	<u>43,062,138</u>	<u>42,304,993</u>	<u>5,183,898</u>	<u>4,565,745</u>

- a) Financial statements audited by other independent auditors.
- b) Report of independent auditors related to the Financial Statements not available until the closing date of these Financial Statements.

In evaluating investments in controlled and affiliated companies, the stockholders' equity amounts as of December 31, 2007. The position of November 2007 was considered for affiliated companies CEEE-D and CEEE-GT.

In accordance with statements for the year ended December 31, 2006, the National Privatization Council approved the corporate restructuring of Ceam and Manaus Energia through the taking over of Ceam by Manaus Energia. Eletrobrás is in charge of carrying out the restructuring not yet concluded until the closing of these financial statements.

Several lawsuits against Eletrobrás are under way, at different stages of completion (See note 32), in guarantee of which the following assets were given, representing 5.30% of the total amount of proceedings:

Ownership interest	R\$ thousand		R\$ thousand Blocked investment amount
	Ownership interest	Percentage of blockade	
CTEEP	1,393,534	82.61%	1,151,198
Emae	252,219	100.00%	252,219
Cesp	269,680	95.82%	258,407
AES Tietê	23,047	94.43%	21,763
Coelce	15,329	100.00%	15,329
Duke	3,344	62.48%	2,089
Cemat	455,384	97.30%	443,089
CEB	3,528	100.00%	3,528
Celipa	379,584	5.31%	20,156
Celpe	4,689	70.32%	3,297
Celesc	28,242	15.24%	4,304
CEEE-D	18,951	87.39%	16,561
CEEE-GT	105,234	87.39%	91,964
	2,952,765		2,283,904
Other investments	40,109,373	-	-
	43,062,138	5.30%	2,283,904

Over the last few years Eletrobrás entered into partnerships in projects with private investors in which Eletrobrás acts as minority stockholder, owning preferred shares. These enterprises' objective is to operate in the electricity generation and transmission areas. The invested amounts are classified as Noncurrent assets - Investments.

Likewise, considering the needs of investment of the Electric Sector and in accordance with the Federal Government's intention to obtain new resources under the conditions established by Law 10,438/2002, the Eletrobrás' controlled companies participate as minority stockholders in companies formed to exploit the electricity service concessions. These operations are classified as Acquisition Cost – Others.

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2007	2006	2007	2006
Guascor	3,300	3,300	3,300	3,300
Itiquira	41,339	41,339	41,339	41,339
EPTe	5,066	8,781	5,066	8,781
Eate	28,016	48,782	28,016	48,782
Tangara	21,738	24,822	21,738	24,822
Elejor	44,606	65,068	44,606	65,068
Enerpeixe	-	-	350,763	350,763
STN	-	-	97,020	97,020
Transleste	-	-	11,896	11,896
Transirapé	-	-	5,474	5,474
Artemis	-	-	64,976	64,976
SC Energia	-	-	69,005	51,352
Transudeste	-	-	7,500	7,500
Centroeste de Minas	-	-	6,440	6,440
Chapecoense	-	-	230,000	-
RS Energia	-	-	73,492	18,060
Uirapuru	-	-	19,600	19,600
Etau	-	-	11,713	13,198
Intesa	-	-	73,500	63,700
Amazônia - Eate	-	-	21,300	21,300
Energética Águas da Pedra	-	-	74,240	-
Serra do Facão	-	-	95,743	-
Other	-	-	48,897	5,218
	144,065	192,092	1,405,624	928,589

a) Enerpeixe - Refers to the 40% interest of Furnas in the capital stock of Enerpeixe S.A, which has as purpose the construction and operation of UHE Peixe Angical, located by the river Tocantins, whose generation capacity is 452 MW. It started operations in May 2006.

b) Empresa Sistema de Transmissão Nordeste S.A (STN) was formed by Chesf and Alusa

- Cia. Técnica de Engenharia Elétrica for exploitation of a 546 km, 500 kV transmission line concession in the region between Teresina (State of Piauí) Sobral and Fortaleza (State of Ceará), with projected annual revenue of R\$ 77,900 thousand. Alusa holds 51% and Chesf 49% of the capital stock of STN. The enterprise was concluded in December 2005 and commercial operations began in January 2006. Chesf has agreements in relation to this jointly enterprise with STN for operation and maintenance of the transmission line, and earned in the year a revenue from services corresponding to R\$ 1,775 thousand.

c) Transleste - a company incorporated in 2003 with the objective of implanting and exploiting for a period of 30 years a transmission line connecting Montes Claros and Irapé (both in the State of Minas Gerais), with a voltage of 345 kV, and 150 km of extension. The interest of the controlled company Furnas in that company corresponds to 24% of capital stock.

d) Transirapé - A company incorporated in 2004, with the purpose of constructing, operating, and maintaining the facilities of the electricity transmission line between Irapé and Araçuaí (both in the State of Minas Gerais), with a voltage of 230 kV and 65 km of extension. The interest that Furnas holds in that company corresponds to 24.5% of capital.

e) Artemis Transmissora de Energia S.A. is a company whose objective is the exploitation of 525 kV transmission lines, connecting Salto Santiago and Ivaiporã and Ivaiporã and Cascavel D'Oeste, where the controlled company Eletrosul holds 46.5% of the shares. Operations began in October 2005.

f) SC Energia - Empresa Transmissora de Energia Elétrica de Santa Catarina S.A., is a company whose objective is the exploitation of a 375 Km, 525 kV transmission line, connecting Campos Novos with Blumenau (both in the State of Santa Catarina). Eletrosul holds 49% participating interests in its capital stock. Operations began in September 2006 (See note 51).

g) Transudeste - a company incorporated in 2004, with the purpose of implanting and exploiting for a period of 30 years the transmission line connecting Itutinga with Juiz de Fora (both in the State of Minas Gerais), with a voltage of 345 kV, and 140 km of extension. The interest that Furnas holds in that company corresponds to 25% of capital.

h) Centroeste de Minas - company incorporated in 2004 with the objective of implanting and exploiting for a period of 30 years the transmission line connecting Furnas and Pimenta (both in the State of Minas Gerais), with a voltage of 345 kV, and 75 km of extension. The interest that Furnas holds in that company corresponds to 49% of capital.

i) Chapecoense Geração S.A. - it has as objective to build and exploit UHE Foz do Chapecó, located by river Uruguai. Furnas holds interest of 49.9% in the capital of the company that will manage the plant, with capacity of 885 MW, which will be operated by the consortium composed of CPFL, with 51%, Chapecoense, with 40%, and CEEE with 9% interest. Furnas will be responsible for the performance of engineering activities. The work started in January 2007, and the beginning of operations of the first machine is projected to 2010.

j) RS Energia - Empresa de Transmissão de Energia do Rio Grande do Sul. Eletrosul has 49% interest in the shares representing the capital of RS Energia, while the companies Schahin

Engenharia Ltda. hold 41% and Engevix Engenharia S.A. 10%, respectively. The Company was incorporated in 2005, for construction, operation and maintenance of the 525 kV transmission line connecting Campos Novos (State of Santa Catarina) and Nova Santa Rita (State of Rio Grande do Sul), with concession period of 30 years. The enterprise has a 273 km transmission line, 570 towers, and an estimated investment of approximately R\$183,000 thousand, whose construction is projected to finished in 2008 (See note 51).

l) Uirapuru Transmissora de Energia S.A. - Eletrosul holds 49% of shares of Uirapuru, and the company Cymi Holding S.A. holds the remaining 51%. Uirapuru was incorporated in 2004, for the construction, operation and maintenance of the 525 kV transmission line connecting Ivaiporã and Londrina (both in the State of Paraná), with a concession granted for 30 years. The enterprise has a 120 km transmission line, 265 towers, and an approximate investment of R\$ 107,000 thousand. It was concluded in 2006.

m) Etau – Empresa Transmissora do Alto Uruguai S.A. - Eletrosul holds 27.4% of the shares of the capital stock of Etau, and the companies Alcoa Alumínio S.A., Camargo Corrêa Cimentos S.A., DME Energética Ltda., and Companhia Estadual de Energia Elétrica – CEEE hold 42%, 10.6%, 10% and 10% respectively. Etau was incorporated for the construction, operation and maintenance of the 230 kV Transmission line connecting Campos Novos and Barra Grande (both in the State of Santa Catarina), and Lagoa Vermelha and Santa Marta (both in the State of Rio Grande do Sul), with a concession granted for 30 years. The enterprise comprises a 187 km transmission line, 411 towers, and investments of around R\$ 116,000 thousand, which was concluded in 2005.

n) Intesa - Integração Transmissora de Energia S.A. – Company incorporated for construction, implantation, operation, and maintenance of a 500 kV Transmission line connecting Colina and Serra da Mesa 2, 3rd circuit, with a concession granted for 30 years. The capital of Intesa is distributed as follow: Chesf holds 12%, Fundo de Investimentos em Participações Brasil Energia – FIP, holds 48%, Eletronorte, holds 37% and Engevix Engenharia S.A. 3%. The beginning of operations is projected to 2008.

o) Amazônia Eletronorte Transmissora de Energia S.A. – company incorporated for the construction, operation and maintenance of 2 transmission lines with capacity of 230 KV, connecting Coxipó and Cuiabá (both in the State of Mato Grosso), with an extension of 25 km and from Cuiabá to Rondonópolis (also in the State of Mato Grosso) with an extension of 168 km. It started is operations in September 2005. Eletronorte holds 49% of the capital stock of AETE.

p) Energética Águas da Pedra S.A. - Investments amounting to R\$ 31,800 thousand, where Chesf has 24.5% interest, together with Eletronorte that holds 24.5% and Neoenergia S.A. 51%. The mentioned company had as origin the Aripuanã Consortium, for contracting of energy from new enterprises, with subsequent grant of a concession within the Regulated

Contracting Environment, for implantation of UHE Dardanelos, with a projected investment of R\$ 760,800 thousand. The Plant will be implanted by river Aripuanã, located in the northern region of the State of Mato Grosso, with an assured capacity of 261 MW, and total energy of 154.9 average MW. The first machines are scheduled to start operations in 2011, and 147 average MW were sold for the period 2011 to 2041, within the 30 years-concession period.

q) Serra do Facão - Consórcio de Empresas Associadas Serra do Facão (Gefac), was incorporated with the objective of constructing and operating UHE Serra do Facão, with an installed capacity of 210 MW, located by the river São Marcos, in the municipalities of Catalão and Divinópolis, both in the state of Minas Gerais. The stockholding of Furnas in the mentioned consortium is 49%. The work started in March 2007 and the beginning of operations of the first machine is projected to May 2010.

r) UHE Santo Antonio - On December 10, 2007, Consórcio Mesa S.A., incorporated by Furnas (39%), Odebrecht Investimentos (17.6%), Andrade Gutierrez Participações (12.4%), Cemig (10%), Fundos de Investimentos e Participações da Amazônia (20%) and Construtora Norberto Odebrecht (1%), was the winner in an auction held by Aneel of the concession to build and operate the construction project of UHE Santo Antônio, by the river Madeira, in the State of Rondônia.

s) Eletronet – The controlled companies Furnas, Chesf, Eletrosul, and Eletronorte started operating the transmission of information signals, using part of their electricity transmission infrastructure, with intermediation of the controlled company Lightpar, in a joint venture with private companies, where it holds minority interest in the capital stock of Eletronet, a company formed specifically for rendering feasible the business of providing transmission for information signals and telecommunication services.

Since September 2002 Lightpar assumed the management of Eletronet, due to default on part of capital contribution on the part of the majority stockholder AES Bandeirante Empreendimentos Ltda. in contributing with the value of monetary restatement referring to the fourth portion of capital stock.

The administrative council of Eletronet, during an extraordinary meeting held on March 18, 2003 and concluded on March 27, 2003, decided to declare it bankrupted, as all possible other measures to reach a final solution had been exhausted. During the same meeting, an extraordinary meeting of stockholders was called for discussion of the matter.

The declaration of bankruptcy was approved in the extraordinary meeting at Eletronet, held on April 24, 2003, which authorized the managers to take all applicable legal measures.

On May 16, 2003, Eletronet, represented by its managing partners, requested the filing of the its statement of bankruptcy with the Judiciary, together with a preliminary request to continue in business. The 5th Business Bankruptcy Court declared the bankruptcy under the requested manner. In that condition, Eletronet continued its operations under the manage-

ment of the Judiciary, and still has appeals filed with the Superior Court of Justice pending judgment.

As of June 2007, Lightpar along with Bankrupt Eletronet was notified by Chesf, Eletro-norte, Eletrosul, and Furnas, called assignor companies, about the termination of the contract granting right of access and use of cables and infrastructure signed with Lightpar in June 1999 and its respective amendments. The referred contract allows the transfer to Eletronet, as well as the reimbursement of Lightpar of 50% of the cost incurred by the latter in the management of the communication structure. We point out, however, that such termination does not cancel the rights of receiving the credits corresponding to the due reimbursements payable and collectible until December 31, 2006.

Based on contract clauses, the assignor companies claim the following out of the court:

- a) to regain possession of the assets comprising the implemented infrastructure for the rendering of telecommunications services;
- b) the right to claim the optical cables; and
- c) determining the maintenance of the essential services to the national integrated electricity transmission system, as well as the continuance of the services rendered by Eletronet employees.

On the same date, the assignor companies filed an injunction at the 5th Business Lower Court of Rio de Janeiro about the issue mentioned above, which was granted, on January 14, 2008, and which still waits for the deposit in the checking account of Eletronet's bankrupt estate of the amount of R\$ 380,000 thousand, determined according to the report drawn up by an expert.

In view of that decision, the assignor companies and LT Bandeirantes Empreendimentos Ltda (partner of Lightpar in Eletronet) and the bankrupt estate of Eletronet S.A. filed Interlocutory appeal against interim decision. Neither an interim relief nor a stay of proceedings was granted in any of the cases.

NOTE 20 – PROPERTY, PLANT AND EQUIPMENT

The value of property, plant and equipment items, detailed in Attachment IV and IVa, is rectified taking into account obligations arising from the Public Electricity Service concession, which comprise amounts received from the Federal, State and the Municipal Governments and the consumers, as well as donations not committed to return to the donor. Settlement is due for the end of the respective concession. Property, plant and equipment breakdown as follows:

	CONSOLIDATED	
	R\$ thousand	
	2007	2006
Participating interests of the Federal Government	406,688	400,569
Amortization	81,998	102,267
Consumers' contributions	27,826	30,496
Donations and grants for investment	71,147	23,096
Other	36,452	102,620
	624,111	659,048

- a) Federal Government's Interest – this refers to resources received for use in priority electricity generation and transmission work.
- b) Amortization and reversals – these pertain to the "Amortization Reserves" set up until 1971, under the Federal Decree no. 41.019/57, which were used for expanding the Public Electricity Service until that year.
- c) Consumers' contributions – these refer to resources received to enable conducting the necessary enterprises for meeting unforeseen electricity demand.
- d) Donations and subventions for investments purposes – this refers to the accounting of subventions and plain donations, that is, not conditioned in any return to the donator, received by the concessionary. Both are destined to investments in the Public Electricity Service.

According to Decree 41.019, of February 26, 1957, assets and facilities used in generation, transmission, distribution, and commercialization are linked to these activities, and accordingly, cannot be removed, disposed of, assigned or hypothecated without the Regulating Agency's prior and express authorization.

NOTE 21 - INTANGIBLE ASSETS

DESCRIPTION	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2007	2006	2007	2006
GENERATION	-	-	54,856	30,561
In service	-	-	17,871	5,519
(-) Reintegration	-	-	(4,224)	(186)
in progress	-	-	41,209	25,228
TRANSMISSION	-	-	283,110	265,728
In service	-	-	241,758	225,758
(-) Reintegration	-	-	(2,436)	(1,959)
in progress	-	-	43,788	41,929
ADMINISTRATION	55,558	57,410	125,639	98,126
In service	61,114	61,114	163,113	84,293
(-) Reintegration	(5,556)	(3,704)	(53,595)	(18,671)
in progress	-	-	16,121	32,504
Other	-	-	6,205	18,123
	<u>55,558</u>	<u>57,410</u>	<u>469,810</u>	<u>412,538</u>

NOTE 22 - LOANS AND FINANCING OBTAINED

The breakdown of loans and financing obtained, including charges, whose funds are assigned to the investment program of Eletrobrás System, is presented in Attachment V (See note 46).

I - Fund raising in foreign market

- a) Fund raising in progress – The Company's Board of Directors, on a meeting held on July 31, 2007, has decided to authorize the raising of funds in the international market, amounting to up to US\$ 600,000 thousand, to back the investments projected for 2008.

The fund raising program will be made by means of financial operations to be performed in pursuance with market conditions and the lowest possible cost for Eletrobrás.

It has the purpose of financing the investments in Eletrobrás System, mainly in the areas of generation and transmission of electricity.

- b) Funds already raised - Until the closing date of these Financial Statements, the funds contracted in 2007 by Eletrobrás with the financial institutions China Development Bank and BNP Paribás, corresponding to US\$ 430,000 thousand, had not been used. Those funds are destined to the financing of UTE Candiota II, Phase C, whose execution is under the responsibility of controlled company CGTEE, under the following conditions:
- it is executed under the Bilateral Agreement Brazil-China, under the Decision of the Federal Senate number 34;
 - amortization in 16 years, in half-yearly installments;
 - 4 years of grace period, and
 - annual interest based on the Libor rate

II - Funds raised in the domestic market

Other financing operations being contracted:

- a) with BNDES, corresponding to R\$ 1,034,410 thousand and R\$ 183,330 thousand, destined for the financing of projects in the controlled companies Furnas and Eletrosul, respectively, under the following (projected) conditions:
- amortization in 16 years, in half-yearly installments;
 - 2 years of grace period;
 - monthly interest based on the Long-Term Interest Rate (TJLP) + 1.91% p.a.
- b) with Banco da Amazônia - BASA, at the amount of R\$ 193,330 thousand, that is destined for financing projects in the controlled company Furnas, under the following (projected) conditions:
- amortization in 16 years, in half-yearly installments;
 - 2 years of grace period, and
 - monthly interest based on the Long-Term Interest Rate (TJLP) + 1.91% p.a.

NOTE 23 - RECEIVABLES INVESTMENT FUND

The controlled company Furnas performed receivables assignment transactions in the year 2005 in order to raise funds for its investment program. The main assignment conditions are as follows:

a) FIDC Furnas I

1. Set up by its administrator, Banco Santander Brasil.
2. The assignment to Fundo Furnas I was formalized through a Private Instrument of Receivables and Other Assets Assignment and Acquisition signed in September 2004.
3. The discount rate is 1.38% p.a.
4. The assignment flow is restated based on the annual Selic rate set by Central Bank of Brazil (Bacen) for the period from the assignment date to the last business day before the payment date.
5. The controlled company Furnas remained as the collection agent.
6. The assignment was performed under Furnas' co-obligation to pay for the Receivables, as provided under the Brazilian Civil Code.
7. Assigned receivables:

RECEIVABLES ASSIGNED	REALIZATION PERIOD	R\$ thousand
		AMOUNT ASSIGNED
RTE	01/2007 a 01/2008	126,000
Financing - Cemat	10/2004 a 03/2009	164,000
Energy - Proman	10/2004 a 12/2006	52,000
Total assigned		342,000

b) FIDC Furnas II

1. Jointly set up by Banco Santander Brasil and Bradesco, BB Banco de Investimento, Itaú BBA and Votorantim, under administration of BEM Distribuidora de Títulos e Valores Mobiliários Ltda.
2. The assignment to Fundo Furnas II was formalized through a Private Instrument of Receivables and Other Assets Assignment and Acquisition signed in May 2005.
3. The discount rate is 1.80% p.a.
4. The assignment flow is restated based on the annual Selic rate set by Central Bank of Brazil (Bacen) for the period from the assignment date to the last business day before the payment date.
5. The controlled company Furnas remained as the collection agent.

6. The assignment was performed under Furnas' co-obligation to pay for the Receivables, as provided under the Brazilian Civil Code.
7. Assigned receivables:

RECEIVABLES ASSIGNED	REALIZATION PERIOD	R\$ thousand
		AMOUNT ASSIGNED
Créditos – Lei 8.727/93	06/2005 a 05/2010	228,000
Refinanciamento energia CEB	06/2005 a 05/2010	162,000
Refinanciamento energia CELG	06/2005 a 05/2010	258,000
Contratos diversos (*)	06/2005 a 02/2008	255,050
Total cedido		903,050

(*) Refer to Eletronorte and Eletronuclear corresponding to the amounts of R\$89,100 thousand and R\$ 165,950 thousand respectively.

The consolidated statements, under CVM Instruction no. 408/2004 and taken into account the characteristics of the funds, consider the receivables as an integral part of assets, recorded under the original captions, and the FIDC's assets amount reflected as long-term and short-term financing and loans (See Attachment V), whose total balance as of December 31 was R\$583,715 thousand (R\$1.020.605 thousand on December 31, 2006). See Attachment V.

NOTE 24 – TRADE ACCOUNTS PAYABLE

Includes, mainly, the energy purchased from Itaipu Binacional (See note 9), which breaks down as follows:

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2007	2006	2007	2006
CURRENT				
Goods, material and services	51,805	83,754	1,068,073	989,076
Electricity network use	-	-	91,771	86,105
Energy purchased for resale	1,188,771	1,062,641	1,014,607	850,457
Short-term energy – CCEE	28,789	13,526	117,478	51,265
	1,269,365	1,159,921	2,291,929	1,976,903

NOTE 25 – REGULATORY FEES

	R\$ thousand	
	CONSOLIDATED	
CURRENT LIABILITIES	2007	2006
Global Reversion Reserve Quota - RGR	71,166	70,943
CCC/CDE	29,384	54,223
Financial compensation of water resources	382,438	431,500
Inspection feed - Aneel	4,217	2,945
Proinfa	27,692	31,679
	<u>514,897</u>	<u>591,290</u>

NOTE 26 – TAXES AND SOCIAL CONTRIBUTIONS

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2007	2006	2007	2006
Income tax				
Current liabilities	763,721	627,745	1,014,943	742,411
Noncurrent liabilities	-	497,827	381,949	679,539
Contribuição Social				
Current liabilities	280,669	258,316	318,900	282,496
Noncurrent liabilities	-	150,017	138,756	216,688
Pasep and Cofins (taxes on sales)				
Current liabilities	28,234	27,357	136,368	102,933
Noncurrent liabilities	-	-	-	15,958
ICMS (State VAT)				
Current liabilities	-	-	38,167	26,900
Noncurrent liabilities	-	-	40,982	64,590
PAES (Tax Debt Refinancing Program)				
Current liabilities	-	-	109,761	113,220
Noncurrent liabilities	-	-	1,016,133	1,163,523
Other				
Current liabilities	19,936	5,065	205,699	180,695
Noncurrent liabilities			47,710	10,450
TOTAL	<u>1,092,560</u>	<u>1,566,327</u>	<u>3,449,368</u>	<u>3,599,403</u>
Current liabilities	<u>1,092,560</u>	<u>918,483</u>	<u>1,823,838</u>	<u>1,448,655</u>
Noncurrent liabilities	<u>-</u>	<u>647,844</u>	<u>1,625,530</u>	<u>2,150,748</u>

Obligations referring to Corporate Income Tax (IRPJ) and Social Contribution Tax on Net Income (CSLL) regarding the year 2007, amounting to R\$ 1,044,390 thousand, will be fully offset with existing tax credits (See note 14).

a) Reconciliation of income and social contribution tax expense

The reconciliation of IRPJ and CSLL amounts recorded as expenses in the years 2007 and 2006 o those calculated at nominal rates can be thus shown:

	COMPANY			
	2007		2006	
	IRPJ	CSLL	IRPJ	CSLL
Income (loss) before IRPJ and CSLL	1,401,020	1,401,020	1,470,606	1,470,606
Total IRPJ and CSLL calculated at the rates of 25% and 9%, respectively	350,255	126,092	367,652	132,355
Effects of add-back (deductions):				
Revenue from dividends	(200,971)	(72,349)	(49,162)	(17,698)
Equity in loss	(211,343)	(76,083)	(41,203)	(14,833)
Interest on equity capital	(175,872)	(63,314)	(114,887)	(41,359)
Losses with investments	143,794	51,766	133,164	47,939
Other add-backs (deductions)	(52,839)	16,027	(84,960)	(24,719)
Total IRPJ and CSLL expenses	<u>(146,976)</u>	<u>(17,861)</u>	<u>210,603</u>	<u>81,685</u>

b) Tax debt refinancing program - PAES

In July 2004, Furnas opted for the Special Tax debt refinancing program (PAES), refinancing the amount of R\$968,789 thousand referring to Pasesp, Cofins, ITR, IRPJ and CSLL.. The amount to be paid to Federal Revenue Service (SRF) represents 1.5% of monthly sales, payable in up to 180 months and with the debit balance restated based on the Long-term Interest Rate (TJLP).

The debt payable under PAES as of December 31, 2007 is as follows:

	R\$ thousand
Consolidated debt in 2003, included in PAES	968,789
Monetary restatement up to Dec 31, 2005	248,654
Payments made up to Dec 31, 2005	(207,585)
PAES balance as of December 31, 2005	<u>1,009,858</u>
Monetary restatement in 2006	79,356
Payments made in 2006	(88,438)
PAES balance as of December 31, 2006	<u>1,000,776</u>
Monetary restatement in 2007	60,848
Payments made in 2007	(197,625)
PAES balance as of December 31, 2007	<u><u>863,999</u></u>

The present value of the debt, to be settled at a monthly rate of 1.5% of gross revenue, limited to the remaining amount of installments, is R\$ 756,975 thousand. The following assumptions were used in the estimation:

1. the revenue was projected based on the amount billed until December 2007, adjusted by the annual average inflation rate, calculated at 4.5%.
2. the present debt value was obtained by discounting the flow of payments adjusted by the Long-Term Interest Rate (TJLP) of 6% p.a. and discounted at the rate of 11% p.a. Those rates are compatible with the ones of the described economic scenario.

In the same way, in 2003 Eletronorte joined the PAES, in order to regularize debts with the Federal Revenue and INSS. This debt balance, as of December 31, 2007 is as follows:

	R\$ thousand
Consolidated debt in 2003, included in PAES	94,486
Monetary restatement up to Dec 31, 2005	5,992
Payments made up to Dec 31, 2005	(8,859)
PAES balance as of December 31, 2005	<u>91,619</u>
Monetary restatement in 2006	5,059
Payments made in 2006	(62,251)
PAES balance as of December 31, 2006	<u>34,427</u>
Monetary restatement in 2007	1,571
Payments made in 2007	(4,191)
PAES balance as of December 31, 2007	<u><u>31,807</u></u>

Also in the same way, in August 2003, due to unfavorable decisions arising from the lawsuit involving Pasesp and Cofins on revenue from Itaipu's energy sales, judged by the 4th. Region Federal Regional Court, Eletrosul opted for paying this liability under the PAES through an installment plan, whose balance, as of December 31, 2007 was R\$ 230,088 thousand (R\$ 241,539 thousand on December 31, 2006).

The debt payable under PAES as of December 31, 2007 is as follows:

	R\$ thousand
Consolidated debt in 2003, included in PAES	241,809
Monetary restatement up to Dec 31, 2005	42,589
Payments made up to Dec 31, 2005	(36,637)
PAES balance as of December 31, 2005	247,761
Monetary restatement in 2006	16,369
Payments made in 2006	(22,591)
PAES balance as of December 31, 2006	241,539
Monetary restatement in 2007	11,254
Payments made in 2007	(22,705)
PAES balance as of December 31, 2007	230,088

NOTE 27 – ADVANCES FROM CONSUMERS

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2007	2006	2007	2006
CURRENT				
Albrás	-	-	35,191	32,522
Proinfa	202,250	102,387	202,250	102,387
	202,250	102,387	237,441	134,909
NONCURRENT				
Albrás	-	-	1,056,761	942,330
	202,250	102,387	1,294,202	1,077,239

I - Albrás

In 2004, the controlled company Eletronorte was the outbidder in the electricity auction organized by Albrás for the sale of electricity to be supplied for a 20-year, equivalent to 750 MW on average per month until December 2006 and 800 MW on average

per month from January 2007 to December 2024. Albrás set a parameter for agreeing on a minimum price compatible with the UHE Tucuruí's balanced tariff, plus a premium calculated based on the aluminum price in London's commodities exchange.

Under these conditions, Albrás made an energy purchase pre-offer, with a view to reducing the base price. The prepayment for this offer is constituted by energy credits for amortization over the supply period, in fixed monthly installments in medium MW, at the tariff ruling on the month of sale.

The schedule for prepayment is as follows

Year	R\$ thousand	
	Contracted disbursements	Disbursements made
2004	300,000	300,000
2005	500,000	500,000
2006	250,000	250,000
2007	150,000	150,000
Total	1,200,000	1,200,000

The corresponding liability presented the following position as of December 31, 2007:

Year	R\$ thousand		
	Amounts received	Payments made	Balance
2004	300,000	(15,968)	284,032
2005	500,000	(29,201)	470,799
2006	250,000	(29,979)	220,021
2007	150,000	(32,900)	117,100
Total	1,200,000	(108,048)	1,091,952

II - Proinfa

Established by Law 10,438/2002 and its amendments, Proinfa's purpose is the diversification of the Brazilian energetic matrix and the search for regional solutions based on renewable electricity sources, available input and the applicable technology, given the increased participation in electricity production from those sources.

The program guarantees to Eletrobrás the purchase of the energy to be produced for a period of 20 years from 2006. This energy will be transferred to distribution concessionaires, free consumers and self-producers, excluding low-income consumers, in the proportion of its use.

Distribution and transmission concessionaires pay Eletrobrás the annual value of the costing quota corresponding to the participation of captive and free consumers and

self-producers connected to its electricity facilities in twelfth parts, in the month prior to the month when energy consumption is properly recognized.

In addition to the regular payments of the current year quotas to Proinfa generators, distribution and transmission concessionaires advanced the payment of one twelfth of the annual quota, considering the total contracting of all projects carried out under Proinfa.

Accordingly, as of December 31, 2007, the Company had an amount of R\$ 202,250 thousand (R\$ 102,387 thousand on December 31, 2006), which will be demanded as Proinfa develops and the corresponding electric power is supplied.

NOTE 28 – COMPULSORY LOAN

The Compulsory Loan, instituted by Law 4,156/62 to fund the expansion of the Brazilian electricity sector, was extinguished by Law 7,181 of December 20, 1983, which established the end of the collection term for December 31, 1993.

In the first phase of that compulsory loan, ended with enactment of Law 1,512/76, that levying reached several classes of energy consumers and taxpayers' credits were represented by Bearer Bonds that Eletrobrás issued.

In a second moment, after the enactment of the cited Law, the compulsory loan started being paid only by industries with monthly consumption exceeding 2,000 kWh and taxpayers' credits no longer were represented by bearer bonds, which Eletrobrás simply started recognizing.

The remaining credits of the Compulsory Loan, after the third conversion into capital, in April 2005, of the credits constituted from 1988 to 2004, are recorded as current and non-current liabilities maturing as from 2008 and continue to be remunerated at 6% p.a. plus monetary restatement based on the Extended Consumer Price Index (IPCA-E) variation. These funds amounted to R\$ 299,084 thousand as of December 31, 2007, (R\$ 134,976 thousand on December 31, 2006), of which R\$ 202,375 thousand is recorded as noncurrent (R\$ 23,870 thousand on December 31, 2006).

The Bearer Bonds issued in the first phase of the compulsory loan, as decided by the Brazilian Securities and Exchange Commission (CVM), should not be confused with debentures. Besides, as provided by article 4, paragraph 11 of Law 4,156/62 and article 1 of Decree 20.910/32, they are unenforceable, a condition confirmed by Notice 344 of the Superior Court of Justice (STJ), which established that those bonds cannot be used as guarantee of executions for not having liquidity and not being debentures.

Therefore, the balance of the Compulsory Loan refers solely to the 1988 – 1994 period residual credits held by industrial consumers with consumption above 2,000 kWh, that is, the second phase of that compulsory loan, as well as to the unclaimed interest related to those credits, as follows:

	R\$ thousand	
	COMPANY	
	2007	2006
Credits received	202,375	23,870
Interest payable	96,709	111,106
	299,087	134,976

NOTE 29 - STOCKHOLDERS' COMPENSATION

Under the Company's by-laws, stockholders are entitled to a minimum compulsory dividend of 25% of net income, adjusted in accordance with the Brazilian corporate law, respecting the minimum remuneration of 8% of capital stock for the preferred class "A" shares and 6% for preferred class "B" shares.

The table below demonstrates the adjusted net income and the value of the mandatory minimum dividend, under the terms of Law 6,404/76, as well as, the total value of compensation proposed to stockholders, to be approved in a general ordinary meeting:

	R\$ thousand	
	COMPANY	
	2007	2006
Net income	1,547,857	1,161,318
Legal reserve	(77,393)	(58,066)
Adjusted net income	1,470,464	1,103,252
Mandatory minimum dividend - 25%	367,616	275,813
Compensation proposed to stockholders		
Common shares	363,416	119,479
Class "A" preferred shares	297	297
Class "B" preferred shares	339,773	339,773
	703,486	459,549

Proposed compensation per share in reais		
	2007	2006(*)
Common shares - 1.87% of capital (2006 – 0.61%)	0.40	0.13
Class "A" preferred shares - 9.41% of capital (2006 – 9.41%)	2.02	2.02
Class "B" preferred shares - 7.06% of capital (2006 – 7.06%)	1.51	1.51

(*) Considers a reverse split of shares

Therefore, Eletrobrás recorded an amount of R\$ 703,486 thousand as compensation to stockholders and interest on equity capital referring to the year 2007, which was added to the minimum obligatory dividend in accordance with the statutory provisions.

Under prevailing tax legislation, withholding income tax is levied at the rate of 15% on the remuneration proposed to stockholders as interest on equity capital.

Stockholders' compensation for the year 2007 corresponds to 47.84% of adjusted net income under the terms of Law 6,404/76 (2006 – 41.65%) and will be restated based on the Selic rate, established by the Brazilian Central Bank, according to the terms of Decree 2.673 of July 16, 1998 that regulates the payment on the part of federal state companies of dividends or interest on equity capital.

The adjustment is applicable for the period starting on January 01, 2008 to the date where it is started the payment of the compensation. Such date will be decided during a general ordinary meet, where the financial statements will be analyzed and the proposed destination for income of the year established. There will be the levying of Withholding Income Tax at the rate of 20% on the portion referring to the monetary restatement according to SELic.

In compliance with CVM Decision 207/96, and to meet tax standards, Eletrobrás accounted for that interest against financial expenses, taking them to a specific account, opting to not present them in the statement of operations to not produce an effect on the income of the year, but only the effects recognized in the accounts of social contribution and income taxes.

Under the decision of the 47th ordinary general meeting, held on April 30, 2007, the payment of the compensation to stockholders related to the year 2006, in the form of dividends, started on June 15, 2007 for the stockholders registered as of May 2, 2007, paid as follows (before the reverse split of shares):

In reais / per thousand shares		
Type /Class	Gross value as of Dec. 31, 2006	Adjusted gross value as of Jun 15, 2007
Common shares	0.33824150	0.27872570
Class "A" preferred shares	3.43314543	4.26370961
Class "B" preferred shares	2.57485907	3.19778221

The balance of compensation to stockholders demonstrated in current liabilities contains a portion of R\$ 177,516 thousand (R\$ 106,494 thousand on December 31, 2006) regarding unclaimed compensation of the years 2004, 2005 and 2006.

According to the terms of the Company's by-laws, the period for payment of the unclaimed compensation referring to the year 2003 and preceding years is expired.

NOTE 30 - PAYABLES TO THE BRAZILIAN FEDERAL TREASURY

	R\$ thousand			
	COMPANY AND CONSOLIDATED			
	CURRENT		NONCURRENT	
	2007	2006	2007	2006
Acquisition of interests in CEEE-GT and CEEE-D	50,439	41,660	386,888	405,855
Rights to Reimbursement (See note 15)	-	-	302,279	-
Other	7,711	9,463	37,822	53,953
	<u>58,150</u>	<u>51,123</u>	<u>726,989</u>	<u>459,808</u>

NOTE 31 – COMPLEMENTARY PENSION FUNDS

I – PARENT COMPANY

Eletróbrás sponsors Eletros, a pension plan fund with its own equity segregated from that of the sponsor. The objective of Eletros is to manage a pension plan for supplementing the retirement and pension benefits of the sponsor's employees who enroll.

Eletros manages two benefit plans sponsored by Eletróbrás, detailed as follows:

1. Defined benefit plan

It supplements the actual average salary of recent working years in relation to the pension provided by the Brazilian social security system, and it finished the last three years with a technical surplus. This plan is closed for new participants since April 01, 2006. As of December 31, 2007, that such plan had 480 active participants, 1,186 retired ones, and 261 pensioners. Eletros calculates the mathematical reserves of this plan using a capitalization actuarial system, which is reviewed annually.

Eletróbrás makes monthly contributions jointly to participants, which are charged as administrative expenses. These amounted to R\$ 10,331 thousand as of December 31, 2007 (R\$ 11,933 thousand on December 31, 2006).

The contribution rates are as follows:

- 4,08% - up to half the maximum Social Security contribution;
- 8,16% - from half the maximum to the maximum Social Security contribution;
- 17,13% - from the maximum to three times as much the maximum social security contribution, and
- 24,48% - more than three times the maximum Social Security contribution, for participants subjected to previous regulations.

In accordance with the technical pronouncement issued by Ibracon – Brazilian Institute of Independent Auditors and approved by CVM Resolution No. 371, of December 13, 2000, which establishes the method to be adopted by the sponsors in accounting for the benefits granted to employees, the management of Eletrobrás performs, on an annual basis, an actuarial revaluation of the benefit plan it sponsors and the required actuarial liability coverage, for which the Company is responsible, identified in the report prepared by an independent actuary based on the projected credit unit.

The actuarial valuation executed as of December 31, 2007 demonstrated that the fair value of benefit plans exceeds the present value of actuarial obligations, as follows:

	R\$ thousand COMPANY	
	2007	2006
Fair value of the assets of the plans	1,590,535	1,402,208
(-) Present value of actuarial obligation	(1,493,373)	(1,348,077)
	97,162	54,131
Obligations with guarantee of minimum income	(33,565)	(33,195)
Net assets	63,597	20,936

Eletrobrás assures to pensioners of defined benefit plans of Eletros a minimum income of 90% of the initial adjusted global income (INSS + Eletros).

Estimation of the expected cost for the defined benefit plan.

	R\$ thousand COMPANY
Cost of current services	5,647
Interest cost	122,600
Return on investments	(160,972)
Contributions expected from employees	(2,696)
Estimated cost for 2008	(35,421)

Actuarial calculations involve projections of future actuarial assumptions, such as salaries, interest rates (nominal and effective), inflation, mortality, disability, and others. Actuarial results obtained from those assumptions cannot be analyzed without the previous knowledge of the scenario used in the evaluation.

The economic actuarial assumptions used were established considering the long-term period projected for their maturity, and, thus, should be analyzed under that perspective. As a consequence, in the short-term period, they may be not necessarily realizable.

For purposes of the actuarial revaluation made pursuant to CVM Decision No. 371/00, the following assumptions were used:

a) ECONOMIC HYPOTHESES

Discount rate	9.72% (inflation + 5.5% p.a. of real interest)
Expected yield rate of assets	10.76% p.a. (inflation + 6.5% p.a. of real interest)
Salary increase rate	7% p.a. (inflation + 2.86% p.a. of real increase)
Vested benefits adjustment index	4% p.a. (only inflation)
Benefit's capacity factor	0.98

b) DEMOGRAPHIC HYPOTHESES

Turnover rate	No turnover
Mortality table	AT-2000
Disability table	LIGHT-WEAK
Mortality table of disabled people	AT-83

2 – Defined contribution pension plan

In 2006, participants of Eletros' defined benefit plan started to be migrated to a new defined contribution pension plan sponsored by Eletrobrás. Part of those participants that have already migrated to the new plan opted to maintain their entitlement to a defined benefit partially or totally. The process mentioned here will continue until June 28, 2008.

As of December 31, 2007, the plan had 142 active participants and 11 retired ones.

The contribution rates for the defined contribution plan are as follows:

- 4,5% - up to 10 Plan Adjustable Units – URP
- 15% - for amounts higher than 10 Plan Adjustable Units - URP

II – CONSOLIDATED

Besides Eletros, which is sponsored by Eletrobrás, the controlled companies of Eletrobrás sponsor their own pension funds organized in a similar way, with the objective of supplementing their employees' retirement and pension benefits through benefit and contribution plans. Below, a list of these funds:

Sponsor	Pension fund
Furnas	Real Grandeza
Chesf	Fachesf
Eletrosul	Elos
Eletronorte, Manaus and Boa Vista	Previnorte
Eletronuclear	Nucleos and Real Grandeza
Itaipu	Fibra (Brazil) and CAJA (Paraguay)
CGTEE	Eletroceee

Contributions, which are charged to administrative expenses totaled R\$ 222,646 thousand as of December 31, 2007 (R\$ 310,864 thousand on December 31, 2006).

In accordance with the plan's regulations and Ibracon's technical pronouncement approved by CVM Deliberation no. 371/2000, the companies perform an actuarial evaluation of their obligations arising from supplementary benefits granted to employees, the need for coverage of which is reflected in the financial statements corresponding to R\$ 982,135 thousand, thus divided: R\$183,512 thousand under the current liability portion (R\$ 338,355 thousand on December 31, 2006) and R\$ 798,623 thousand as the noncurrent portion (R\$1,992,061 thousand on December 31, 2006), under the caption Supplementary pension plans.

In the year 2007, in accordance with the conditions established by decision CVM 371/2000, the results of the actuarial evaluations of the Complementary Pension Plans of Eletrobrás presented a surplus of R\$ 1,224,384 thousand, recorded as a reducer of actuarial obligations, as follows:

	R\$ thousand
	CONSOLIDATED
Balance as of Dec. 31, 2006	2,330,417
(-) actuarial adjustments – CVM 371/2000	(1,224,384)
(-) realization of debt contracts	(123,898)
Balance as of Dec. 31, 2007	<u>982,135</u>

The surplus in the defined benefit plans reduces the risk of a possible future actuarial liability for the Company.

NOTE 32 - CONTINGENT LIABILITIES

At the closing date of the financial statements, the Company had the following provisions for contingencies:

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2007	2006	2007	2006
CURRENT				
Labor	-	-	377,155	331,311
Tax	-	-	13,575	4,615
Civil	-	-	677,599	620,487
Other	-	-	118,241	47,249
(-) Escrow deposits	-	-	(157,461)	(110,363)
	-	-	1,029,109	893,299
NONCURRENT				
Labor	17,072	17,072	304,711	247,807
Tax	-	-	127,384	157,548
Civil	1,328,244	1,328,244	1,872,640	1,868,764
(-) Escrow deposits	(130,788)	(46,927)	(261,948)	(126,198)
	1,214,528	1,298,389	2,042,787	2,147,921
	1,214,528	1,298,389	3,071,896	3,041,220

There are several lawsuits, mainly labor and civil suits, at different trial stages against Eletrobrás and its controlled companies. According to resolution 489 from October 03, 2005, of the Brazilian Securities Commission (CVM), the Company's management adopts the procedure of classifying the lawsuits against the Company according to the risk of loss, based on the opinion of its legal counselors, as follows:

- For lawsuits for which an unfavorable outcome is considered as probable, provisions are set up;
- For lawsuits for which an unfavorable outcome is considered as possible, the related information is disclosed in Notes to the financial statements, and
- For lawsuits for which an unfavorable outcome is considered as remote, only the information deemed relevant by management is disclosed in the Notes to the financial statements.

Accordingly, provisions for the contingencies mentioned above have been set up. According to the Company's management and its legal counselors, those provisions, net of escrow

deposits, are deemed sufficient to cover for losses from lawsuits of different nature. In the year, they developed as follows:

	R\$ thousand	
	COMPANY	CONSOLIDATED
Balance as of Dec. 31, 2006	1,298,389	3,041,220
Provisions set up	-	335,829
Reversal of provisions	-	(165,407)
Payments	-	(25,629)
Monetary restatement	-	19,886
Escrow deposits	(83,861)	(139,824)
Escrow deposits survey	-	5,821
Balance as of Dec. 31, 2007	1,214,528	3,071,896

I - Lawsuits against the Company

1. Civil lawsuits

1.a) Parent Company:

- a) The Company's provision for civil contingencies, in the amount of R\$ 1,328,244 thousand (R\$ 1,328,244 thousand on December 31, 2006), refers to Compulsory Loan-related lawsuits, taken on behalf of Eletrobrás starting in 1978, with monetary restatement criteria different from those established in the specific Law.

Those actions should not be confused with those filed claiming the redemption of the currently unenforceable Bearer Bonds issued in association with the compulsory loan.

The proceedings accrued for challenged the calculation system of monetary restatement determined in the law that governs the compulsory loan, used for adjustment of the credits taken starting in 1978. Those credits have been fully paid by Eletrobrás through conversions into shares as defined in the 72nd, 82nd, and 142nd extraordinary meetings of Eletrobrás.

There are 3,181 lawsuits under way at different stages, aiming at recognition of the right to receive full monetary restatement on the amounts paid as compulsory loan. Supported by their legal counselors' opinion, Eletrobrás management estimated at eight to ten years, the average term for a final lawsuit settlement.

Under this criterion, Eletrobrás management, based on its legal counselors'

opinion, evaluates that the risk of loss on the Compulsory Loan-related lawsuits as possible.

However, due to the substantial amounts involved, management, on a conservative basis and taking into account lower-court unfavorable decisions and the lack of judgment by the Higher Court of Justice on the merits of the cause, adopts the practice of setting up a provision for contingencies, which was made in prior years, to cover possible losses on unfavorable legal decisions.

In this scenario, therefore, the Company's management, due to the importance of the issue, decided to carefully consider matters affecting the company's assets, in case something changes the course of the trials. Through this, the Company fulfills its duty to best protect the users of the Financial Statements, mainly regarding the assessment of its liabilities, and, consequently, of its stockholders' equity, trying to avoid extremely optimistic analyses in making decisions based on account information.

Thus, the accumulated amount provisioned, corresponding to R\$ 1,328,244 thousand, despite the classification of possible risk, is considered sufficient by the Company's management and it is in conformity with the different stages of the lawsuits and their natures. It is not possible, at the current stage and circumstances, to get to a conclusion about the outcome of the proceedings, that may reach an approximate amount of R\$3,000,000 thousand.

- b) Eletrobrás is the defendant in an action filed by Associação Brasileira dos Consumidores de Água e Energia Elétrica – Assobraee, in judgment at the 17th Federal Court in Brasília, where it is claimed the use of the market value of Eletrobrás' shares as the issuance price of the stocks used for payment of compulsory loan credits, made through the book value. An amount of R\$2,397,003 thousand was attributed to the action, which is classified as a remote loss according to the legal advisors.
- c) Eletrobrás is also a party to other lawsuits whose purpose is the redemption of the Bearer Bonds issued by the Company regarding the compulsory loan collected between 1964 and 1976. Pursuant to the provisions of article 4, paragraph 11 of Law 4,156/62 and article 1 of Decree 20.910/32, the said obligations are unenforceable.

The Company's management, supported by its legal counselors, considers that the possibility of an unfavorable outcome on these ongoing lawsuits for Eletrobrás is remote, considering that jurisprudence on the issue is unanimous on the statute of limitations period for the right to claim redemption of the obligations (See note 28).

1.b) Controlled companies:

- a) Indemnity actions filed against Chesf by the Consortium formed by CBPO/Constran/Mendes Júnior claiming for condemnation of the Company and payment of an additional financial compensation, due to the delayed payment of invoices under the Xingó Hydroelectric Power Plant construction contract. One of these actions filed in June 1999, referred to invoices issued as from April 1990, and the other, filed on May 2000, referred to invoices issued until then. The plaintiffs' general claims under these actions were restricted to the existence of an alleged right to financial compensation, the determination of the respective amounts being postponed to the end of the action. Currently, with the actions completed, the sentence is about to be given, and the risk involved is considered as possible.
- b) Public civil actions against the controlled company Chesf involving R\$100,000 thousand, claiming for financial compensation for alleged environmental damage to fishermen resulting from the construction of the Xingó Hydroelectric Power Plant. According to the opinion of Company's legal counselors, the risk of an unfavorable outcome is possible, but the loss amount is not known. No provision has been set up for that suit.
- c) The controlled company Chesf also faces actions involving remote risk of loss in the legal counselors' opinion. Worth mentioning is a collection action filed by the company Mendes Júnior, engaged for the UHE Itaparica construction, claiming for indemnification of alleged financial losses caused by the delayed payment of invoices on the part of the Chesf. Said collection action is based on the Declaratory Action found valid for the purposes of declaring the existence of a Mendes Júnior's credit against Chesf, thus ensuring financial refunding.
- d) The controlled company Chesf has filed a civil lawsuit claiming for partial annulment of an amendment to the Xingó Hydroelectric Power Plant construction contract (Factor K – Analytical price correction), signed with the Consortium formed by Companhia Brasileira de Projetos e Obras - CBPO, Constran S.A. - Construções e Comércio and Mendes Júnior Engenharia S.A., and reimbursement of approximately R\$ 350,000 thousand. The lawsuit filed by the Company was considered groundless and the counterclaim filed by the defendant was deemed groundful by the 12th Civil Court of the Judicial District of Recife – State of Pernambuco. the special appeal and the bill of review brought by the Company awaited decision, and the related expert work had already been completed and the court records completed for the Judge's examination. Based on their legal counselors' opinion, the Management recorded under "Noncurrent Liabilities" a provision of R\$ 330,537 thousand for possible losses on that suit.

Under this action, to be entitled to some sort of financial refunding, and in compliance with the decisions of the Pernambuco Court of Justice and the Superior Court, Mendes Júnior was required to prove that it raised funds specifically for financing the UHE Itaparica works, because Chesf delayed to pay some invoices, and that the fund raising expenses were higher than the total additional payments made by Chesf

As determined by the Pernambuco 12th Federal Court, an accounting expert work is under way, with the expert appointed by the Court, stating in reply to Chesf's question that "based on an analysis of Mendes Junior's accounting records, it is impossible to confirm that in the periods of delayed invoice payment, it actually raised funds in the money market, specifically for funding the Itaparica works".

After delivering the expert appraisal report, the expert was questioned by the parties, their questions having not been analyzed by the Pernambuco 12th Federal Court. The court records have already been sent to the Federal Public Prosecution Service, the members of which declared that they are preparing their opinion on the action for subsequent presentation to the Court.

Given the annulment of all actions taken at the State Court of Justice, and the strict instructions of the Federal Judge concerning the need for a new expert work, requiring thorough identification of own or externally-raised funds for actual investment in Itaparica works, it is impossible to estimate the amount involved in this litigation, not even on a tentative basis. Also, it should be taken into consideration that thus far, it has not been proved the existence of credit in favor of the plaintiff. According to the opinion of the Company's legal advisors, such proceeding is rated as a remote possibility of loss for the Company.

2. Labor Lawsuits
2.a) Parent Company

There are no individually significant labor contingencies involving the Company, and the mentioned actions have been rated by the Company's legal counselors as possible losses. Still, the Company maintains a provision of R\$ 17,072 thousand, totally set up in previous years, to cover possible losses on ongoing suits.

2.b) Controlled companies

- a) Several labor actions have been filed against Furnas, for which provisions have been set up, the most relevant referring to the change in the base date of rise in the compensation of Company's engineers, involving R\$ 71,500 thousand

(R\$64,686 thousand on December 31, 2006), of which R\$ 5,674 thousand refers to employees transferred to Eletronuclear, due to the 1997 split. Also, the risk premium granted to the electricity sector's employees subject to risk of electricity damage is a matter of concern, since in the Superior Labor Court's opinion the increase should be calculated at a full rate, rather than on a proportionate basis as Furnas had been doing. The coverage for possible losses on these actions is estimated at R\$ 58,156 thousand.

- b) The controlled company Furnas has accrued for an amount of R\$ 38,921 thousand for complementation to the retirement pensions for equivalence with the earnings of active employees.
- c) The jointly-owned company Itaipu Binacional has recorded long-term provisions for several legal, civil and labor actions involving R\$ 160,770 thousand (R\$ 188,755 thousand on December 31, 2006) and R\$ 208,759 thousand (R\$ 176,569 thousand on December 31, 2006), respectively.
- d) Several civil, tax and labor suits have been filed against the controlled company Eletronorte. The company's management evaluated the risks of contingency arising from these suits and, based on its legal counselors opinion, set up provisions totaling R\$ 866,239 thousand, (R\$ 793,819 thousand on December 31, 2006), thus divided: civil suits - R\$ 667,006 thousand (R\$ 604,718 thousand on December 31, 2006), labor suits - R\$194,889 thousand (R\$ 167,123 thousand on December 31, 2006) and others - R\$ 4,344 thousand (R\$ 21,978 thousand on December 31, 2006), net of respective escrow deposits, all deemed sufficient to cover possible losses on lawsuits, which unfavorable outcome risk is considered as probable.

II - Tax contingencies

1. Parent Company

In 2003 the Federal Revenue Service issued a notice against Eletrobrás assessing Cofins' deficiencies in the amount of R\$ 281,702 thousand, which restated through December 31, 2007 totals the amount of R\$ 514,219 thousand.

The notice is about the deduction from that tax basis of the revenues earned from financing transactions for the acquisition of property, plant, and equipment performed with Itaipu Binacional.

The Company's management and legal counselors do not agree with this notice of deficiency, supported by the International Treaty signed between the governments of Brazil and Paraguay and subsequent related legislation, including Federal Revenue Service regulations on transactions conducted with and by Itaipu Binacional, including tax issues.

Eletrobrás challenged the notice of deficiency and did not obtain a favorable decision at the first administrative level, which confirmed the debt under discussion. An appeal was filed, which awaits decision by the Board of Tax Appeals, where the case is under review.

Based on the opinion of its legal counselors, the Company's management expects to obtain a favorable decision on the case, whose likelihood of unfavorable outcome is considered remote, and for this reason no provision for contingencies was set up.

2. Controlled companies

a) In May 2001, the controlled company Furnas received a notice issued by the Federal Revenue Service assessing deficiencies in social security contribution Finsocial, Cofins and Pasep (tax on sales), at the restated amount as of December 31, 2007 of R\$ 1,098,900 thousand (R\$ 1,068,958 thousand on December 31, 2006), due to deductions from related tax bases, especially of the revenues from the pass-on and transmission of Itaipu's electricity for a ten-year period. These deficiencies are in addition to others assessed in 1999 for an inspection period of five fiscal years, in the amount of R\$ 615,089 thousand, which were included in a tax debt refinancing program (Refis) in March 2000 and transferred in July 2003 to the Special Tax debt refinancing program (PAES), under amortization.

FURNAS' management challenged the notice of deficiency claiming the tax procedure was incomplete and followed not in accordance with legal provisions, the inspection was performed more than once and for a period outside the statute of limitations period. In 2004, the Board of Tax Appeals granted the appeal filed by Furnas for the assessment of Finsocial deficiency. In 2005, a decision favorable to Furnas was rendered on the assessment of Pasep deficiency, due to the fact that the inspection exceeded the statute of limitations period established in five years. Regarding the assessment of Cofins deficiency, the appeal filed by Furnas has not yet been judged to date.

The controlled company's management, based on the opinion of its legal counselors, understands that tax actions exceed legal limits, and there is the possibility of a favorable outcome to Furnas. For this reason, no provisions for contingencies were set up.

NOTE 33 – OBLIGATIONS ASSUMED FOR THE RELEASE OF ASSETS

The decommissioning of nuclear plants comprises a program of activities demanded by National Nuclear Safety Authority (Brazilian Commission of Nuclear Energy - Cnen) that allows to safely discontinue those nuclear facilities, with minimum impact to the environment. In the case of Brazilian thermonuclear plants (Angra 1 and Angra 2), the option chosen was the decommissioning program known as "SAFSTOR," that comprises the plant dismantlement after a period of confinement of 15 years (quarantine).

The calculation of the liabilities arising from the decommissioning program is based on prevailing Brazilian and International laws and regulations, the technology currently available to carry out such activities, and the costs specific to the place where the plants are located.

According to article 16 of Law 10,308/2001, Eletronuclear is legally responsible for the initial deposits of waste arising from the activities of the decommissioning program of Angra 1 and Angra 2 and, accordingly, it bears the costs of such obligation. Under the provisions of Law 10,308/2001, CNEN is responsible for and bears the costs of implementing the intermediate and final deposits of waste. Therefore, such costs are not included in the calculation of the liabilities resulting from Angra plants' write-off, though the costs for the storage of the waste are. Article 18 of the mentioned Law establishes that intermediate and final waste storage services will have their respective costs reimbursed to Cnen by the depositing parties, according to a table approved by the Deliberation Commission of Cnen to be in force starting on the first business day following the publication in the federal official gazette.

With Angra 2 becoming operative, new studies on decommissioning costs were performed, taking as a reference estimates made in specific studies applicable to a set of 17 US plants and 10 European, Canadian and Japanese plants which are at different decommissioning stages, as well as criteria set by the US NRC – Nuclear Regulatory Commission. These criteria were used in studies of plants similar to the Brazilian ones, including a specific study conducted at the Krisko plant, which is considered as Angra's 1 twin sister.

Angra's 1 and Angra's 2 deactivation cost is estimated in US\$ 197,816 and US\$240,000, and the end of the plants' useful life forecast for December 2014 and August 2030, respectively.

Recently, the Company's management reviewed and adjusted the values, besides defining parameters and regulations for setting up the necessary financial reserves to cover the decommissioning of the plants. Therefore, the adjusted costs are US\$ 307,000 thousand and US\$ 426,000 thousand for Angra 1 and Angra 2, respectively and the economic useful lives of the plants were adjusted to 40 years.

As a result of that revaluation, total obligation changed from US\$ 437,816 thousand to US\$733,000 thousand, in complementation of the already recognized obligation of R\$123,252 thousand, or US\$ 69,583 thousand.

The balance as of December 31, 2007 of the liabilities corresponding to the decommissioning of Angra I and II is R\$ 451,017 thousand (R\$ 356,604 thousand - December 31, 2006), as follows:

	CONSOLIDATED					
	Recorded liabilities		Unrecorded liabilities		Total	
	US\$ thousandl	US\$ thousandl	US\$ thousandl	US\$ thousandl	US\$ thousandl	US\$ thousandl
Angra 1	176,225	312.678	130,775	231.111	307,000	543.789
Angra 2	78,100	138.339	347,900	616.235	426,000	754.574
	<u>254,325</u>	<u>451.017</u>	<u>478,675</u>	<u>847.346</u>	<u>733,000</u>	<u>1.298.363</u>

The amounts presented in liabilities for decommissioning of nuclear plants were estimated and will be reviewed during the useful lives of the facilities, considering advances in technology and in the way of recognizing the accumulated costs to be incurred with the technical-operational deactivation.

Currently, there is no current specific legislation in Brazil dealing with the decommissioning of thermonuclear plants and, accordingly, the conditions for the decommissioning, the procedures to be implemented, amounts to be spent, and the measures to be taken in case such amounts are insufficient or in excess, are not established.

Eletronuclear manages Low, Medium, and High radioactivity waste. Low Activity Waste comprises disposable materials used in the operation and maintenance of the nuclear plants. Medium Activity Waste is the water purification resin and filters of the process. The High Activity Waste is the fuel used.

Accordingly, Eletronuclear has already built a Waste Management Center - CGR for the storage of low and medium activity wastes, located at the Central Almirante Álvaro Alberto in Angra dos Reis, in the State of Rio de Janeiro.

For high activity waste, Eletronuclear has already built and operates 2 (two) initial deposits (spent fuel pool), inside the respective plants of Angra 1 and Angra 2. There is also the project of another storage pool for spent fuel elements, located outside the plants, which will increase the storage capacity of the Nuclear Center and allow it to store all the fuel used by Angra 1 and Angra 2 reactors, throughout the useful life of those units.

Decommissioning costs include services referring to the removal, transportation, and final disposal of low and medium activity waste generated during the decommissioning program. They also include the removal and transportation of the fuel elements used to be stored where established by Cnen. These costs, however, do not include the services of intermediate and final storage of those fuel elements.

These two costs are not considered because there are no procedures, technical regulations, and specific legislation for the long-term storage of used fuel elements. Besides, that used fuel might be recycled in the future through reprocessing techniques, as currently made in countries such as France and Japan. That might generate enough funds to pay for the costs of the final storage of the resulting high activity waste.

Given the specific characteristics of operation and maintenance of nuclear plants, when-

ver changes happen in the estimated value of deactivation cost caused by new studies and advances in technology, decommissioning values should be adjusted to the new reality.

NOTE 34 – STOCKHOLDERS' EQUITY

I - Capital stock

The Company's capital stock amounts to R\$ 24,235,829 thousand and its shares have no nominal value. Preferred shares are non-voting and non-convertible to common, but take priority in capital reimbursement and dividend distribution at the rates of 8% p.a. for class "A" shares (subscribed prior to June 23, 1969) and 6% for class "B" shares (subscribed as from June 24, 1969), calculated ratably to the capital corresponding to each class of share.

According to notice given on July 16, 2007 to Stockholders, the 147th Extraordinary General Meeting of the Company, which took place on that date, approved the reverse split of the totality of the shares comprising the Company's capital stock according to article of Law no. 6,404/76 at the rate of 500 shares per each share of the same type. Capital stock was then represented by 1,129,498,502 book-entry shares with no par value, and the Company's capital stock remained the same, which, as of December 31, 2007, was distributed according to major shareholders and types of shares as follows:

STOCKHOLDERS	NUMBER OF SHARES						TOTAL CAPITAL	
	ORDINÁRIAS		PREFERRED SHARES			QUANTITY	%	
	QUANTITY	%	Class A	Class B	%			
Brazilian Federal Government	488,656,241	53.99	-	35,191,002	15.69	523,847,243	46.38	
BNDESPAR	133,757,950	14.78	-	-	-	133,757,950	11.84	
F N D	45,621,589	5.04	-	-	-	45,621,589	4.04	
FGP	40,000,000	4.42	-	-	-	40,000,000	3.54	
Other	196,987,747	21.77	146,920	189,137,053	84.31	386,271,720	34.20	
	<u>905,023,527</u>	<u>100.00</u>	<u>146,920</u>	<u>224,328,055</u>	<u>100.00</u>	<u>1,129,498,502</u>	<u>100.00</u>	

Of the total 386,271,719 shares held by minority stockholders, 247,205,522 shares or 64% are owned by non-resident investors, 140,058,203 of which are common shares,

27 preferred class "A" shares, and 107,147,292 are preferred class "B" shares.

Of the shares owned by investors domiciled abroad, 82,507,374 common shares and 27,740,069 preferred class "B" shares are under custody, to support the ADR – American Depositary Receipts - level I Program.

Eletrobrás' shares, through ADR level I, are negotiated at the rate of 1 ADR for each 500 hundred shares, and in Latin America's Stock Market they are negotiated in Euros (Latibex) at the same rate of 500 shares.

As of December 31, 2007, the book value per thousand shares was R\$ 70.79 (R\$68.91 on December 31, 2006, considering the reverse split of shares).

Starting August 20, 2007, the shares representing the Company's capital stock have been traded exclusively splitted and with nominal value per share in Brazilian reais.

II - Capital Reserves

	R\$ thousand	
	COMPANY AND CONSOLIDATED	
	2007	2006
Compensation for insufficient remuneration - CRC	18,961,102	18,961,102
Goodwill on issuance of shares	3,243,272	3,243,272
Special- Decree law 54,936/1964	387,419	387,419
Monetary restatement of opening balance – 1978	309,655	309,655
Monetary restatement of compulsory loan – 1987	2,708,432	2,708,432
Donations and subventions - Finor, Finam and others	297,424	297,424
	25,907,304	25,907,304

The CRC capital reserve corresponds to Eletrobrás' percent interest in any shortfalls in the return on investments in its controlled companies (Compensation account - CRC), accounted for upon the settlement of obligation of the Federal Treasury, in accordance with the former guaranteed return system prevailing in the Electricity Sector up to 1993.

III - Revenue Reserves and Retained earnings

Under the Company's by-laws, 50% of net income should be appropriated to the investment reserve and 1% to the reserve for studies and projects. Investments and Studies and Projects are limited, respectively, to 75% and 2% of the capital stock:

	R\$ thousand	
	COMPANY AND CONSOLIDATED	
	2007	2006
Legal (art.193 – Law 6,404/76)	1,731,038	1,653,644
Statutory (article 194 – Law 6,404/76):		
Studies and projects	255,899	240,422
Investments	15,432,771	14,658,843
Other	11,081	11,081
Retained earnings (article 196 – Law 6,404/76)	68,748	68,748
Special (article 202 – Law 6,404/76):		
Dividends not distributed	8,300,832	7,421,521
	<u>25,800,369</u>	<u>24,054,259</u>

IV – Revaluation surplus

These comprise the reserves of the relevant affiliates Celpa and Cemat, evaluated on the equity method, which revaluated its property, plant, and equipment items.

V - Advances for future capital increase

The advances of resources received from the controlling stockholder are classified under “Stockholders’ Equity” in accordance with the Brazilian Federal Treasury Accounting Coordination Department’s regulations (Execution Standard no. 20/1990). These advances were granted for the following purposes:

	R\$ thousand	
	COMPANY AND CONSOLIDATED	
	2007	2006
Acquisition of interest in the company CEEE	1,742,265	1,571,393
Acquisition of interest in the company CGTEE	1,673,938	1,482,931
Banabuí–Fortaleza transmission line	57,670	51,561
UHE Xingó	162,034	144,869
Transmission lines in the State of Bahia	25,365	22,677
Federal Electrification Fund - Law 5,073/66	150,353	134,427
	<u>3,811,625</u>	<u>3,407,858</u>

NOTE 35 – OPERATIONS WITH ELECTRICITY

	R\$ thousand	
	CONSOLIDATED	
	2007	2006
Power sold to final consumers	7,091,009	7,901,155
Power sold to concessionaires	8,384,910	5,608,078
Transference of Energy from Itaipu	3,781,161	2,860,190
Transmission	3,380,463	3,669,373
Commercialization at CCEE – short-term energy	1,066,798	945,944
Late payment charges on energy sold	2,260	21,030
Other	-	5,584
	<u>23,706,601</u>	<u>21,011,354</u>

NOTE 36 – DEDUCTIONS TO THE OPERATIONS WITH ELECTRICITY

	R\$ thousand	
	CONSOLIDADO	
	2007	2006
RGR	454,519	418,870
CCC	373,055	394,462
CDE	67,434	62,489
Proinfra	57,975	37,242
P&D	161,493	379,466
	<u>1,114,476</u>	<u>1,292,529</u>
ICMS (State VAT)	438,710	465,555
	<u>1,553,186</u>	<u>1,758,084</u>

NOTE 37 – OPERATING REVENUES - OWNERSHIP INTEREST

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2007	2006	2007	2006
Investments in controlled companies				
Equity in earnings (loss)	1,149,525	175,852	-	-
Interest on equity capital	-	423,184	-	-
Yield on Itaipu capital	39,325	42,623	39,325	42,623
	<u>1,188,850</u>	<u>641,662</u>	<u>39,325</u>	<u>42,623</u>
Significant affiliated companies				
Equity in earnings (loss)	411,725	111,119	411,725	111,119
	<u>411,725</u>	<u>111,119</u>	<u>411,725</u>	<u>111,119</u>
Other investments				
Interest on equity capital	126,878	17,095	126,878	15,260
Dividends	88,004	139,626	88,004	139,626
Return on investments in partnerships	67,832	79,062	87,360	53,039
	<u>282,714</u>	<u>235,780</u>	<u>302,242</u>	<u>207,925</u>
	<u>1,883,289</u>	<u>988,561</u>	<u>753,292</u>	<u>361,667</u>

In 2007, from the income of participating interests held, corresponding to an amount of R\$1,883,289 thousand, a portion of R\$ 913,818 thousand (R\$ 682,887 thousand on December 31, 2006), was realized upon the receiving of dividends and interest on equity capital amounting to R\$ 803,882 thousand and R\$ 109,936 thousand, respectively (R\$196,649 thousand and R\$ 486,238 thousand on December 31, 2006).

NOTE 38 – PERSONNEL, MATERIAL, AND SERVICES

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2007	2006	2007	2006
Personnel	260,425	189,108	2,927,383	2,561,881
Materials	2,284	2,871	197,874	241,616
Services	55,661	95,045	1,230,010	1,174,203
	<u>318,370</u>	<u>287,024</u>	<u>4,355,267</u>	<u>3,977,700</u>

NOTE 39 – ENERGY PURCHASED FOR RESALE

	R\$ thousand	
	CONSOLIDATED	
	2007	2006
Supply of electricity	1,672,567	1,441,455
Energy from Itaipu	3,320,526	2,856,722
Commercialization at CCEE – short-term energy	1,108,673	595,427
Other	23,866	1,621
	<u>6,125,632</u>	<u>4,895,225</u>

NOTE 40 – OPERATING PROVISIONS

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	2007	2006	2007	2006
Contingencies	-	(3,127)	160,446	158,017
Allowance for doubtful accounts - consumers and resellers	-	-	6,408	213,872
Allowance for doubtful accounts - RTE	-	-	(42,256)	351,988
Allowance for doubtful accounts - CCEE	-	-	293,560	-
Allowance for Doubtful Accounts - loans and financing	62,977	(365,874)	62,977	(359,999)
ICMS credits	-	-	127,709	73,447
Provision for release of assets	-	-	171,736	39,840
Temporary investments				
Stockholders' deficit	532,781	288,415	532,781	288,415
Loss in realization	42,394	244,242	42,394	244,242
Other	(51,669)	(48,722)	(75,079)	(51,480)
	<u>586,483</u>	<u>114,934</u>	<u>1,280,676</u>	<u>957,613</u>

NOTE 41 – FINANCIAL INCOME (EXPENSES)

	R\$ thousand			
	COMPANY		CONSOLIDATED	
	12/31/2007	12/31/2006	12/31/2007	12/31/2006
Financial income (expenses)				
Revenues from interest, commission and fees	4,188,934	3,937,621	2,090,688	1,709,150
Debt charges	(447,237)	(438,203)	(1,389,793)	(1,347,442)
Charges on stockholders' funds				
Revenues from financial investments	(1,353,792)	(1,475,447)	(1,370,808)	(1,526,524)
Other revenues (expenses)	537,453	340,012	867,825	692,473
Outras receitas (despesas)	142,913	140,522	1,347,696	131,847
	3,068,272	2,504,505	1,545,608	(340,496)
Monetary and exchange restatements				
Monetary restatements, net	529,245	330,606	92,184	(954,741)
Exchange restatement, net	(3,001,673)	(1,599,337)	(2,564,462)	(1,410,802)
	(2,472,428)	(1,268,731)	(2,472,278)	(2,365,543)
	595,844	1,235,774	(926,669)	(2,706,039)

NOTE 42 – PROFIT SHARING

Eletrobrás, and its controlled companies, adopt a profit sharing program applicable to all employees that has as objective to promote quality and better productivity levels and global results of the Company.

The program is based on collective bargaining agreements with employees and unions, under the terms of the prevailing federal law, and is carried out through previous negotiation of goals and commitments.

In 2007, Eletrobrás accrued for an amount of R\$ 18,000 thousand (R\$ 17,000 thousand on December 31, 2006) and R\$ 159,926 thousand in the consolidated (R\$ 138,468 thousand on December 31, 2006), referring to profit sharing of employees and management, observing Resolution 10, of May 30, 1995, of the Council for the Coordination and Control of Government Controlled companies - CCE.

The payment of profit sharing will be discussed during an ordinary general meeting of stockholders, who will analyze the Financial Statements.

NOTE 43 – BUSINESS SEGMENTS

The information about operations per business segment of Eletrobrás is presented in Attachment VI. It follows the management model, based on internal standards for evaluation of segment performance and decision-making about investments.

The disclosure criteria are in accordance with what is provided by Aneel and recommendations of the Brazilian Securities and Exchange Commission (CVM) and are supported by pronouncement SFAS 131 - Disclosures about Segments of an Enterprise and Related Information, contemplating the following business areas:

GENERATION - construction and operation of hydroelectric, thermal and thermonuclear plants and other sources with the purpose of producing electricity to be supplied mainly in Brazil;

TRANSMISSION - construction and operation of transmission lines, aiming the transfer of electricity between production centers and consumers.

COMMERCIALIZATION - intermediation in electricity purchase and sale operations.

DISTRIBUTION - construction and operation of electricity distribution systems in urban centers destined for final consumers.

ADMINISTRATION - corporate bodies whose costs cannot be attributed to other areas, in particular those linked to financial management, interest holding and central management.

The information per business segment was prepared under the assumption of acknowledgment of items under actual control and management of areas totally identified with that operational segment.

NOTE 44 – INSURANCE

Main property, plant and equipment in use at Eletrobrás are insured in accordance with a coverage policy, taking into account the nature and degree of risk, at amounts considered sufficient to cover possible significant losses. Insurance composition is as follows:

R\$ thousand		
COMPANY AND CONSOLIDATED		
RISK	Amount Insured	Premium
Named perils	17,660,464	57,238
Aircraft perils	16,578	459
Various	635,574	2,781
	18,312,616	60,478

Named perils - coverage for losses and material damages stemming from fire, lightning, explosion of any kind and electric damages in the facilities.

Aircraft perils - coverage for losses incurred, refund of expenses and civil liability associated with accidents with aircrafts.

Various risks - coverage for portable equipment, local and international transportation, and others.

NOTE 45 – AUCTION OF ELECTRICITY AND TRANSMISSION LINES

I – Existing Energy

Along 2007, the controlled company Eletronorte took part and was the outbidder in various auctions for sale of electricity to final consumers and resellers within the Free Contracting Environment (ACL). It negotiated very short-term contracts of 400.5 MW on average, in relation to an average availability of 610.08 MW, representing a performance of 65.65%. Total accumulated revenues in the year reached R\$ 267,750 thousand, which represents 12.54% of the annual target of R\$ 237,000 thousand, not considering the values accounted for and settled in relation to CCEE.

II – New energy

The Company, through the energy auctions held by Aneel for new enterprises, in compliance with the rules established by Law 10,848 of March 15, 2004 and regulated by Decree 5.163, of July 30, 2004, obtained authorization to build and operate the following described power plants and sell within the Regulated Contraction Environment (ACR) the respective energy that will be generated:

- a) UHE Santo Antonio - On December 10, 2007, Consórcio Mesa S.A., composed of the companies Furnas (39%), Odebrecht Investimentos (17.6%), Andrade Gutierrez Participações (12.4%), Cemig (10%), Fundos de Investimentos e Participações da Amazônia (20%) and Construtora Norberto Odebrecht (1%), was the outbidder in an auction organized by Aneel regarding the concession to build and operate the construction project of UHE Santo Antônio by the river Madeira in the State of Rondônia, with projected investments of R\$ 12,200,000 thousand. The work is scheduled to start in December 2008, and the first and second generation units scheduled to begin operations in December 2012 and the last unit in June 2016.
- b) UHE São Domingos - a plant with installed capacity of 48MW, and sale of 36MW on average, at the price of R\$ 128.73 MWh, for supply of energy in the period between January 2012 and December 2041.

III – Transmission lines

- a) Consórcio Jauru, led by Eletronorte, was the outbidder in the auction 004/2007 held by Aneel, Lot "C", aiming the granting of an electricity transmission public service concession, with allowed annual revenue of R\$ 14,946 thousand.
- b) Still in the auction of Aneel 004/2007, Eletronorte was the individual outbidder of Lot "G" for construction and operation of the following enterprises:

- b.1) A transmission line between São Luis II and São Luis III, with 230 kV of voltage, and 36 Km of extension;
- b.2) Substation São Luis III, 230/69 kV, and allowed annual revenue of R\$ 2,122 thousand.
- c) Transmission line Presidente Médici/Santa Cruz (State of Rio Grande do Sul), 230 kV of voltage, and 233 Km of extension. That transmission line will receive R\$ 52,700 thousand in investments and should be concluded in 2009.

NOTE 46 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

I – Management of funds

Most of the financial investments of Eletrobrás are long-term loans and financing, in addition to the interests held in public service concessionaires, detailed in notes 10 and 19 and in attachments II and III.

II - Financial Instruments

Loans and financing granted are linked with financing in the domestic electric sector, where the most important operations are those with Itaipu Binacional and with the controlled companies Eletronorte and Chesf, restated according to an average rate of 8.99% p.a. (8.83 % p.a. on December 31, 2006).

Financing is restricted to electricity public concessionaires and, therefore, defines the market rate (or cost of opportunity of the Company's capital), taking into account the risk premium compatible with the activities of the sector. In case it is not possible to find other alternatives that not the own electric sector, the fair value of those loans corresponds to their book value.

Loans and financing obtained with financial institutions are recorded in long-term accounts, in particular those obtained overseas and Federal Government Funds, such as the Global Reversion Reserve Quota (RGR)

The funds raised are composed of contracted financing with international multilateral agencies - BID, BIRD, CAF - and it is not practicable to discount them at a rate different from the one established in the Brazilian debt agreement. Other loans are obtained at international rates, which makes book value approximate fair value.

The Compulsory Loan, abolished by Law 7,181 of December 20, 1993, had December 31, 1993 as limit period for payment. Now Eletrobrás manages the residual value of the compulsory loan collected, adjusting it according to the IPCA-E index and adding to it interest of 6% p.a., with a defined redemption period. Given the restrictions of those investments, the book balances are presented at fair value.

Eletrobrás ended the year with 12 contracts recorded in liabilities, among which loans, financing and bonuses, that total R\$ 1,716,302 thousand (R\$ 2,177,429 thousand on December 31, 2006), as demonstrated below:

Currency	Corresponding value in US\$ thousand	%	Corresponding value in R\$ thousand
US dollar	620,127	64.00	1,098,431
Yen	207,069	21.37	366,781
Euro	141,755	14.63	251,090
Total	968,951	100.00	1,716,302

At the end of the year, the Company had executed 846 contracts in relations to loans and financing granted, corresponding to R\$ 36,522,430 thousand (R\$ 37,319,541 thousand on December 31, 2006), as follows:

Currency	Corresponding value in US\$ thousand	%	Corresponding value in R\$ thousand
US dollar	8,894,873	43.14	15,755,489
IGP-M	5,480,114	26.58	9,706,925
Real	5,590,876	27.12	9,903,118
Yen	225,010	1.09	398,561
Euro	428,125	2.08	758,337
Total	20,618,998	100.00	36,522,430

III - Risks

a) Regulatory Risk

The Company, through its controlled companies, holds concessions for exploitation of electricity generation and transmission services, whose maturities under the terms of the current law are demonstrated in note 2. In case those concessions are not renewed or are renewed at higher costs for the Company, the current levels of profitability and activity might be changed.

b) Exchange Risk

A significant part of the Company's assets and of result of operations is affected by

the exchange variation risk, in special the changes in the American dollar rate. As of December 31, 2007, the Company had credits stemming from financing granted in foreign currency at the amount of R\$ 16,912,387 thousand, (US\$ 9,548,007 thousand).

By comparing the receivable in foreign currency with the debt of the Company, we observe a coverage of approximately 9.8 times.

At the date of closing of these statements, Eletrobrás had not contracted any financial operations with the purpose of protecting the Company against the risk of exchange rate flotation. Nevertheless, the balance of receivables in foreign currency and the flow of its realization are sufficient for the Company to fulfill its obligations.

c) Credit Risk

Eletrobrás, through its controlled companies, is engaged in the markets of generation and transmission of electricity, supported by contracts executed in a regulated contracting environment. Through bilateral contracts entered into with electricity distributors, the Company aimed to minimize its credit risks through collateral mechanisms involving receivables from customers.

In transactions with industrial customers called 'free consumers', the credit risk is minimized through previous analysis of business conditions.

d) Price Risk

Until 2004, the prices of energy from the generation activity were set by Aneel. Starting in auction 001/2004 organized by that Regulating Agency, the generating plants began selling their electricity to a larger number of consumers, at prices defined by the market.

The activity of transmission has prices defined by Aneel through the so-called Allowed Annual Revenue (RAP), deemed sufficient to cover operating costs and maintain the economic-financial balance of the concession.

e) Market Risk

A significant part of the electricity generated by the companies that Eletrobrás controls is sold through Contracts of Commercialization in a Regulated Contract Environment - (CCEAR's), executed in view of the participation of its controlled companies in energy auctions held by Aneel.

IV – Management of investments

Eletrobrás performs the functions of a holding, investing in participating interests in six electricity generating and transmission companies - Furnas, Chesf, Eletronorte,

Eletronuclear, Eletrosul and CGTEE, whose shares are not traded at stocks exchanges.

Besides those majority interests, Eletrobrás holds 50% of the capital of Itaipu Binacional, where it is the jointly owner with the Paraguayan company ANDE and the stock control of Lightpar. The Company also has a temporary investment in the following federal energy distribution companies - Eletroacre, Ceam, Ceron, Ceal and Cepisa, which were acquired as a result of the National Privatization Program (PND).

In addition, Eletrobrás holds significant minority interests in other eleven concession holders.

As of December 31, 2007, Eletrobrás also had non-material investments, valued at cost, corresponding to R\$ 536,710 thousand, of which R\$ 378,320 thousand refers to public companies - energy public service concessionaires. Although those shares can be negotiated at stock exchanges, their reduced volume of business do not characterize the existence of an active market, as defined by Instruction CVM 235/96, and their prices do not necessarily represent the values that would be obtained in a negotiation with a higher number of shares, demonstrating, therefore, the non-existence of reasonable conditions to establish market prices for those assets, and allow an appropriate comparison with book values.

NOTE 47 – COMPENSATION OF EMPLOYEES AND MANAGEMENT

The lowest and highest compensation paid to employees, taking as basis the month of December 2007, were R\$ 1,571.79 and R\$ 26,798.58 (including transfer additional) respectively, in accordance with the salary policy of Eletrobrás. The highest fees attributed to a manager, taking as basis the month of December 2007, corresponded to R\$27,013.12.

NOTE 48 – DISCRETIONARY RESIGNATION PROGRAM

Eletrobrás implanted a Discretionary Resignation Program (PDVE), aiming a restructuring of its staff, open to all employees that fulfill the following conditions:

- a) Participants of the Defined Benefit Plan of Fundação Eletrobrás de Seguridade Social (Eletros) who were retired by the Federal Social Security Institute (INSS) and meet the requirements to obtain the complementary retirement benefit within twenty-four months after joining the PDVE;
- b) Participants of the Defined Contribution Plan of Eletros who satisfy the requirements to obtain the complementary retirement benefit within twenty-four months after joining the PDVE, and

- c) Non-participants of Eletros – who were retired by the Federal Social Security Institute (INSS) or that are in conditions to obtain retirement within twenty-four months after joining the PDVE, even if in a proportional manner, under the General Social Security Regime.

After the end of the employment period with Eletrobrás, the Company no longer is responsible for any contributions to the Public Social Security or private pension plan.

The incentive to the employee in relation to PDVE is made through payment of a complementary compensation, per year of service, plus the termination amounts payable for an unjustified dismissal, in accordance with the following criteria:

- a) fifty percent of a monthly compensation per complete year of work, limited to twenty-four years and to the amount corresponding to twelve times the highest salary of the Company;
- b) medical assistance during twelve months counted upon the dismissal date.

The period to join PDVE ended on December 31, 2007, with the inclusion of 311 employees. 30 employees were dismissed in December 2007.

The remaining dismissals will be carried out in the following manner:

- a) 35 employees with dismissals scheduled to 2008;
- b) 246 employees with dismissals scheduled to 2009.

The Company had accrued for an amount of R\$ 66,500 thousand under the caption “Estimated obligations” at the reference date of December 31, 2007 to cover the expenses with the implantation of PDVE, realizable until December 2009 as employees are dismissed.

NOTE 49 – MANAGEMENT OF FEDERAL GOVERNMENT FUNDS

Eletrobrás is responsible for managing the Global reversion reserve quota (RGR), a fund created with a view to covering expenses incurred by the Federal Government with the payment of indemnities referring to the reversal of public electricity concessions. RGR funds are invested in the Brazilian electricity sector financing, improvement of the service and financing the programs Procel, Reluz, Luz para Todos, and the Incentive Program for Alternative Sources of Electricity - Proinfa.

The Global reversion reserve quota is funded by contributions from the concession holders of the public electricity service, which provide a quota for the reversal and expropriation of electricity services equivalent to up to 2.5% of the amount invested by concession and permission holders, limited to 3% of gross annual revenues. The value of the quota is computed as part of the service cost of those entities (See note 6.i).

The concessionaires deposit their annual quotas for the Global reversion reserve in twelve equal parts, up to the last business day of each month, in a bank account created for this

specific purpose. Eletrobrás manages the account in compliance with Law No. 5,655/71 and subsequent amendments.

Accordingly, the RGR funds are used in specific investment projects, as follows:

I – Financing provided to the concession and permission holders as well as to rural electrification cooperatives with a view to expanding electricity distribution services (especially in rural and low-income areas) and to developing an energy saving program;

II – Investments in installations for power generation using renewable energy (wind, solar, biomass) as well as small hydroelectric power plants and thermoelectric power plants in association with small hydroelectric power plants;

III – Specific investment projects for studies involving inventory and feasibility of potential water resources;

IV – Investments in the implementation of power generators up to 5,000 kW, intended exclusively for public services in communities using an isolated electricity system;

V – Incentive Program for Alternative Sources of Electricity – Proinfa, created by Law No. 10,438 of April 26, 2002 and reviewed by Law No. 10,762 of November 11, 2003, the objective of which is to diversify the Brazilian energetic matrix and seek regional solutions through the use of renewable energy sources based on the economic use of available input and applicable technology. The goal is to increase the share of electricity produced through those sources by implementing 3,300 MW of capacity;

VI – For the National Program for Efficient Public Lighting (Reluz) that aims at rendering efficient 5 million points of public lighting and installing one million more in Brazil. The program expects to cover up to 96% of the potential of energy saving of the national network of public lighting, currently consisting of 13 points of public lighting;

VII – For the National Program for Energy Conservation (Procel), a federal government program implemented in December 1985 aimed at energy saving both in production and consumption, helping to improve the quality of products and services, reducing the environmental impact and encouraging job creation;

VIII – For the Universalization of the Access to Electricity - Luz para Todos program, of the Ministry of Mining and Energy;

IX – for the Ribeirinhas project, carried out in regions where communities are largely scattered and to which access is difficult due to the type of soil and the rainy season. Its basic assumption is the use of renewable natural resources existing in several places where electricity cannot be supplied by extending the transmission network.

The Reserve is remunerated at 5% p.a., according to the funds used. The funds withdrawn as of December 31, 2007, to invest in the projects described above totaled R\$ 6,769,011 thousand (R\$ 6,171,300 thousand on December 31, 2006), recorded in the account of Global reversion reserve quota - RGR, in current and noncurrent liabilities. In 2007, the drafts to RGR, corresponded to R\$ 847,462 thousand and the sums added to the fund amounted to R\$ 517,575 thousand.

Additionally, under the managerial responsibility of Eletrobrás is the Conta de Desenvolvimento Energético – CDE (Energetic Development Account), a federal fund aimed at promoting energy development from alternative sources in the areas assisted by the interlinked system, and financing the universalization of the public electric power service. The Fund is valid for 25 years, starting in 2004, and arises from payments for the use of public assets and fines charged by ANEEL to concessionaires, permit-holders and other entities authorized to explore the electricity service, whose financial operations do not affect the Company's financial statements.

NOTE 50 – INFORMATION ON RELEVANT FACT

I – Guarantees given by CGTEE

In order to investigate the facts on the supposed guarantees given to Bank KfW Bankengruppe amounting to R\$ 408,766 thousand (EUR 156,700 thousand), which would have been issued on behalf of CGTEE in favor of private companies, the controlled company's management started an investigation whose final report was approved by the Board of Directors at the meeting held on August 06, 2007.

Among the conclusions of the Investigation, we highlight

- a) the assumed guarantees were constituted in violation to the Brazilian law and of statutory standards of CGTEE, involving strong indications of forgery of documents and signatures; and
- b) CGTEE does not have, and has never had, any business or contract relationships with the benefited companies.

The Investigation Report was sent to pertinent authorities and institutions - Federal Public Prosecution Office, Federal Police, Federal Audit Count, General Accounting Office, Ministry of Mining and Energy, Aneel, Commission of Mining and Energy of the House of Representatives.

On June 22, 2007, CGTEE had already notified the Federal Police about the non-existence of supposed guarantees given.

In order to protect CGTEE and the public interest, the controlled company hired the law firm Pinheiro Neto Advogados and notified the Bank KfW out-of court on July 18, 2007, about the non-existence of those supposed guarantees given on that company's behalf, filing a Declaratory Action of Document Falsification together with a Request for Submission of Documents with the Central Court of the District of Porto Alegre on September 10, 2007. In time, other legal measures applicable will be evaluated.

The Company's management does not expect to incur losses on account of this issue.

II – Bearer Bonds issued by Eletrobrás

The Bearer bonds issued because of the compulsory loan do not constitute securities, are not negotiable at Stock Exchanges, do not have quotation and are unenforceable. Therefore, the management of Eletrobrás clarifies that the Company does not have outstanding debentures (See note 28).

The issuance of those bonds was associated with a legal obligation and not with a business decision of Eletrobrás. In a similar way, the bondholders did not follow an action of will, but a legal obligation under the provision of Law 4,156/62. Therefore, the provisions of Law 6,404/76 are not applicable to those bonds or of ones addresses by Law 6,385/76.

The Brazilian Securities and Exchange Commission (CVM), in the decision rendered to the administrative proceeding CVM RJ 2005/7230, filed by the holders of the mentioned bonds, stated that “the obligations issued by Eletrobrás in association with Law 4,156/62 cannot be considered securities.”

CVM understood that there are no irregularities in the procedures Eletrobrás adopted in its financial statements in relation to the mentioned obligations or in the disclosure of the existing lawsuits claiming the redemption of those bonds (See note 30).

Besides, the non-enforceability of the Bearer Bonds was reinforced by a recent decision of the Superior Court of Justice corroborating the understanding that those notes are not debentures and should not be used to guarantee executions.

NOTE 51 – SUBSEQUENT EVENTS

I – Conversion of Compulsory Loans into Shares On January 24, 2008, the Company’s management council decided about the 4th conversion of the compulsory loan into nominative class B preferred shares representing the capital stock of Eletrobrás, comprising all existing credits as of December 31, 2007, corresponding to R\$ 202,375 thousand, taken after the 3rd conversion approved in the extraordinary meet of April 28, 2005.

The issuance price of the stocks will take as basis the book value per share of Eletrobrás as of December 31, 2007, corresponding to R\$ 70.79, under the terms of article 4 of Law 7181/83.

Residual values not resulting in entire shares will be paid in kind, as establishes article 10 of Decree 81.668/78, plus the amounts received in the year referring

to the preference in subscribing the shares of other stockholders, as establishes the instruction of CVM.

The period for exercising the subscription right by the other stockholders will be set in accordance with article 171, paragraph 2 of Law 6.404/76, as well as the period for the delivery of the shares arising from the conversion. Those periods will 30 and 60 days, respectively, counted upon the extraordinary meeting date. In addition, article 6 of Eletrobrás' by-laws will be amended, which addresses the composition of the Capital Stock and Shares.

II – Acquisition of interests in companies

As disclosed in a Notice to the Market dated February 22, 2008, the management council of the controlled company Eletrosul decided during a meeting on February 20, 2008, to exercise Eletrosul's right to purchase the 51% interests in the capital of the companies Empresa de Transmissão de Energia de Santa Catarina S.A. (SC Energia) and Empresa de Transmissão de Energia do Rio Grande do Sul (RS Energia), owned by Schahin Engenharia S.A. and Engevix Engenharia S.A.

The enterprise totals 620 km of transmission lines, from which 360 km refers to SC Energia, connecting Campos Novos to Blumenau (both in the State of Santa Catarina) and 260 km to RS Energia, to be concluded in 2008, connecting Campos Novos (State of Santa Catarina) to Nova Santa Rita (State of Rio Grande do Sul).

Those new transmission lines represent about 6.8% of the current extension of the lines of that controlled company, which totaled 9,145 km as of December 31, 2007.

III - Amendments to Law 6,404/76 that regulates joint stock companies

On December 28, 2007, the President of the Republic of Brazil enacted Law 11,638. It promoted amendments to and abolished certain provisions of Law 6,404/76, with the intention of coordinating the Brazilian accounting practices with the International Financial Reporting Standards (IFRS) for preparation and presentation of financial statements.

We present below the main accounting changes or new requirements introduced to the Brazilian corporate law:

1. Financial Statements

The Statement of Changes in Financial Position will be not longer used. Instead, it was introduced the Statement of Cash Flows and the Statement of Added Value for public companies.

2. Bookkeeping

The law previously determined that provisions of the tax law or special regulations should be recognized in subsidiary books. As a result of the changes, those records can be made in subsidiary books or in the main accounting books, provided that in the last case, the respective accounting records to prepare the financial statements are made.

Public companies should observe the standards established by CVM and International Financial Reporting Standards (IFRS). Private companies can or not follow the standards issued by CVM for public companies. Adjustment entries made exclusively to coordinate the accounting standards with the statements and the numbers determined in them cannot be the basis of taxation nor have any tax effects.

3. Balance Sheet

Permanent assets were divided into investments, property, plant and equipment, intangible assets and deferred charges, separating tangible and intangible assets.

The structure of stockholders' equity was changed, and the revaluation surplus and retained earnings eliminated. Shares held in treasury start taking part of stockholders' equity, and instead of a the account 'revaluation surplus', now 'adjustments to equity valuation' should be used.

The existing balances in those reserves should be held until their realization or reversed until the accounting year where the law comes into effect.

4. Assets

a) Rights that have as object physical assets destined to the maintenance of the activities of the company or used for that purpose should be recognized under property, plant, and equipment, including those stemming from operations where the benefits, risks, and control of those assets are transferred to the Company.

b) Valuation of Investment in Affiliates and Controlled Companies

Investments in affiliated companies, where the Company has significant influence or holds 20% interest or more of voting capital, as well as the ones in controlled companies and in other companies that take part of a same group or are under a common control, should be valued under the equity method.

The requirements of the new law are applicable to financial statements for the years ended after January 01, 2008. Thus, at this moment is not possible to determine the effects of the mentioned new regulations on the income (loss) and stockholders' equity of Eletrobrás.

- c) Pre-operating expenses and restructuring expenditure leading to an increase in the income (loss) of more than one fiscal year and which are not reducers of costs or additions to the efficiency of operations, should be classified as deferred assets.
 - d) The rights referring to non-physical assets for the maintenance of activities of the company or used for that purchase should be classified as intangible assets, including goodwill obtained.
5. Criteria for valuation of assets
- I - Financial instruments, including derivatives and receivables, classified in current assets or long-term assets should be valued:
 - a) at market value or equivalent value, when they refer to investments destined to trading or available for sale; and
 - b) at acquisition cost or issuance value, restated according to legal or contract provisions, and other investments, rights and receivables adjusted to the probable realizable value, when that is lower;
 - II - at the cost incurred in acquisition, less the balance of the respective amortization account in intangible assets;
 - III - Assets from long-term operations will be adjusted at present value, and others adjusted if the value is material.
6. Criteria for valuation of Liabilities
- Obligations, charges, and risks classified in the long-term liabilities will be adjusted at present value, and other liabilities adjusted when the value is material.
7. Stockholders' equity
- The premium received in the issuance of debentures was excluded from the caption stockholders' equity, as well as donations and subventions for investment.
8. Statement of Operations
- The statement of operations will include the portion referring to debentures, and profit sharing of employees and management, even the ones in the form of financial instruments, and from institutions or assistance or pension funds of employees, not characterized as expense.
9. Reserves and Retention of Income
- A tax incentive reserve was created. Donations and government grants for investment will take part of income (loss) for the year, and as proposed by the management, a general meeting will decide the destiny for the portion of net income from those incentives to form the mentioned reserve.

10. Limit for the income reserve

The balance of reserves for contingencies, tax incentives and of income realizable can from now on exceed the amount of capital stock.

José Antonio Muniz Lopes

President

Astrogildo Fraguglia Quental

*Finance Director and Director of Relations
with Investors*

Ubirajara Rocha Meira

*Director of Special Projects and Technical and Industrial
Development*

Valter Luiz Cardeal de Souza

Engineering Director

Miguel Colasuonno

Administration Director

João Vicente Amato Torres

*Accountant
CRC-RJ-057.991/0-S-DF*

*Furnas – Chemical
Analysis Laboratory in
Goiânia – Fusion Machine
(Furnas/Waimer Carvalho Files)*

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

	COMPANY				
	Current				
	2007				2006
FALLING DUE	OVERDUE UP TO 90 DAYS	MORE THAN 90 DAYS	TOTAL	TOTAL	
Aes Eletropaulo	200.238	-	-	200.238	194.261
Aes Sul	33.336	-	-	33.336	32.392
Aes Tietê	-	-	-	-	-
Ampla	28.399	-	-	28.399	36.781
Ande	-	-	-	-	-
EBE	65.661	-	-	65.661	63.757
CEA	-	-	-	-	-
CEB	13.169	-	-	13.169	14.930
CEEE-D	29.507	-	-	29.507	-
CEEE-Gt	-	-	-	-	36.827
Celesc	50.824	-	-	50.824	56.405
Celg	26.169	33.700	93.706	153.575	29.033
Celpa	-	-	-	-	-
Celpe	-	-	-	-	-
Cemar	-	-	-	-	-
Cemig	196.914	-	-	196.914	191.100
Ceron	-	-	-	-	-
Cepisa	-	-	-	-	-
Cesp	-	-	-	-	-
Coelce	-	-	-	-	-
Coelba	-	-	-	-	-
Copel	74.090	-	-	74.090	71.874
CPFL	91.718	-	-	91.718	89.044
Elektro	49.982	-	-	49.982	48.504
Enersul	11.738	-	-	11.738	11.385
Escelsa	28.834	-	-	28.834	27.988
Light	134.829	-	-	134.829	130.889
Piratininga	62.310	-	-	62.310	60.534
RGE	24.304	-	-	24.304	23.630
Commercialization at CCEE	-	-	-	-	-
Regulatory assets	-	-	-	-	-
Electricity network use	-	-	-	-	-
PROINFA	76.439	4.145	8.426	89.010	51.622
Consumers	-	-	-	-	-
Other	5.218	-	5.603	10.821	9.436
(-) Allowance for doubtful accounts	-	-	-	-	-
	1.203.679	37.845	107.735	1.349.259	1.180.392

Attachment I

CONSOLIDATED							
CURRENT				LONG-TERM			
2007				2006	2007		2006
FALLING DUE	OVERDUE UP TO 90 DAYS	MORE THAN 90 DAYS	TOTAL	TOTAL			
290.496	-	-	290.496	283.032	-	-	-
52.031	-	-	52.031	37.441	-	-	-
690	-	-	690	14.272	-	-	-
66.548	-	-	66.548	59.560	-	-	-
38.779	-	-	38.779	-	-	-	-
90.474	-	-	90.474	80.602	-	-	-
9.973	27.395	385.907	423.275	307.911	-	-	-
31.004	-	10.201	41.205	27.549	-	-	-
43.993	-	-	43.993	25.314	-	-	-
3.432	-	-	3.432	16.787	-	-	-
59.016	-	-	59.016	63.866	-	-	-
60.378	33.700	93.706	187.784	50.009	-	-	-
38.484	-	29	38.513	52.193	-	-	-
47.465	-	-	47.465	45.130	-	-	-
24.511	-	-	24.511	42.330	-	-	-
279.535	-	-	279.535	271.914	-	-	-
21.835	-	-	21.835	23.091	-	-	-
19.186	-	-	19.186	130.281	-	-	-
2.267	-	-	2.267	-	-	-	-
30.794	-	-	30.794	25.848	-	-	-
65.096	-	-	65.096	57.833	-	-	-
160.921	-	-	160.921	112.563	-	-	-
118.581	-	-	118.581	107.370	-	-	-
99.840	-	-	99.840	77.442	-	-	-
18.473	-	-	18.473	13.406	-	-	-
49.075	-	-	49.075	42.142	-	-	-
218.058	-	53	218.111	208.420	-	-	-
1.208	-	-	1.208	60.534	-	-	-
30.373	-	-	30.373	34.820	-	-	-
89.887	-	293.561	383.448	378.313	-	-	-
446.644	705	1.012	448.361	571.743	78.341	842.060	-
124.169	659	9.792	134.620	90.925	-	-	-
76.439	4.145	8.426	89.010	51.622	-	-	-
286.806	74.603	346.609	708.018	630.005	-	-	-
226.028	9.822	271.223	507.073	628.203	17.460	98.133	-
-	-	(1.171.694)	(1.171.694)	(627.547)	(69.623)	(350.970)	-
3.222.489	151.029	248.825	3.622.343	3.994.924	26.178	589.223	-

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

	COMPANY							
	2007				2006			
	CURRENT CHARGES		PRINCIPAL AMOUNT		CURRENT CHARGES		PRINCIPAL AMOUNT	
	AVERAGE RATE	VALUE	CURRENT	NON CURRENT	AVERAGE RATE	VALUE	CURRENT	NON CURRENT
CONTROLLED COMPANIES AND JOINTLY-CONTROLLED COMPANY								
Furnas	8,86%	4.779	460.606	530.877	6,41%	7.043	103.852	617.797
Chesf	11,68%	43.047	420.273	3.747.908	11,74%	52.271	414.560	4.131.249
Eletrosul	7,54%	261	2.676	183.629	6,87%	133	83.086	55.337
Eletronorte	15,63%	117.671	319.986	6.253.973	12,03%	2.855.216	852.408	4.360.464
Eletronuclear	12,35%	6.023	179.138	2.263.506	13,21%	6.136	178.257	2.064.798
Lightpar	12,00%	-	3.259	-	12,00%	6.808	11.047	-
Itaipu	7,07%	-	46.191	14.624.980	6,97%	-	16.261	14.594.746
		171.781	1.432.129	27.604.873		2.927.607	1.659.471	25.824.391
OTHER								
Cepisa	10,71%	406	65.258	278.848	11,10%	446	41.932	248.916
Ceron	11,44%	1.264	21.773	354.518	15,38%	20.227	46.629	296.896
Cemig	6,76%	2.353	58.020	355.958	6,76%	1.858	47.772	237.238
Copel	8,39%	2.130	35.855	271.965	8,33%	2.263	44.387	267.499
CEEE	9,33%	1.174	90.383	54.436	9,33%	2.290	66.411	104.198
Duke	10,00%	3.966	144.026	865.083	10,00%	4.303	122.822	940.574
Aes Tietê	10,00%	5.062	183.766	1.104.299	10,00%	5.492	156.709	1.200.652
Aes Eletropaulo	9,85%	262.048	120.904	8.917	9,57%	249.689	117.733	23.977
Tractbel	12,00%	1.005	31.909	68.559	12,00%	1.808	87.437	93.402
Celpe	6,02%	679	16.295	82.851	6,04%	563	12.802	94.945
Cemar	6,07%	924	8.157	284.790	7,97%	1.140	1.768	307.973
Cesp	9,32%	1.185	24.106	245.098	9,44%	1.294	26.316	254.418
Other	-	67.154	361.246	1.907.908	-	54.599	330.937	1.439.386
(-) Allowance for doubtful accounts	-	(38.785)	(41.845)	-	-	(24.180)	(27.449)	-
		310.565	1.119.853	5.883.230		321.792	1.076.206	5.510.074
T O T A L		482.346	2.551.982	33.488.103		3.249.399	2.735.677	31.334.465

The long-term portions granted out of ordinary and sectorial funds, including re-lending, are payable in variable installments, as shown below:

	2009	2010	2011	2012	2013	After 2013	TOTAL
COMPANY	3.334.182	3.354.348	3.182.315	3.131.991	3.051.026	17.434.241	33.488.103
CONSOLIDATED	1.334.681	1.342.754	1.273.888	1.253.744	1.221.333	6.978.969	13.405.369

Attachment II

CONSOLIDATED							
2007				2006			
CURRENT CHARGES		PRINCIPAL AMOUNT		CURRENT CHARGES		PRINCIPAL AMOUNT	
		NON				NON	
AVERAGE RATE	VALUE	CURRENT	CURRENT	AVERAGE RATE	VALUE	CIRCULANTE	CURRENT
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
7,07%	-	23.096	7.312.490	6,97%	-	8.131	7.297.373
	-	23.096	7.312.490		-	8.131	7.297.373
10,71%	406	65.258	278.848	11,10%	446	41.932	248.916
11,44%	1.264	21.773	354.518	15,38%	20.227	46.629	296.896
6,76%	2.353	58.020	284.790	6,76%	1.858	47.772	237.238
8,39%	5.062	183.766	1.104.299	8,33%	2.263	44.387	267.499
9,33%	1.174	90.383	54.436	9,33%	2.290	66.411	104.198
10,00%	3.966	144.026	865.083	10,00%	4.303	122.822	940.574
10,00%	5.062	183.766	1.104.299	10,00%	5.492	156.709	1.200.652
9,85%	262.048	120.904	8.917	9,57%	249.689	117.733	23.977
12,00%	1.005	31.909	68.559	12,00%	1.808	87.437	93.402
6,02%	679	16.295	82.851	6,04%	563	12.802	94.945
6,07%	924	8.157	284.790	7,97%	1.140	1.768	307.973
9,32%	1.185	24.106	245.098	9,44%	1.294	26.316	254.418
-	64.234	266.320	1.356.391	-	58.276	335.919	1.684.729
-	(38.785)	(41.845)		-	(24.180)	(27.449)	-
	310.577	1.172.838	6.092.879		325.469	1.081.188	5.755.417
	310.577	1.195.934	13.405.369		325.469	1.089.319	13.052.790

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

COMPANIES' DATA	2007				
	FURNAS (b)	CHESF	ELETROSUL	ELETRONORTE	ELETRONUCLEAR
Capital stock	3.194.000	1.696.306	279.072	2.843.235	3.295.768
Stockholders' equity (a)	13.400.554	11.571.608	2.109.175	7.283.436	4.455.313
Net income (loss) for the year	676.524	652.630	196.940	(542.315)	117.668
ELETROBRÁS'S INTERESTS					
Number of shares – thousand share lot					
Common shares	50.618.949	40.478	42.582.421	68.736.323	9.611.945
Preferred shares	14.088.233	1.002	-	-	2.687.056
% of interest					
Subscribed and paid-in capital	99,54	99,45	99,71	98,66	99,80
Voting	99,82	100,00	99,71	98,66	99,92
CHANGES IN INVESTMENTS:					
Balances at beginning of year	12.692.991	11.097.604	1.953.343	7.720.886	4.357.407
Equity accounting – income (loss) for the year	796.567	649.040	196.556	(535.047)	117.335
Dividends	(164.121)	(238.680)	(46.841)	-	(27.893)
Interest on equity capital					
Balances at end of year	13.325.437	11.507.964	2.103.058	7.185.839	4.446.849

Attachment III

2007			2006	
LIGHTPAR	CGTEE	ITAIPU (c)	TOTAL	
113.790	868.721	177.130	-	-
55.769	642.208	177.130	-	-
16.097	(69.149)	-	-	-
8.480.196	1.126.273	-	-	-
-	-	-	-	-
81,61	99,94	50,00	-	-
81,61	99,94	50,00	-	-
32.665	710.930	106.900	38.672.726	38.503.522
12.516	(69.107)	(18.335)	1.149.525	599.035
-	-	-	(477.535)	(6.647)
				(423.184)
45.181	641.823	88.565	39.344.716	38.672.726

(a) Exclude Advances for Future Capital Raise

(b) Adjusted Shareholder's Equity

(c) The participation of Eletrobrás, in accordance to the Law 72.707/73 is fixed and equals to US\$ 50,000 thousand

The analysis of the Financial Statements of Furnas, Eletrosul, Chesf, Eletronuclear, Lightpar and CGTEE were performed by other independent auditors.

The analysis of Financial Statements of the controlled company Eletronorte and the joint-control Itaipu Binacional were performed by the same independent auditors of the controller.

CENTRAIS ELÉTRICAS BRASILEIRAS S.A. - ELETROBRÁS
PROPERTY, PLANT AND EQUIPMENT
(In thousands of Brazilian reais)

	COMPANY	CONTROLLED AND JOINT-CONTROLLED			
	Dez-07	Dez-07			
	ELETROBRAS	FURNAS	CHESF	ELETRONORTE	ELETRONUCLEAR
Generation					
In service	-	7.657.039	17.143.404	19.762.511	6.036.619
Accumulated depreciation	-	(2.879.918)	(6.593.464)	(7.698.655)	(1.860.924)
	-	4.777.121	10.549.940	12.063.856	4.175.695
In progress	-	1.973.816	169.207	580.437	2.294.264
	-	6.750.937	10.719.147	12.644.293	6.469.959
Transmission					
In service	-	12.180.452	6.936.848	5.990.161	-
Accumulated depreciation	-	(5.981.580)	(3.135.709)	(2.716.878)	-
	-	6.198.872	3.801.139	3.273.283	-
In progress	-	1.252.690	1.175.238	567.970	-
	-	7.451.562	4.976.377	3.841.253	-
Distribution/Commercialization					
In service	-	1.480	-	1.054.108	-
Accumulated depreciation	-	(502)	-	(478.420)	-
	-	978	-	575.688	-
In progress	-	39	-	291.518	-
	-	1.017	-	867.206	-
Administration					
In service	53.704	195.521	895.235	319.186	13.137
Accumulated depreciation	(24.897)	(83.559)	(441.070)	(185.563)	(7.255)
	28.807	111.962	454.165	133.623	5.882
In progress	-	20.535	131.056	72.177	4.170
	28.807	132.497	585.221	205.800	10.052
	28.807	14.336.013	16.280.745	17.558.552	6.480.011
Concession-linked obligations					
(-) Amortization and reversals	-	(81.998)	-	-	-
(-) Consumers' contributions	-	-	(3.344)	(24.482)	-
(-) Federal Government's participation	-	(28.539)	(108.052)	(266.480)	(3.617)
(-) Donations and grants for investment	-	(2.003)	(43.865)	(18.260)	(204)
(-) Other	-	-	(380)	(36.072)	-
	-	(112.540)	(155.641)	(345.294)	(3.821)
TOTAL	28.807	14.223.473	16.125.104	17.213.258	6.476.190
* In 2006, Intangible Assets were separated from the total balance of Property, plant and equipment					
Annual average depreciation rate (%)					
Generation	0,00%	2,20%	2,41%	2,56%	3,30%
Transmission	0,00%	3,00%	2,97%	2,76%	0,00%
Distribution/Commercialization	0,00%	5,70%	0,00%	3,00%	0,00%
Administration	7,95%	9,30%	6,57%	15,00%	10,00%

Attachment IV

COMPANY AND SUBSIDIARIES TOGETHER				CONSOLIDATED
Dez-07				Dec-07
ELETROSUL	ITAIPU	CGTEE	LIGHTPAR	TOTAL
-	15.132.699	1.880.963	-	67.613.235
-	-	(1.576.832)	-	(20.609.793)
-	15.132.699	304.131	-	47.003.442
93.768	207.234	176.578	-	5.495.304
93.768	15.339.933	480.709	-	52.498.746
2.914.876	1.090.279	-	-	29.112.616
(1.279.948)	-	-	-	(13.114.115)
1.634.928	1.090.279	-	-	15.998.501
280.638	-	-	-	3.276.536
1.915.566	1.090.279	-	-	19.275.037
-	-	-	-	1.055.588
-	-	-	-	(478.922)
-	-	-	-	576.666
-	-	-	-	291.557
-	-	-	-	868.223
44.586	746.544	8.418	171	2.276.502
(12.171)	-	(2.793)	(129)	(757.437)
32.415	746.544	5.625	42	1.519.065
1.986	390.305	-	-	620.229
34.401	1.136.849	5.625	42	2.139.294
2.043.735	17.567.061	486.334	42	74.781.300
-	-	-	-	(81.998)
-	-	-	-	(27.826)
-	-	-	-	(406.688)
(6.815)	-	-	-	(71.147)
-	-	-	-	(36.452)
(6.815)	-	-	-	(624.111)
2.036.920	17.567.061	486.334	42	74.157.189
0,00%	0,00%	6,12%	0,00%	
3,19%	0,00%	0,00%	0,00%	
0,00%	0,00%	0,00%	0,00%	
7,51%	0,00%	12,50%	0,00%	

CENTRAIS ELÉTRICAS BRASILEIRAS S.A. - ELETROBRÁS
PROPERTY, PLANT AND EQUIPMENT
(In thousands of Brazilian reais)

	COMPANY	CONTROLLED AND JOINT-CONTROLLED			
	Dec-06	Dec-06			
	ELETROBRAS	FURNAS	CHESF	ELETRONORTE	ELETRONUCLEAR
Generation					
In service	-	7.645.283	16.919.707	15.261.051	6.020.507
Accumulated depreciation	-	(2.701.018)	(6.243.636)	(7.341.091)	(1.683.564)
	-	4.944.265	10.676.071	7.919.960	4.336.943
In construction	-	1.570.447	225.602	4.496.633	1.999.010
	-	6.514.712	10.901.673	12.416.593	6.335.953
Transmission					
In service	-	11.777.672	6.566.634	5.754.556	-
Accumulated depreciation	-	(5.660.212)	(2.954.095)	(2.541.411)	-
	-	6.117.460	3.612.539	3.213.145	-
In construction	-	1.394.882	1.318.712	545.168	-
	-	7.512.342	4.931.251	3.758.313	-
Distribution/Commercialization					
In service	-	1.361	-	1.004.272	-
Accumulated depreciation	-	(428)	-	(427.073)	-
	-	933	-	577.199	-
In construction	-	113	-	242.114	-
	-	1.046	-	819.313	-
Administration					
In service	50.710	174.194	803.293	307.080	27.827
Accumulated depreciation	(19.888)	(74.991)	(416.182)	(169.443)	(18.000)
	30.822	99.203	387.111	137.637	9.827
In construction	-	30.539	173.689	53.780	4.245
	30.822	129.742	560.800	191.417	14.072
	30.822	14.157.842	16.393.724	17.185.636	6.350.025
Concession-linked obligations					
(-) Amortization and reversals	-	(81.998)	(20.269)	-	-
(-) Consumers' contributions	-	-	(6.048)	(24.448)	-
(-) Federal Government's participation	-	(28.539)	(108.052)	(263.978)	-
(-) Donations and grants for investment	-	(2.003)	(20.839)	-	-
(-) Other	-	-	-	(55.077)	(47.543)
	-	(112.540)	(155.208)	(343.503)	(47.543)
TOTAL	30.822	14.045.302	16.238.516	16.842.133	6.302.482

* In 2006, Intangible Assets were separated from the total balance of Property, plant and equipment

Annual average depreciation rate (%)					
Generation	0,00%	2,20%	2,47%	3,02%	3,30%
Transmission	0,00%	3,00%	3,07%	2,93%	0,00%
Distribution/Commercialization	0,00%	9,00%	0,00%	2,78%	0,00%
Administration	7,95%	5,60%	5,10%	18,26%	10,00%

Attachment IV-A

COMPANY AND SUBSIDIARIES TOGETHER				CONSOLIDATED
Dec-06				Dec-06
ELETROSUL	ITAIPU	CGTEE	LIGHTPAR	TOTAL
-	19.038.648	1.867.236	-	66.752.432
-	-	(1.532.705)	-	(19.502.014)
-	19.038.648	334.531	-	47.250.418
31.984	245.729	73.474	-	8.642.879
31.984	19.284.377	408.005	-	55.893.297
2.720.160	1.314.584	-	-	28.133.606
(1.215.966)	-	-	-	(12.371.684)
1.504.194	1.314.584	-	-	15.761.922
281.845	-	-	-	3.540.607
1.786.039	1.314.584	-	-	19.302.529
-	-	-	-	1.005.633
-	-	-	-	(427.501)
-	-	-	-	578.132
-	-	-	-	242.227
-	-	-	-	820.359
41.768	896.299	5.969	50	2.307.190
(9.534)	-	(2.119)	-	(710.157)
32.234	896.299	3.850	50	1.597.033
2.547	474.148	2.168	-	741.116
34.781	1.370.447	6.018	50	2.338.149
1.852.804	21.969.408	414.023	50	78.354.334
-	-	-	-	(102.267)
-	-	-	-	(30.496)
-	-	-	-	(400.569)
(254)	-	-	-	(23.096)
-	-	-	-	(102.620)
(254)	-	-	-	(659.048)
1.852.550	21.969.408	414.023	50	77.695.286
0,00%	0,00%	6,17%	0,00%	
3,19%	0,00%	0,00%	0,00%	
0,00%	0,00%	0,00%	0,00%	
7,51%	0,00%	12,50%	0,00%	

CENTRAIS ELÉTRICAS BRASILEIRAS S.A. - ELETROBRÁS
LOANS AND FINANCING OBTAINED AS OF DECEMBER 31
(In thousands of Brazilian reais)

	CONSOLIDATED							
	2007				2006			
	CHARGES		PRINCIPAL AMOUNT		CHARGES		PRINCIPAL AMOUNT	
	CURRENT		NON		CURRENT		NON	
AVERAGE RATE	VALUE	CURRENT	CURRENT	AVERAGE RATE	VALUE	CURRENT	CURRENT	
IN FOREIGN CURRENCY								
Financial Institutions								
Inter-American Development Bank - IDB	5,62%	4.578	32.957	313.091	6,97%	6.860	49.074	417.687
Corporación Andino de Fomento - CAF	8,06%	1.934	6.959	184.089	7,94%	1.913	8.399	238.998
Kreditanstalt für Wiederaufbau - KfW	5,73%	199	24.773	100.540	5,73%	259	26.783	135.793
AMFORP & BEPCO	6,50%	-	296	303	6,50%	-	607	1.218
Dresdner Bank	6,25%	266	24.772	100.539	6,25%	345	26.783	135.792
Eximbank	2,15%	1.721	34.767	330.291	2,15%	2.136	39.410	413.807
Other		366	1.790	16.629	5,15%	347	2.160	22.766
		9.064	126.314	1.045.482		11.860	153.216	1.366.061
Bonus								
Bonus - Dresdner Bank	7,75%	4.052	-	531.390	7,75%	4.892	-	641.400
		4.052	-	531.390		4.892	-	641.400
Other								
National Treasury - Itaipu		-	-	-		-	-	-
		-	-	-		-	-	-
		13.116	126.314	1.576.872		16.752	153.216	2.007.461
IN LOCAL CURRENCY								
Receivables Investment Fund (FIDC)								
Other		-	-	-		-	-	-
		-	-	-		-	-	-
		-	-	-		-	-	-
		13.116	126.314	1.576.872		16.752	153.216	2.007.461

a) The debt is guaranteed by the Federal Government and/or Eletrobrás.

b) The total debt in foreign currency, including charges, amounts to R\$ 1,716,302 thousand (Company), corresponding to US\$ 968,951 thousand, and R\$ 11,668,969 thousand (Consolidated), corresponding to US\$ 6,587,799 thousand. The percentage distribution by currency is as follows:

	US\$	EURO	YEN
COMPANY	64%	15%	21%
CONSOLIDATED	91%	5%	4%

c) Loans and financing incurred interest at the average rate of 7,03% p.a. in 2007 and 6.83% p.a. in 2006.

d) The long-term portion of loans and financing denominated in thousands of US Dollars matures as follows:

	2009	2010	2011	2012	2013	After 2013	TOTAL
COMPANY	64.174	106.441	106.441	106.441	93.384	413.353	890.234
CONSOLIDATED	397.481	444.844	501.932	633.921	467.046	4.883.473	7.328.697

Attachment V

CONSOLIDATED							
2007				2006			
CHARGES		PRINCIPAL AMOUNT		CHARGES		PRINCIPAL AMOUNT	
CURRENT		NON		CURRENT		NON	
AVERAGE RATE	VALUE	CURRENT	CURRENT	AVERAGE RATE	VALUE	CURRENT	CURRENT
5,62%	4.578	32.957	313.091	6,97%	6.860	49.074	417.687
8,06%	1.934	6.959	184.089	7,94%	1.913	8.399	238.998
5,73%	479	47.610	123.378	5,73%	259	26.783	185.174
6,50%	-	296	303	6,50%	-	607	1.218
6,25%	382	35.859	111.625	6,25%	345	26.783	159.765
2,15%	1.721	34.767	330.291	2,15%	2.136	39.410	413.807
	558	14.858	34.699		1.332	56.347	57.006
	9.652	173.306	1.097.476		12.845	207.403	1.473.655
7,75%	4.052	-	531.390	7,75%	4.892	-	641.400
	4.052	-	531.390		4.892	-	641.400
	6.202	667.338	9.179.553		8.242	546.469	13.751.786
	6.202	667.338	9.179.553		8.242	546.469	13.751.786
	19.906	840.644	10.808.419		25.979	753.872	15.866.841
	-	306.419	277.296		-	534.272	486.333
	32.162	230.068	1.895.607		8.530	667.525	1.466.752
	32.162	536.487	2.172.903		8.530	1.201.797	1.953.085
	52.068	1.377.131	12.981.322		34.509	1.955.669	17.819.926

CENTRAIS ELÉTRICAS BRASILEIRAS S.A - ELETROBRÁS
INCOME (LOSS) PER SEGMENT AS OF DECEMBER 31, 2007
(In thousands of Brazilian reais)

INCOME (LOSS) PER SEGMENT	CONSOLIDATED		
	GENERATION	TRANSMISSION	DISTRIBUTION
OPERATING REVENUES	13.277.440	3.791.948	2.893.331
OPERATING EXPENSES	(7.809.716)	(2.995.315)	(4.699.472)
TOTAL OPERATING REVENUES (EXPENSES)	5.467.724	796.633	(1.806.141)
FINANCIAL INCOME (EXPENSES)	(2.363.490)	593.741	195.782
OPERATING INCOME(LOSSES)	3.104.234	1.390.374	(1.610.359)
NON-OPERATING INCOME (LOSSES)	(12.324)	(23.564)	(485)
INCOME (LOSSES) BEFORE INCOME AND SOCIAL CONTRI- BUTION TAX AND OWNERSHIP INTERESTS	3.091.910	1.366.810	(1.610.844)
Social contribution tax	(201.276)	(105.641)	117.386
Income tax	(575.814)	(309.535)	326.081
INCOME (LOSS) BEFORE OWNERSHIP INTERESTS	2.314.820	951.634	(1.167.377)
Profit sharing	(42.137)	(98.695)	(1.095)
Minority interest	-	-	-
NET INCOME (LOSS) FOR THE YEAR	2.272.683	852.939	(1.168.472)

Attachment VI

<u>ADMINISTRATION</u>	<u>ITEMS ELIMINATED</u>	<u>TOTAL</u>
9.458.012	(6.112.245)	23.308.486
-		
(8.742.570)	4.199.452	(20.047.621)
-		
<u>715.442</u>	<u>(1.912.793)</u>	<u>3.260.865</u>
-		
596.453	50.845	(926.669)
-		
<u>1.311.895</u>	<u>(1.861.948)</u>	<u>2.334.196</u>
-		
(506)	-	(36.879)
-		
-		
<u>1.311.389</u>	<u>(1.861.948)</u>	<u>2.297.317</u>
-		
17.540	-	(171.991)
145.958	-	(413.310)
-		
<u>1.474.887</u>	<u>(1.861.948)</u>	<u>1.712.016</u>
-		
(18.000)		(159.927)
-	(4.232)	(4.232)
<u>1.456.887</u>	<u>(1.866.180)</u>	<u>1.547.857</u>

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

BALANCE SHEET

	2007							
	ATIVO			PASSIVO				
	Current	Noncurrent	TOTAL	Current	Noncurrent	Stockholders' Equity	TOTAL	
		Other	Property, plant and equipment, deferred charges, and intangible assets					
COMPANY AND SUBSIDIARIES TOGETHER								
FURNAS	1.870.702	2.266.530	14.426.075	18.563.307	2.618.257	2.513.342	13.431.708	18.563.307
CHESF	1.789.042	415.335	16.263.627	18.468.004	1.769.686	4.832.314	11.866.004	18.468.004
ELETROSUL	488.855	873.677	2.038.700	3.401.232	420.269	777.212	2.203.751	3.401.232
ELETRONORTE	2.143.497	1.308.261	17.274.411	20.726.169	2.513.896	9.594.867	8.617.406	20.726.169
MANAUS	274.121	604.484	1.590.753	2.469.358	613.890	1.243.072	612.396	2.469.358
BOA VISTA	53.909	46.993	85.105	186.007	40.589	45.154	100.264	186.007
ELETRONUCLEAR	729.988	679.616	6.485.044	7.894.648	526.944	2.912.127	4.455.577	7.894.648
CGTEE	184.785	11.213	527.777	723.775	74.988	6.579	642.208	723.775
LIGHTPAR	97.209	93.650	42	190.901	72.846	1	118.054	190.901
ITAIPU	1.530.658	4.437.118	31.047.697	37.015.473	2.378.875	34.459.468	177.130	37.015.473

STATEMENT OF OPERATIONS

	2007							
	Net operating	Operating	Service	Financial	Operating	Non-operating	Income Tax and	Income
	Revenue	Expenses	Revenue	Income (loss)	Income (loss)	Income (loss)	Soc. Contrib. Tax	(loss) for the Year
COMPANY AND SUBSIDIARIES TOGETHER								
FURNAS	5.105.173	(5.202.370)	(97.197)	1.055.733	958.536	(5.319)	(276.693)	676.524
CHESF	3.980.753	(2.506.177)	1.474.576	(486.608)	987.968	(6.125)	(329.213)	652.630
ELETROSUL	549.145	(338.301)	210.844	101.744	312.588	(16.508)	(99.140)	196.940
ELETRONORTE	4.624.070	(4.426.515)	197.555	(688.650)	(491.095)	(7.466)	(43.754)	(542.315)
MANAUS	812.406	(1.293.406)	(481.000)	(63.702)	(544.702)	267	-	(544.435)
BOA VISTA	108.652	(127.098)	(18.446)	9.371	(9.075)	183	-	(8.892)
ELETRONUCLEAR	1.271.697	(1.099.028)	172.669	(53.282)	119.387	(507)	(1.212)	117.668
CGTEE	131.122	(219.864)	(88.742)	19.358	(69.384)	235	-	(69.149)
LIGHTPAR	19.089	(3.475)	15.614	609	16.223	-	(126)	16.097
ITAIPU	5.967.576	(2.312.945)	3.654.631	(2.330.870)	1.323.761	(2.171)	-	1.321.590

Attachment VII

BALANCE SHEET

2006

ATIVO				PASSIVO			
Current	Noncurrent	TOTAL	Current	Noncurrent	Stockholders' Equity	TOTAL	
	Other	Property, plant and equipment, deferred charges, and intangible assets					
2.405.707	2.046.913	14.239.713	18.692.333	2.549.482	3.222.366	12.920.485	18.692.333
1.287.923	594.785	16.356.602	18.239.310	1.647.877	5.138.059	11.453.374	18.239.310
478.001	805.407	1.854.624	3.138.032	449.888	634.543	2.053.601	3.138.032
2.544.950	1.563.303	16.901.557	21.009.810	5.703.061	7.363.967	7.942.782	21.009.810
294.718	481.533	1.623.924	2.400.175	402.380	844.114	1.153.681	2.400.175
50.454	35.485	101.310	187.249	33.548	44.545	109.156	187.249
708.007	622.719	6.302.482	7.633.208	560.783	2.706.629	4.365.796	7.633.208
321.111	13.746	439.051	773.908	52.082	10.469	711.357	773.908
93.934	93.650	51	187.635	85.323	1	102.311	187.635
1.373.819	428.703	43.938.816	45.741.338	2.640.411	42.887.128	213.800	45.741.339

STATEMENT OF OPERATIONS

2006

Net operating Revenue	Operating Expenses	Service Revenue	Financial Income (loss)	Operating Income (loss)	Non-operating Income (loss)	Income Tax and Soc. Contrib. Tax	Income (loss) for the Year
5.219.183	(4.525.632)	693.551	(296.892)	396.659	96.218	(128.673)	364.204
3.265.709	(2.119.261)	1.146.448	(802.786)	343.662	234.152	(120.464)	457.350
539.268	(320.497)	218.771	(5.882)	212.889	64.355	(67.789)	209.455
3.743.587	(3.611.127)	132.460	(454.258)	(321.798)	(10.230)	(17.054)	(349.082)
886.469	(1.095.893)	(209.424)	(37.919)	(247.343)	(2.165)	-	(249.508)
85.572	(101.941)	(16.369)	5.581	(10.788)	1	-	(10.787)
1.204.488	(922.604)	281.884	(251.520)	30.364	(506)	(1.811)	28.047
156.928	(196.218)	(39.290)	43.924	4.634	(837)	(2.581)	1.216
3.832	(897)	2.935	439	3.374	-	(571)	2.803
6.107.603	(2.408.842)	3.698.761	(4.478.555)	(779.794)	(2.038)	-	(781.832)

Initials used in the Financial Statements

ALBRÁS	Alumínio Brasileiro S.A.
AES BANDEIRANTE	AES Bandeirante Empreendimentos Ltda.
AES ELETROPAULO	AES Eletropaulo Metropolitana de Eletricidade de São Paulo S.A.
AES SUL	AES Sul Distribuidora Gaúcha de Energia S.A.
AES TIETÊ	AES Tietê S.A.
AMPLA	Ampla Energia e Serviços S.A.
ANDE	Administración Nacional de Electricidad
ANEEL	Brazilian Electricity Regulatory Agency
ARTEMIS	Artemis Transmissora de Energia S.A.
BNDESPAR	BNDES Participações S.A.
CAIUÁ	Caja Paraguaya de Judicaciones y Pensiones del Personal de Itaipu Binacional
CAJA	Câmara de Comercialização de Energia Elétrica
CCEE	Centrais Elétricas Cachoeira Dourada S.A.
CDSA	Companhia de Eletricidade do Amapá
CEA	Companhia Energética de Alagoas
CEAL	Companhia Energética do Amazonas
CEAM	Companhia Energética de Brasília
CEB	CEB Lajeado S.A.
CEB Lajeado	Companhia Estadual de Distribuição de Energia Elétrica
CEEE - D	Companhia Estadual de Geração e Transmissão de Energia Elétrica
CEEE - GT	Centrais Elétricas de Santa Catarina S.A.
CELESC	Centrais Elétricas de Goiás S.A.
CELG	Centrais Elétricas do Pará S.A.
CELPA	Companhia Energética de Pernambuco
CELPE	Companhia Energética do Maranhão
CELTINS	Centrais Elétricas Matogrossenses S.A.
CEMAR	Centrais Elétricas de Minas Gerais S.A.
CEMAT	Companhia de Transmissão Centro-Oeste de Minas
CEMIG	Companhia Energética do Piauí
CENTRO-OESTE DE MINAS	Centrais Elétricas de Rondônia S.A.
CEPISA	Companhia Energética de São Paulo
CERON	Chapecoense Geração S.A.
CESP	Comissão Nacional de Energia Nuclear
COELBA	Companhia Energética do Ceará
COELCE	Companhia Paranaense de Energia
CJGE	Companhia Paulista de Força e Luz
COPEL	Companhia de Transmissão de Energia Elétrica Paulista
CPFL	Duke Energy International, Geração Paranapanema S.A.
CTEEP	Empresa Amazonense de Transmissão de Energia S.A.
DUKE	Empresa Bandeirante de Energia S.A.
EATE	EDP – Lajeado Energia S.A.
EBE	Centrais Elétricas do Rio Jordão S.A.

EDP Lajeado	Elektro Eletricidade e Serviços S.A.
ELEJOR	Fundação ELETROSUL de Previdência e Assistência Social
ELEKTRO	Fundação ELETROBRÁS de Seguridade Social
ELOS	Companhia de Eletricidade do Acre
ELETROS	Fundação CEEE de Seguridade Social
ELETROACRE	Eletronet S.A.
ELETROCEEE	Empresa Metropolitana de Águas e Energia S.A.
ELETRONET	Enerpeixe S.A.
EMAE	Empresa Energética do Mato Grosso do Sul
ENERPEIXE	Empresa Paraense de Transmissão de Energia S.A.
ENERSUL	Empresa de Transmissão do Alto Uruguai S.A.
ETEP	Espírito Santo Centrais Elétricas S.A.
ETAU	Fundação CHESF de Assistência e Seguridade Social
ESCELSA	Fundo Garantidor das Parcerias Público Privadas
FACHESF	Fundação ITAIPU-BR de Previdência e Assistência Social
FGP	Fundo Nacional de Desenvolvimento
FIBRA	Guascor do Brasil Ltda.
FND	Instituto dos Auditores Independentes do Brasil
GRALHA AZUL	Integração Transmissora de Energia S.A.
GUASCOR	Investco S.A.
IBRACON	Itiquira Energética S.A.
INB	Light Serviços de Eletricidade S.A.
INVESTCO	Wholesale Electricity Market
ITIQUIRA	Nucleos Instituto de Seguridade Social
LIGHT	Nuclebrás Equipamentos Pesados S.A.
MAE	Paulista Lajeado Energia S.A.
NUCLEOS	Companhia Piratininga de Força e Luz
NUCLEP	Previnorte – Fundação de Previdência Complementar
PAULISTA LAJEADO	Real Grandeza – Fundação de Previdência e Assistência Social
PIRATININGA	Rede Lajeado Energia S.A.
PREVINORTE	Rio Grande Energia Elétrica S.A.
REAL GRANDEZA	Empresa de Transmissão de Energia do Rio Grande do Sul
REDE LAJEADO	Empresa de Transmissão de Energia de Santa Catarina S.A.
RGE	Sistema de Transmissão Nordeste S.A.
RS ENERGIA	Tangará Energia S.A.
SC ENERGIA	Tractbel Energia S.A.
STN	Companhia Transirapé de Transmissão
TANGARÁ	Companhia Transleste de Transmissão
TRACTBEL	Companhia Transudeste de Transmissão
TRANSIRAPÉ	Uirapuru Transmissora de Energia S.A.
TRANSLESTE	Companhia Transleste de Transmissão
TRANSUDESTE	Companhia Transudeste de Transmissão
UIRAPURU	Uirapuru Transmissora de Energia S.A.

Board of Executive Directors

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Annual Report 2007

*Eletronorte - Transmission
Network – Tramoeste
(Eletronorte Files)*

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

In December 2007, EEB was constituted as follows:

Valter Luiz Cardeal de Souza	President on Duty
Aracilba Alves da Rocha	Administration Officer
Luiz Augusto Pereira de Andrade Figueira	Finance and Investors' Relations Officer (Acting)
Valter Luiz Cardeal de Souza	Engineering Officer
João Ruy Castelo Branco de Castro	Special Projects and Technological and Industrial Development Officer

BOARD OF DIRECTORS

President

Nelson José Hubner Moreira Minister of Mines and Energy (Acting)

Directors

Ronaldo Schuck	Secretary of Power Energy of the Ministry of Mines and Energy
Miriam Aparecida Belchior	Articulation and Monitoring Sub-Head – (SAM) – Head of Staff
Luiz Soares Dulci	State Minister Head of General Administrative Office of the Presidency of the Republic
Arlindo Magno de Oliveira	Retired from Banco do Brasil
Victor Branco de Holanda	Strategic Management Officer MF/SE
Wagner Bittencourt de Oliveira	Infrastructure Area Officer/ Basic Inputs Area Officer - BNDES

AUDIT COMMITTEE

Title Holders

Haílton Madureira de Almeida	Representative to the Federative Union/Treasury
Francisco Ivaldo Frota	Federative Union Comptroller/MME
Edison Freitas de Oliveira	Federative Union Comptroller/MME
Carlos César Meirelles Vieira	Holder of Preferred Share

Alternates

Marcelo Kalume Reis	Representative to the Federative Union/Treasury
Danilo de Jesus Vieira Furtado	Federative Union Controlling Shareholder/MME
Jairez Elói de Sousa Paulista	Federative Union Controlling Shareholder/MME
Elson Espedito Panoeiro	Holder of Preferred Shares

Independent Auditors Report

Relatório dos Auditores Independentes

*Cepel – View of the High Voltage Laboratory 2
(Cepel/Milton Maurente Files)*



To the Management and Shareholders
Centrais Elétricas Brasileiras S.A. - Eletrobrás

1. We have examined the balance sheet of Centrais Elétricas Brasileiras S.A. – Eletrobrás – individual and consolidated, dated December 31, 2007 and the related statements of income, of changes in stockholders' equity and of changes in financial position for the year then ended, all prepared under the responsibility of the management. Our responsibility is to express an opinion on these financial statements. As mentioned in Note 19, the investments in certain controlled companies and parent companies as of December 31, 2007 were evaluated on the equity method based on financial statements examined by other independent auditors. Our opinion thereon, insofar as it relates to these investments and the revenue arising therefrom, in the amounts of R\$ 33,759,973 thousand and R\$ 2,010,440 thousand, respectively, is solely based on that other independent auditor's opinion.
2. Apart from what was mentioned on paragraph 3, our audit was conducted in accordance with Brazilian auditing standards and comprised: a) work planning taking into consideration the Company's relevant balances, volume of transactions and accounting and internal control systems; b) examination, on a test basis, of evidence and records supporting the amounts and disclosures in the financial statements; and c) evaluation of the most significant accounting practices used, and estimates made by management as well as the presentation of the financial statements taken as a whole.
3. So far, it was not presented the opinion of the independent auditors related to the financial statements of the year ended in December 31, 2007 of the relevant parent companies (NOTE 19) which investments were evaluated on the equity method. As a result, it was not possible, by means of additional procedures of auditing, to evaluate the compliance of these investments, as well as the equity in earnings income produced by them in the amount of R\$ 376,404 thousand and R\$ 4,774 thousand, respectively.
4. In our opinion, based on our examinations and the other independent auditors' opinions, apart from the effects that may arise from the omitted procedures of auditing mentioned on paragraph 3, the financial statements referred to in paragraph 1 present fairly, in all material respects, the financial position of Centrais Elétricas Brasileiras S.A. – Eletrobrás as of December 31, 2007, and the result of its operations, the changes in stockholders' equity and the sources and applications of its resources correspondent to the year ended at that time, in accordance with accounting practices adopted in Brazil.
5. We have examined the supplementary financial statements comprising the statements of cash flow and value-added, both individual and consolidated, presented for additional analysis purposes, though not required as part of the statutory financial statements. This supplementary information statements were submitted to the same auditing procedures applied to the financial statements and, in our opinion,

are fairly presented in all material aspects, in relation to the financial statements referred in the first paragraph, taken as a whole.

6. As mentioned in NOTE 32, the company registered in the “non-current liability” the amount of R\$ 1,328,544 thousand related to provisions for civil contingencies for claim by some corporations on the right to receive the monetary correction in full on the amounts of Compulsory Loan collected to the advantage of Eletrobrás. Based on the opinion of its legal assistants who reveal uncertainty on the possibility of loss of the correspondent law suits (in 2003 the possibility of loss was classified as possibility of failure in the defense of the lawsuits in process), at the beginning of the care, in view of the confirmation of the unfavourable decisions in first prosecution and of the inexistency of judgment in superior courts, the Management of the company maintained registered the provision for contingencies, mainly constituted in previous years as a way of making a stand against fortuitous losses resulted from unfavourable judicial decisions. As a controversy issue, it is not possible at the current circumstances to come to any conclusion about the outcome of the issue as well as the fortuitous impacts on the financial statements.
7. The company, aiming at the certification at U.S. – Security and Exchange Commission – SEC, has been working in the process of development of its internal controls and its corporative governance to be in accordance with the Sarbanes Oxley Law (Section 404) and, consequently, to reduce the possibility of risks and frauds in its business in all its levels.
8. The financial statements of Furnas – Centrais Elétricas S.A. for the year ended December 31, 2007, were examined by other independent auditors, whose opinion dated February 21, 2008 emphasized the balance of value added tax (ICMS) of R\$ 44,067 thousand, registered by Furnas in the current asset, resulting from the Agreement of Commitment and Financial Cooperation between Eletronorte – Centrais Elétricas do Norte do Brasil S.A. and the Departamento de Estradas e Rodagem do Estado do Mato Grosso for work, implantation and pavement with asphalt of the road that accesses the “Aproveitamento Múltiplo de Manso”. All the work done was transferred to the Company in 1999 by the Resolution of Conselho Nacional de Desestatização nº 02/1999, complemented by Resolution nº 04/1999. In June 13th, 2007 the “Termo da Ação de Conclusão Fiscal” in which is written that “The Government of Estado do Mato Grosso will reimburse Furnas for the value correspondent to the percentage of its participation”, enlightening that “After the conclusion of the service orders related to all companies, it will be possible to verify the value to be given back to Furnas, if the case”. Therefore, the liquidation of this credit still depends on the procedures resulted from actions of Finance Department of the State of Mato Grosso in relation to the definition of the value as well as the date of its execution.
9. We examined the financial statements of Centrais Elétricas do Norte do Brasil S.A. – Eletronorte, for the year ended December 31, 2007 and we issued unqualified opinion, dated February 20, 2008, emphasizing the following: a) insufficiency of working capital and operational losses retained in the last years, in the subsidiary

Manaus Energia S.A., depending on the amount of resources from its controller shareholder to guarantee that the operations go on. b) continuity in the business of the subsidiary Boa Vista S.A.; and c) Eletronorte sponsors, with its subsidiaries Manaus Energia S.A. and Boa Vista Energia S.A., the private social security entity called “Previnorte – Foundation of Complementary Private Social Security”. The mathematical/actuarial reserves were prepared by the independent actuary of the Foundation, based on the biometric table AT-49, with an amendment for 2 (two) years for the projection of the longevity of the participants and assisted people. Previnorte is promoting, gradually, the implementation of the table AT-83, as requested by the Resolution CGPC nº 18, as of March 28, 2006, which final term for the adoption of this table ends on December 31, 2008. Therefore, taking into account the current stage of this process as well as the due date for the adoption of the said table, fortuitous adjustments can be identified within the future financial statements resulting from the application of the NPC nº 26 from IBRACON – Institute of Independent Auditors of Brazil.

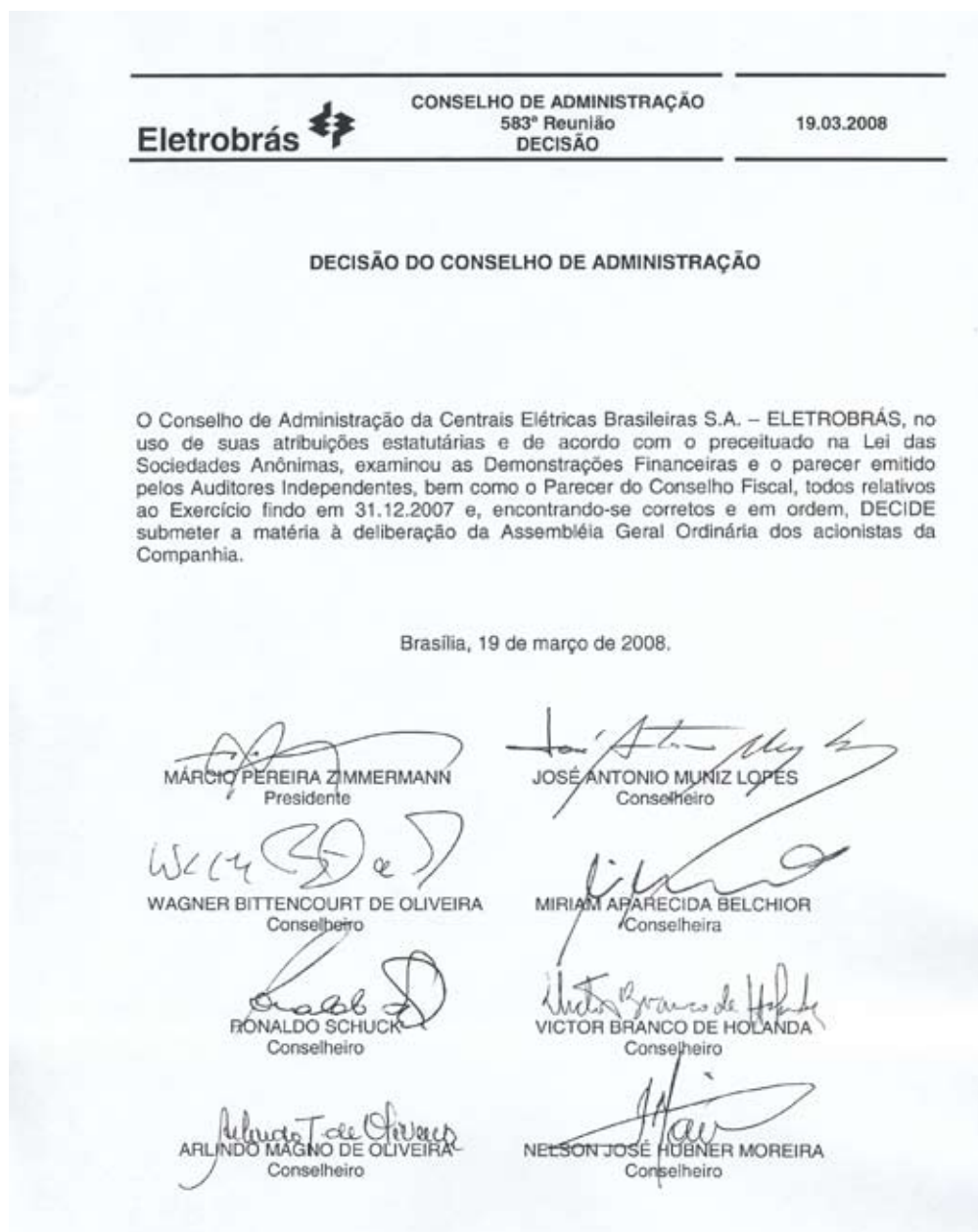
10. The financial statements of Companhia de Eletricidade do Acre – Eletroacre, for the year ended December 31, 2007 were examined by other independent auditors, whose unqualified opinion dated February 15, 2008 emphasized that the financial statements were prepared counting on the continuity in the business of the company. Nevertheless, despite the income reached in the last two years, the company has been having accumulated losses through the years, supported by the controller shareholder, with resources bound for capital increase. Therefore, for the development and continuity of the operations, the company has been implementing measures aiming at the economic-financial viability of the enterprise.
11. The financial statements of CTEEP – Companhia de Transmissão de Energia Elétrica Paulista, for the year ended December 31, 2007 were examined by other independent auditors, whose unqualified opinion of January 30, 2008 emphasized the fact that, in accordance with the decision of 49th Jurisdiction of Work of São Paulo, from September 2005 on, the Foundation CESP began to issue the payroll of the supplementary pension plan’s beneficiaries ruled by Law 4,819/58, using funds lent by the Company in the way it had been done until December 2003. In January 2006 the State of São Paulo Office of the General Attorney had the understanding that the State Government’s responsibility was restricted to the constitutional limits of the State determined for the payment of the retirement benefits. Since then, the Government of State began to stop some of the funds lent to the Company. The Management of the Company, supported by its legal advisors, understands that the responsibility by the payments of benefits related to the issue is responsibility of the Government of State. As a result, no obligation whatsoever has been recorded in connection therewith.
12. We examined the financial statements for the year ended December 31, 2006, presented for comparative purposes, and we issued unqualified opinion dated March 26, 2007 containing similar emphasis to those described in paragraphs 5, 6, 7, 8c, 9, 10 and 11, besides the following:

- a) The financial statements of Furnas – Centrais Elétricas S.A. for the year ended December 31, 2006, were examined by other independent auditors, whose opinion dated March, 2007, emphasized that the amount of R\$ 293,560 thousand from energy sale transactions performed within the Electric Energy Commercialization Chamber – CCEE (formerly Wholesale Energy Market – MAE) sphere of activity in the period from September 2000 to September 2002, are still on the effect of temporary restricting judicial orders filed by companies of the electric sector in order to interrupt the payment. In 2007, due to the uncertainty of the financial accomplishment of the values to receive, Furnas constituted provisions for allowance for doubtful accounts, considering the integrality of these values.
- b) The financial statements of Eletrosul Centrais Elétricas S.A. for the year ended in December 31, 2006 were examined by other independent auditors, whose unqualified opinion, dated February 14, 2007 emphasized the non homologation of the tariff review applicable to the tariffs from July 1, 2005. This homologation occurred on July 02, 2007 promoting a reduction of the Annual Permitted Income – RAP of 1.36%, representing an adjustment of R\$ 23,632 thousand which will be deduced from the monthly billings in 24 installments of R\$ 985 thousand from July, 2007 on.
- c) The financial statements of Eletrobrás Termonuclear S.A. – Eletronuclear for the year ended December 31, 2006 were examined by other independent auditors, whose unqualified opinion, dated February 09, 2007 emphasized the inclusion of Angra 3 Project in the Program of Investments of the Federal Government, thus enabling operation expansion and recovery of resources already used in the current fixed assets. In 2007, National Council of Energetic Politics - CNPE by the Resolution nº 3/2007, dated July 25,2007, determined that Eletrobrás and Eletronuclear led the retake of the construction of Angra 3 nuclear plant considering the beginning of commercial operation in 2013.
- d) The financial statements of Companhia Estadual de Distribuição de Energia Elétrica CEEE-D, for the year ended December 31, 2006 were examined by other independent auditors, whose unqualified opinion, dated February 26,2007, emphasized the following aspects: a) In March 2, 2005, the Local Finance Department informed us that despite the group work has not been finished the electric energy account conciliation, which compounds part of the installment plan of debts of energy in the amount of R\$ 49,885 thousand, the group work has already informed the existence of unconformities. Therefore, before stating anything, it is a good strategy to wait for the work conclusion; and b) the company has been registering in long term asset the amount of R\$ 15,889 thousand referring to the receivable reimbursement of the Revision of the Extraordinary Tariff and R\$ 13,207 thousand referring to the Charges on the Service of System and in the long term liabilities the amount of R\$40,607 thousand, relating to the transactions performed in the sphere of activity of Chamber of Electric Energy Commercialization – CCEE in prior years.

- e) The financial statements of Companhia Estadual de Geração e Transmissão de Energia Elétrica – CEEE-GT for the year ended December 31, 2006 were examined by other independent auditors, whose unqualified opinion dated of February 26, 2007 emphasized that the company registered in long term asset values receivable in the amount of R\$ 52,108 thousand, referring to the receivable reimbursement from Review of the Extraordinary Tariff, and R\$ 73,058 thousand of payables recorded as long term liabilities referring to prior years' energy purchase and sale transactions performed in the CCEE's sphere of activity.
- f) The financial statements of CTEEP - Companhia de Transmissão de Energia Elétrica Paulista for the year ended December 31, 2006 were examined by other independent auditors, whose unqualified opinion dated February 1, 2007 emphasized the adjustments of the Annual Permitted Income – RAP based on the variations of the Market Price Index – IGP-M for tariff cycles of July 2005 to June 2006 and from July 2006 to June 2007. In June 26, 2007, the first periodical tariff review was approved, reducing the Annual Permitted Income – RAP in 26.15%. The result of this reposition went into effect retroactively to July 1st, 2005.
- g) The financial statements of Empresa Metropolitana de Águas e Energia S.A. – EMAE for the year ended December 31, 2006 were examined by other independent auditors, whose unqualified opinion, dated of March 09, 2007 emphasized that the company is evaluating the economic and financial impact of changes in the new sectoral model and the recent experience with energy auctions on its businesses. In the Management's opinion, besides the measures already taken to reduce costs and increase revenues, ultimately enhancing profitability and investments in the company's generation complex, further measures currently under discussion with the Grantor will be required.
- h) The financial statements of Centrais Elétricas de Rondônia S.A. – Ceron, for the year ended December 31, 2006 were examined by the independent auditors, whose unqualified opinion, dated of February 27, 2007 emphasized that the financial statements were prepared taking into account the continuity of the company business. Nevertheless, the company has borne losses over the years, and accordingly has taken measures for attaining economic and financial balance, ultimately being able to continue in business. In December 31, 2007, Eletrobrás registered provision for insufficiency of assets over liabilities in proportion to active participation in Ceron.

Rio de Janeiro, March 14, 2008
Luiz Carlos de Carvalho
Partner-Accountant
CRC 1SP197193/0-6 "S" RJ
BDO Trevisan Auditores Independentes
CRC2SP013439/0-5 "S"

Decisão do Conselho de Administração



Decision of Board of Directors

DECISION OF BOARD OF DIRECTORS

The Board of Directors making use of its statutory attribution and in agreement with terms as established by joint stock company legislation has examined the Financial Statements as well as the opinion issued by Independent Auditors and the Opinion of Fiscal Council all related to the fiscal year ended as of December 31, 2007 and, deeming them fair and in order, decides to submit the issue to the deliberation of the General Ordinary Meeting of the company's shareholders.

Brasília, March 19, 2008

PARECER

O Conselho Fiscal das Centrais Elétricas Brasileiras S.A. – ELETROBRÁS, no âmbito de suas atribuições legais e estatutárias, conheceu o Relatório da Administração e procedeu ao exame das Demonstrações Contábeis referentes ao exercício social encerrado em 31 de dezembro de 2007, compostas do Balanço Patrimonial, da Demonstração do Resultado do Exercício, das Mutações do Patrimônio Líquido, das Origens e Aplicações de Recursos, do Fluxo de Caixa e do Valor Adicionado e das Notas Explicativas às Demonstrações Contábeis e seus anexos, acompanhadas do Parecer dos Auditores Independentes, bem como se inteirou da proposta relativa à destinação do resultado do exercício.

Considerando o trabalho de acompanhamento da Empresa desenvolvido pelo Conselho Fiscal ao longo do exercício, com base na análise da documentação apresentada, nas informações prestadas pelo Departamento de Contabilidade – DFC e no Parecer da BDO Auditores Independentes, que declara que as Demonstrações Contábeis representam adequadamente, em todos os aspectos relevantes as posições patrimonial e financeira das Centrais Elétricas Brasileiras S.A. – ELETROBRÁS em 31 de dezembro de 2007, o Conselho Fiscal da ELETROBRÁS, destacando o entendimento firmado nos parágrafos de ênfase nºs 6, 7, 8, 9, 10 e 11 do Parecer dos auditores independentes, entende que as referidas Demonstrações Financeiras estão em condições de serem submetidas à deliberação da Assembléia Geral Ordinária de Acionistas da Empresa.

É de parecer, ainda, que a proposta da Administração da ELETROBRÁS relativamente à destinação do resultado do exercício de 2007 está amparada pelas disposições legais e societárias vigentes.

Brasília (DF), 19 de março de 2008.



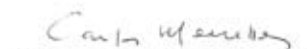
ÉDISON FREITAS DE OLIVEIRA
Presidente



HAILTON MADUREIRA DE ALMEIDA
Conselheiro



FRANCISCO IVALDO ANDRADE FROTA
Conselheiro



CARLOS CESAR MEIRELLES VIEIRA
Conselheiro

Opinion

OPINION

The Fiscal Council of Centrais Elétricas Brasileiras S.A.- Eletrobrás, within its legal and statutory attributions, took notice of the Administration Report and examined the Financial Statements referring to the year ended December 31, 2007, made up of Balance Sheet, Statements of Income, Changes in the Shareholders' Equity, Sources and Applications of Funds, Cash Flow and Incremental Cash Flow, the Accompanying Notes to the Financial Statements and its Enclosures, besides the Independent Auditors' Opinion as well as informed completely on the proposal relating to the destination of the results of the year.

Considering the follow-up work that the Fiscal Council performed in respect to the company throughout the year, based on the analysis of the documentation presented, the information provided by the Accountant Department – DFC and the Opinion of BDO Auditores Independentes, that states that the Financial Statements fairly represent, in all its relevant aspects the sheet and financial position of Centrais Elétricas Brasileiras S.A on December 31, 2007, the Fiscal Council of Eletrobrás, emphasizing the understandings as stated in the paragraphs nº 6, 7, 8, 9, 10 and 11 of the independent auditors' opinion, understands that the referred to Financial Statements are in condition to be submitted to the deliberation of the Shareholders General Ordinary Meeting of the Company.

It is clear that the proposal of the Management of Eletrobrás in relation to the destination of the result of 2007 is supported by the current legal and societary dispositions.

Brasília, March 19, 2008

