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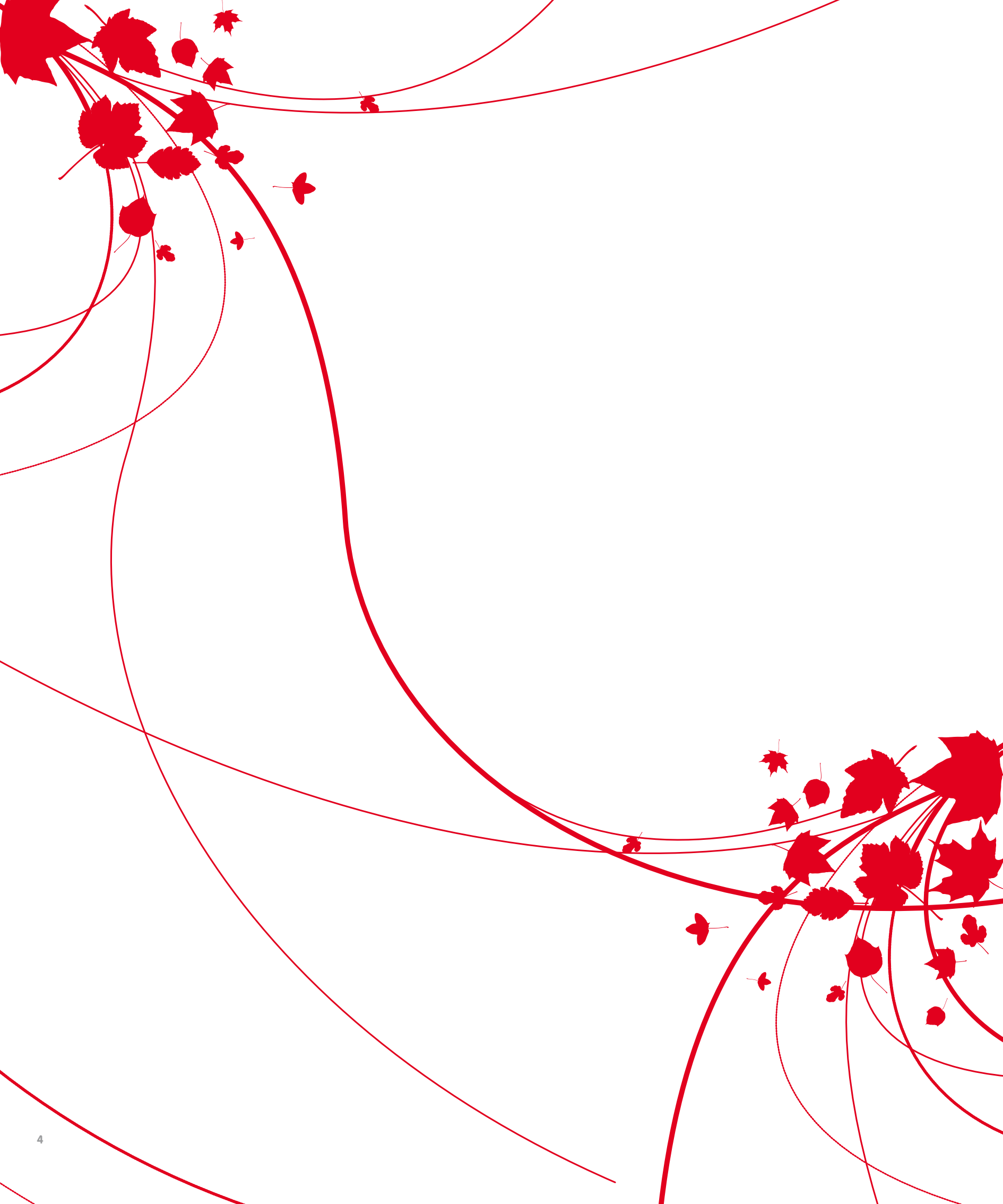
The force of nature

is our energy.

This report was printed on Curious Particles Snow and Moonlight paper, which, in addition to the unique look of its fibers and striking gold and silver flecked sheet, contains a high percentage of recycled paper - 30% pre-consumption and 40% post-consumption.

Using recycled paper means using less energy and raw material. It is a commitment to preserving nature, improving quality of life and promoting sustainable development.

This initiative is, therefore, a perfect fit with our constant drive toward sustainability, a commitment that serves as the basis for all Energias do Brasil Group activities - from the handling of its reservoirs to the choice of the type of paper used in its publications.



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Profile

Energias do Brasil is a holding company that operates in the generation, distribution and commercialization of electric energy in four Brazilian states: São Paulo, Espírito Santo, Mato Grosso do Sul and Tocantins. At the end of 2007, the holding employed 2,920 people.

GRI
2.1; 2.2; 2.3;
2.4; 2.5; 2.6;
2.7; 2.8; 2.9

A publicly-traded company, headquartered in São Paulo, with shares traded on the São Paulo Stock Exchange's (Bovespa) Novo Mercado, a select group of companies with the best corporate governance practices. EDP - Energias de Portugal, one of the largest European operators in the electricity sector, is the controlling shareholder with 62.4% of the total capital.

In **distribution**, it fully controls three companies: Bandeirante, which operates in the state of São Paulo; Escelsa, in Espírito Santo; and Enersul, in Mato Grosso do Sul. In all, they serve more than 3.2 million residential, industrial and service sector customers to whom they distributed 25,029 GWh in 2007, 4.5% more than the previous year.

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In **generation**, it controls power plants with a total installed capacity of 1,043 MW at the end of 2007: EDP Lajeado Energia S.A. (Luís Eduardo

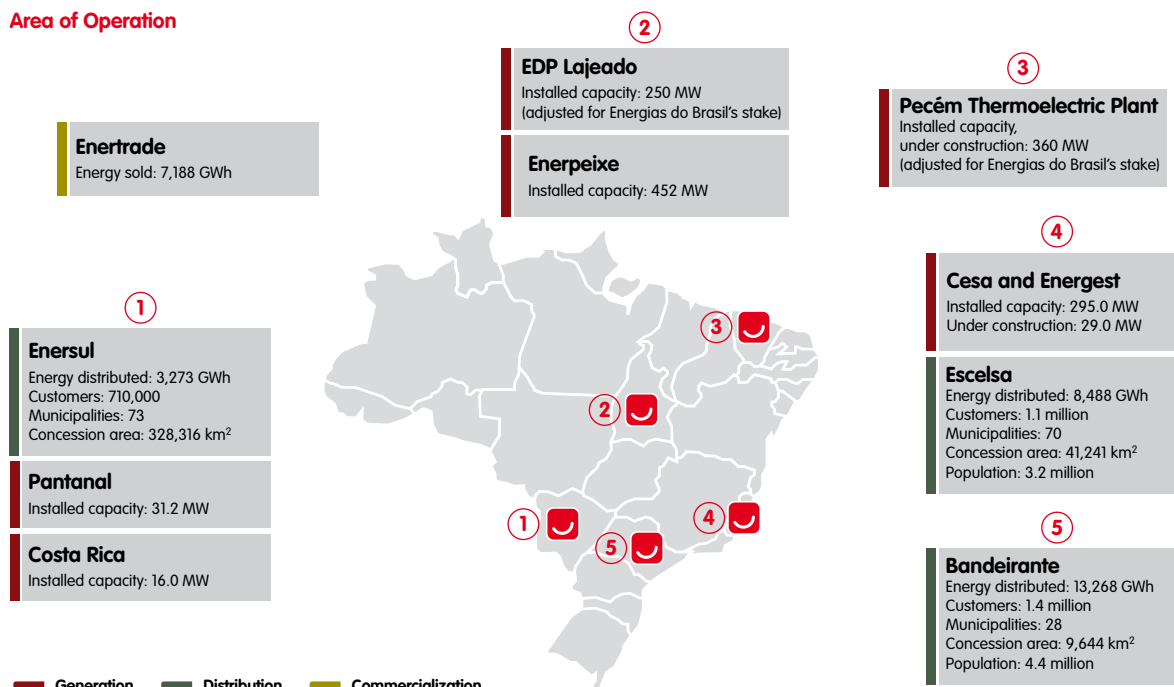
Magalhães Plant, in Tocantins), Enerpeixe S.A. (Peixe Angical Plant, in Tocantins), and Energest S.A., a subholding of Energias do Brasil, which indirectly and directly controls 14 plants with total installed capacity of 342.18 MW. In 2007, capacity was expanded by 25 MW with the start-up of the São João SHP (Small Hydroelectric Plant), in Espírito Santo.

In **commercialization**, it fully controls Enertrade Comercializadora de Energia S.A., which operates in the open electricity market where it sold 7,188.1 GWh in 2007.

Net income grew 13.3% in 2007 over the previous year, amounting R\$ 4.5 billion. EBITDA (earnings before interest, taxes, depreciation, amortization and non-operational earnings) totaled R\$ 1.1 billion, growth of 4.6%, and net profits reached R\$ 439.8 million (R\$ 394.1 million in 2006).

With sustainability at the center of its strategic vision, the Energias do Brasil Institute was created in 2007 to promote open and transparent dialogue with all stakeholders to harmonize social, environmental, educational, cultural, social assistance, local development and volunteer activities.

Area of Operation



Highlights for 2007

- Sale of electricity from the Pecém Thermoelectric Plant at A-5 auction on 10/16/2007 in partnership with MPX Energia. The Pecém TEP (Thermoelectric Plant) has an installed capacity of 720 MW and is in line with Energias do Brasil's strategy for growth in generation.
- Signing of an EPC (Engineering, Procurement & Construction) contract with Maire Engineering for construction of the Pecém TEP.
- Start-up of the São João SHP (25 MW), on 04/27/2007.
- Start of construction on Santa Fé SHP (29 MW), in October 2007.
- Start of repowering of Mascarenhas and Suíça HPP, which will add an additional 20 MW in 2009.
- Issuance of R\$ 250 million in Escelsa debentures, to lengthen debt profile and reduce the average cost of obligations.
- Tariff review for the distributor Escelsa, in August, and Bandeirante, in October.
- Decision by Aneel to reduce the Regulatory Asset Base (RAB) for Enersul regarding the tariff review of 2003.
- Creation of the Energias do Brasil Institute, responsible for centralizing and harmonizing social, environmental, educational, cultural, social assistance, local development and volunteer activities for Energias do Brasil and its subsidiaries.
- Creation of the Sustainability Channel, a place created on the Energias do Brasil website where people can send in their questions, criticisms and suggestions on the holding companies' work with the environment, social assistance, occupational health and safety, employee driving, saving energy, energy efficiency, etc.
- Listing of Energias do Brasil on the Corporate Sustainability Index (ISE) of the Bovespa Stock Exchange for the second year in a row.
- Approval from the Board of Directors of payment of Interest on Equity in the amount R\$ 119.9 million, or R\$ 0.730546 per share, for fiscal year 2007.
- Approval, on 12/18/2007, by the Board of Directors, of share buy back program to repurchase up to 6,211,426 common shares. By 02/18/2008, the Company had already repurchased 4,861,500 shares.
- Third place in the Abrasca Award for Best Annual Report in 2007.
- Second place in the Annual Business Reports category of the 16th Theobaldo De Nigris Latin American Contest of Graphic Products, in association with the Latin American Confederation of the Graphics Industry (Conlatigraf), which brought together more than 1,300 works from 11 countries.
- Restructuring of Management Board.

Information about the Report

This is Energias do Brasil's second annual sustainability report based on G3 guidelines from the Global Reporting Initiative (GRI), a continuation of the report published in April 2006.

GRI
3.1; 3.2; 3.3;
3.4; 3.5; 3.6;
3.7; 3.8; 3.9;
3.10; 3.11; 3.13

Information contained in this Report covers the period January 1 to December 31, 2007 and was based on consultation with company stakeholders, which include clients, vendors, representatives of government agencies and employees (officers and technical and administrative staff). The results are based on periodic performance surveys for all of the group's subsidiaries and consolidate the proportional stake in the generation companies Enerpeixe and Lajeado.

Following the GRI guidelines, Energias do Brasil engaged publics of interest and carried out materiality tests. To do this, we relied on the work of external consultants, who are certified by GRI to conduct a structured mapping process and consult the Company's strategic publics, made up of a selection of stakeholders, training, guidance and internal workshops and consolidation of the results from interviews and questionnaires.

Five units of the Energias do Brasil Group were involved: Bandeirante (São Paulo and Mogi das Cruzes - SP), Enersul (Campo Grande - MS), Escelsa (Vitória - ES), Enertrade (São Paulo) and Energest (São Paulo), for a total of 69 employees, leaders and representatives of stakeholder groups defined by the Company with the support of external consultants.

In the materiality matrix, the subjects are classified according to their importance to the management of Energias do Brasil (leadership vision) and their relevance in the eyes of stakeholders (external and employees). The data are treated and presented in

a corporate form, taking into account the scope and boundaries of the Company's Sustainability Report. The result of the materiality matrix, which indicates priority topics and those that were considered less relevant, is available on page 19 of this Report.

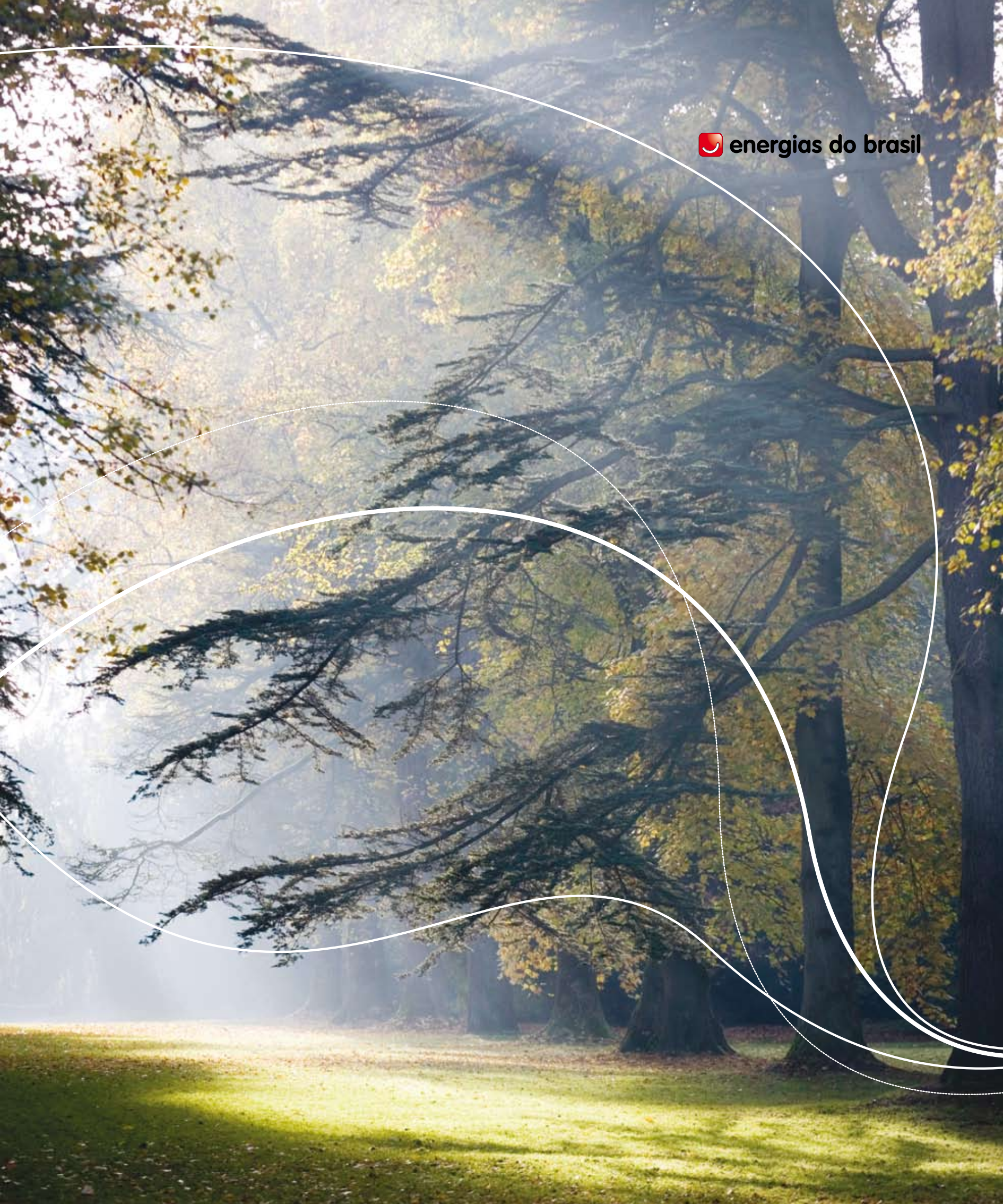
By applying the materiality of these topics, Energias do Brasil shares, in a transparent and consistent manner, relevant information of its impact and social, environmental and economic performance in the regions in which it operates, as well as the initiatives that are designed to provide sustainable development for the Group and the country.

This document is the result of the involvement of a large number of people, who dedicated themselves to identifying the necessary information and analyzing the economic, environmental and social aspects of the company in an integrated manner. The Report also contains reformulations of information published in the previous report, which are found and explained throughout the publication.

The financial and economic indicators in this Report are based on Brazilian accounting standards and were audited by KPMG. The social and environmental indicators recommended by GRI were verified externally by PricewaterhouseCoopers, PwC.

Further information regarding this Report and its content can be found on the following sites:

www.energiasdobrasil.com.br, www.bandeirante.com.br,
www.escelsa.com.br, www.enersul.com.br and
www.enertrade.com.br.



Sustainability Vision

In 2007, the Group's Sustainability Policy was approved, based on sustainable development principles, and social, environmental and economic responsibility activities, and triple bottom line (TBL) concepts associated with strong corporate governance.

GRI
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Sustainability is a concept that expresses the need for more responsible use of natural resources, by preserving the resources over generations, structured in a harmonious manner in three dimensions: social, economic and environmental.

The idea of corporate responsibility represents an innovative approach to do business that promotes social inclusion with respect for cultural diversity and the interests of all publics, directly or indirectly involved in the business, and reduces or optimizes the use of natural resources and the impact on the environment to preserve the planet for future generations, without casting aside economic and financial profitability. This approach, when allied with the best practices in corporate governance, creates value for shareholders and promotes long-term business survival, and the sustainable development of society as a whole.

This corporate sustainability policy covers all the companies controlled by Energias do Brasil and guides the strategic management decisions of the Group, and complements the Code of Ethics and the 10 principles of the Global Compact.

The sustainability policy is founded on the Vision, Mission and Values of the Group.

Vision

To be one of the leading companies in the Brazilian energy sector, focused on creating value and sustainability.

Mission

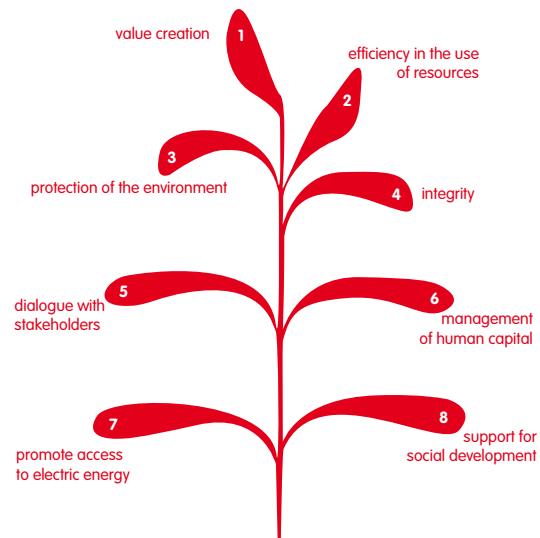
To operate in the Brazilian energy sector with high standards of excellence in customer service, providing return for shareholders, recognizing our employees and exercising corporate social responsibility.

Values

- **Respect** - For clients, vendors, employees, shareholders, communities and the environment;
- **Efficiency** - To bring value to clients, employees and shareholders by creating and introducing quality innovative solutions;
- **Transparency** - To make transparency part of the culture of Group companies, in their dealings with clients, employees, shareholders and regulatory agencies, authorities and the community in general;
- **Resolution** - To adopt resolution as a general operating rule and basis for decision-making;
- **Ethics** - To maintain the highest standards of ethics in all activities

Principles of Sustainable Development

Energias do Brasil commits itself to the following principles of sustainable development:



1. Value creation

- Create value for shareholders;
- Increase productivity and efficiency and reduce exposure to risks from economic, environmental and social impacts from activities;
- Commit to providing guidance to customers and ensuring high levels of service quality;
- Integrate environmental and social issues in the planning and decision-making processes.

2. Efficiency in the use of resources

- Promote the development of cleaner, more efficient energy technologies;
- Develop production based on renewable energy;
- Promote improvements in energy efficient and the rational, safe use of energy;
- Promote innovation in products, services and sustainable technologies, and share this knowledge with society.

3. Protection of the environment

- Minimize the environmental impact of all Group activities;
- Participate in initiatives that contribute to preserving the environment and promoting biodiversity;
- Expand the use of environmental criteria throughout the value chain.

4. Integrity

- Maintain high ethical standards in all activities;
- Respect human rights in its sphere of influence;
- Create specific codes of conduct.

5. Dialogue with stakeholders

- Ensure an open, transparent relationship based on trust with stakeholders;
- Introduce channels for consultation and communication with stakeholders and to act on their concerns;
- Report in a reliable, objective manner on the Group's economic, environmental and social performance.

6. Management of human capital

- Maintain policies and management systems that ensure the health, safety and well-being of employees;
- Promote the development of individual skills for all employees and to reward excellence and merit;
- Abolish abusive and discriminatory practices, encourage diversity and promote inclusion in all operations and in the value chain.

7. Promote access to electric energy

- Promote reliable and universal access to electricity;
- Practice a transparent and socially just pricing policy;
- Develop the best possible quality of production at the lowest possible cost.

8. Support for social development

- Support social and cultural initiatives based on transparent evaluation criteria of their relevance to the community;
- Promote technological cooperation nationally and internationally;
- Support local and community development activities.

Performance Indicators

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	2004	2005	2006	2007	Change % 07-06
FINANCIAL RESULTS (in millions of R\$)					
Gross revenue	5,107.6	5,862.7	6,222.0	6,894.3	10.8
Net revenue	3,692.1	4,323.2	3,984.8	4,513.5	13.3
Manageable and non-manageable expenses	3,143.2	3,650.4	3,198.6	3,707.7	15.9
Earnings before interest and taxes (EBIT)	548.9	672.8	786.2	805.8	2.5
EBITDA ⁽¹⁾	775.2	912.6	1,073.6	1,123.0	4.6
Financial result	(270.4)	(279.2)	(377.8)	(303.7)	(19.6)
Profit before minority interest	278.5	445.9	431.4	495.8	14.9
Net income	106.9	439.4	394.1	439.8	11.6
MARGINS (%)					
EBITDA Margin (EBITDA/Net revenue)	21.0	21.0	26.9	24.9	(2.1 p.p.)
Net margin (Net income/Net revenue)	2.9	10.2	9.9	9.7	(0.1 p.p.)
FINANCIAL INDICATORS					
Total assets (in millions of R\$)	7,761.9	8,955.4	9,720.3	9,719.4	0.0
Shareholders' equity (in millions of R\$)	1,368.8	3,509.8	3,705.6	3,955.3	6.7
Minority interests (in millions of R\$)	844.2	609.1	662.3	694.7	4.9
Net debt (in millions of R\$) ⁽²⁾	2,344.7	1,701.7	1,879.4	1,957.1	4.1
Net debt/Shareholders' equity (times)	1.7	0.5	0.5	0.5	0.0
Net debt/EBITDA (times)	3.0	1.9	1.8	1.7	(0.1)
Investments (in millions of R\$)	1,051.2	1,150.7	830.0	665.2	(19.9)
SHARES					
Total number of shares (in thousands)		165,017	165,017	165,017	
Number of shares in treasury (in thousands)		-	-	861.3	-
Net profit per share (R\$)	-	2.66	2.39	2.67	11.8
Share closing price - common voting shares (R\$)	-	26.61	31.97	28.90	(9.6)
Appreciation during the year (%)	-	52.2	20.1	(9.6)	-
Market Capitalization (in millions of R\$)	-	4,519.8	5,275.6	4,769.0	(9.6)
OPERATING INDICATORS					
Distribution					
Energy distributed (GWh)	22,396	23,061	23,948	25,029	4.5
Energy sold to end costumers (GWh)	16,956	15,863	14,853	15,436	3.9
Residential	4,387	4,553	4,837	5,074	4.9
Industrial	7,433	6,112	4,488	4,482	(0.1)
Commercial	2,595	2,758	2,957	3,154	6.7
Rural	739	757	834	921	10.4
Other	1,802	1,682	1,738	1,804	3.8
Conventional supply (GWh)	317	302	336	376	11.9
Energy in transit (GWh)	5,104	6,874	8,738	9,197	5.3
Own consumption (GWh)	19	22	21	21	(1.6)
Average price of energy sold to end customers (R\$/MWh) ⁽³⁾	204.82	234.21	256.52	284.22	10.8
Energy purchased (GWh)	19,554	20,371	20,038	20,572	2.7
Technical and commercial losses (GWh)	2,907	3,475	3,560	3,903	9.6
Technical and commercial losses (%)	11.5	13.1	12.9	13.5	0.6 p.p.
Productivity (MWh/employee)	6,724	7,162	8,581	9,192	7.1
Number of customers/employee	869	923	1,116	1,178	5.6
Generation					
Energy produced (GWh)	2,643	2,756	3,929	4,704	19.7
Average selling price of energy ⁽⁴⁾	-	73.62	95.56	102.36	7.1
Commercialization					
Energy commercialization (GWh)	4,849	6,379	6,702	7,188	7.2
PERFORMANCE AND QUALITY					
Number of customers (in thousands)	2,896	2,972	3,114	3,207	3.0
Energy distributed per customer (MWh)	7.7	7.8	7.7	7.8	1.5
Number of employees	3,484	3,461	3,010	2,920	(3.0)
ENVIRONMENTAL INDICATORS					
Environmental investments (in millions of R\$)	20.6	138.1	43.9	31.2	(29.1)
SOCIAL INDICATORS					
Social investments (in millions of R\$)	3.3	6.4	9.0	8.1	(10.0)

⁽¹⁾EBITDA = Earnings before interest, taxes, depreciation, amortization and non-operating results.

⁽²⁾Net Debt = gross debt - cash and marketable securities - regulatory assets and liabilities.

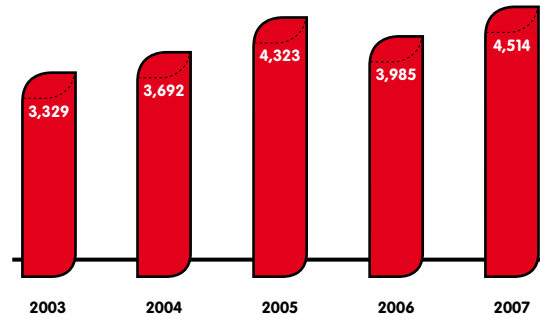
⁽³⁾Average price of energy sold to final clients = income from end customers/volume of energy sold to end customers.

⁽⁴⁾Average price of energy sold = income from energy supplied/volume of energy sold from generation.

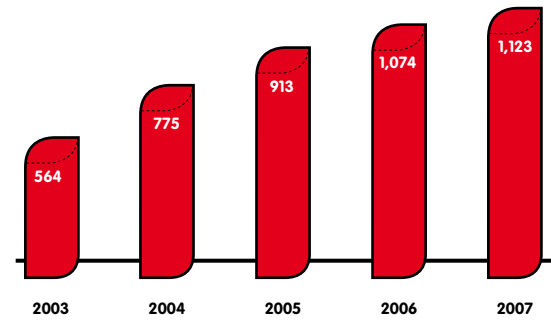
The information presented here follows the criteria of Brazilian Corporate Legislation and is taken from audited financial statements. Operating information was not audited by the independent auditors.

2006 reclassified. According to Aneel Order no. 3.073 dated 12/28/2006, energy distribution companies began accounting for CCC (fossil fuel consumption), CDE (energy development) and R&D expenses as "Deductions from Operational Income" as of 2007.

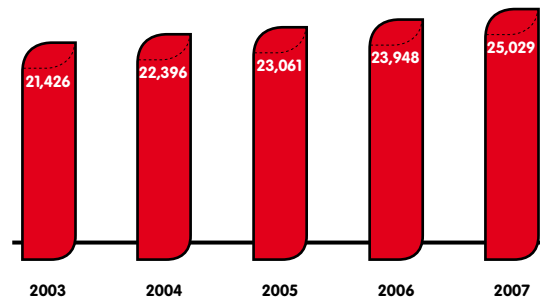
Net Revenue
(R\$ million)



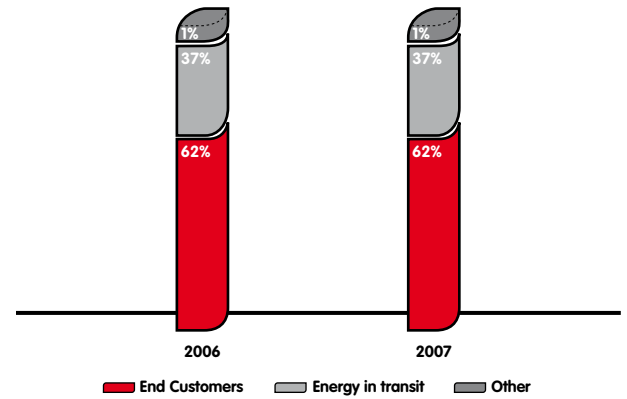
EBITDA
(R\$ million)



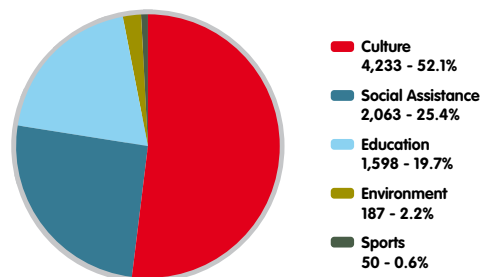
Energy Distributed
(GWh)



Energy Distributed

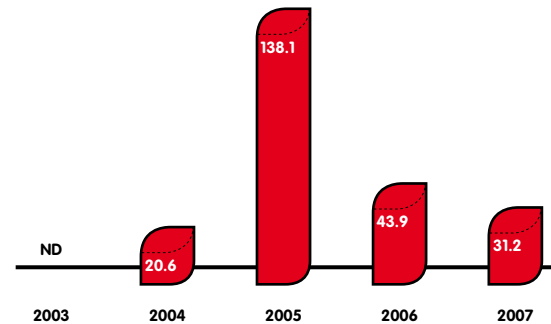


Social Investment by Area
(in thousands of R\$)

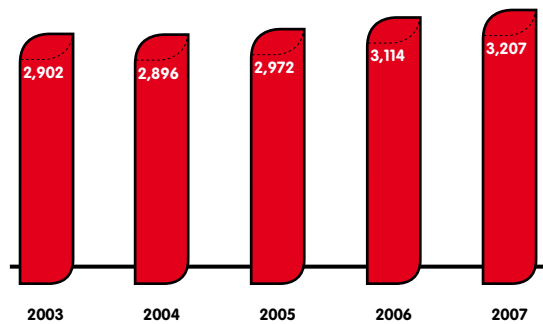


Total invested: R\$ 8.12 million (0.17% of net operating income)

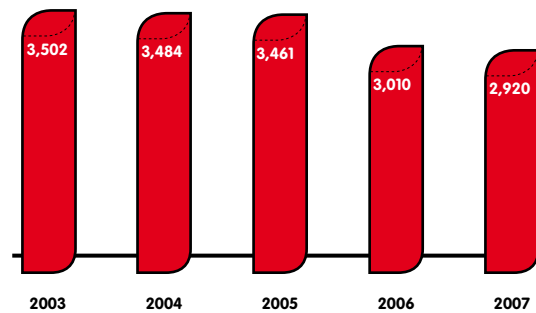
Investment in the Environment
(R\$ million)



Number of Customers
(thousand)

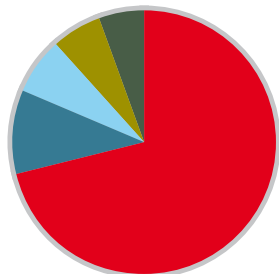


Number of Employees



Distribution of Value Added

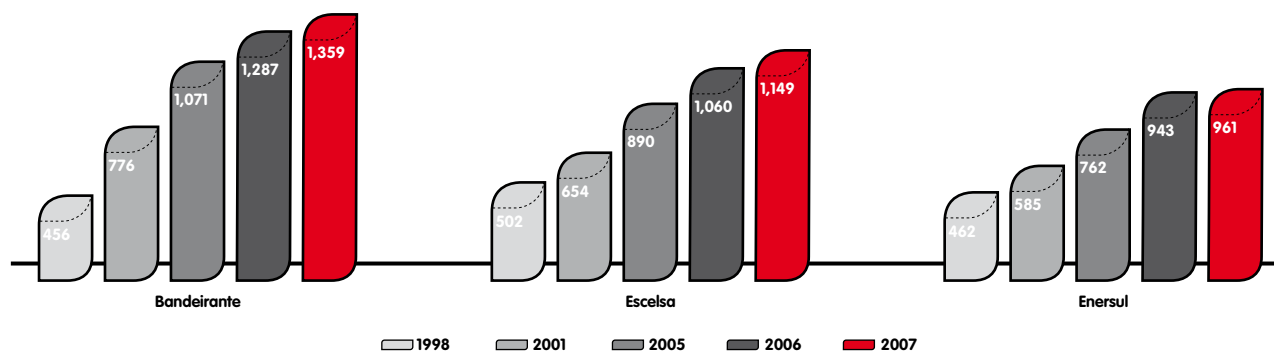
GRI
EC1



- Government and Society - 70.8%
- Financial institutions - 10.3%
- Employees - 7.0%
- Retained earnings - 6.2%
- Shareholders - 5.6%

Productivity

(number of customers/employee)



Message from the Board of Directors

GRI
1.1

The year of 2007 represented an advance to Energias do Brasil for its sustainable growth. The company's development is based on the three strategic business pillars of the EDP Group - focused growth, controlled risk and superior efficiency - allowing us to continue to be a benchmark in creating value for shareholders.

In Brazil, we reinforce the vision of focused growth by prioritizing generation, especially renewable sources of energy, certain of our ability to perform at a time when everyone is looking for alternatives to growth in the electrical energy generation capacity of Brazil.

We are currently studying a number of locations for mini and medium-sized hydroelectric power plant projects. To be able to keep up with demand in the coming years, in 2007 we announced investments in the Pecém Thermoelectric Plant, in the state of Ceará, with an installed capacity of 720 MW.

We challenge the entire organization to improve levels of efficiency by involving top management and instilling a sense of exigency in the teams. The Vanguarda Opex project is underway in all the Group's companies and involves hundreds of employees. It is not just a cost saving project, but rather a way to consolidate a culture of value creation.

The year 2007 was also marked by some regulatory changes, whose progress, we hope, will form a clear and solid basis for the growth of Energias do Brasil distributors. The stability of the rules of the game and a long-term vision, with incentives for investment and continuation of the high levels of service quality, are fundamental.

This integrated vision for the company and its practices ensure that Energias do Brasil shares remained in the Corporate Sustainability Index (ISE) of the São Paulo Stock Exchange for the second year running. The ISE selects companies known for their commitment to social responsibility and corporate sustainability. We had already strengthened this commitment in 2006 by joining the Global Compact, a challenge for companies the world over to support and carry out ten sustainable development principles in the areas of human rights, labor practices and the environment.



In the same vein, we created the Energias do Brasil Institute to centralize and harmonize social, environmental, educational and cultural activities of the holding company and its subsidiaries. We also introduced the Sustainability Channel, a place on the web where we welcome suggestions, questions and criticisms from all publics regarding the work we do.

The opportunities for growth that we envision in the Brazilian market are accompanied by the challenges to follow our strategy. We appreciate the support that we have received from shareholders, employees, clients, vendors and communities surrounding operations, certain that we remain firm in our objective of creating value.

António Mexia
Chairman of the Board of Directors

Message from the Management Board

In 2007, Energias do Brasil continued expanding its business and consolidating its position as a benchmark company in the Brazilian energy market. Our business has grown, propelled by a favorable economic environment with GDP growth rates of over 5%, in addition to price stability and increased employment, income and energy consumption rates. Our power generation capacity has increased by 25 MW with the new São João SHP (Small Hydroelectric Power Plant); to a total of 4,704 GWh (an increase of 19.7% over 2006), energy distributed to regulated market clients increased 4.5%, to 25,029 GWh, and commercialization in the free market rose by 7.2%, to 7,188 GWh.

Net revenue for 2007 was R\$ 4,513 million, 13.3% higher than 2006. Our performance was affected by the adjustment of Enersul's Regulatory Asset Base (RAB), which was established in 2003 and approved in 2006. This change resulted in an impact of R\$ 183.1 million, fully accounted in the fourth quarter. Net income in 2007 grew 11.6% to R\$ 440 million over the previous year.

We took an important step this year toward increasing our generation capacity with the decision to invest in the construction of the Pecém thermoelectric plant in Ceará, with an installed capacity of 720 MW. Part of this energy - 615 MW - was already sold at an auction held in October, with plant operations scheduled to begin in early 2012.

We have enhanced internal controls and risk management systems by developing a Portal that centralizes all information on factors that may potentially impact results. It is a tool that will help us disseminate risk management culture to all levels of the Organization.

In our quest for greater efficiency, we have linked System Operation Centers for the three distribution companies to enable the remote management of energy supply for our 10 million consumers. We have gained speed and flexibility, achieved synergies and reduced operational risks. We have also made progress with the Vanguarda Project for optimizing cost at all levels. This will assist us in achieving our goal of becoming a benchmark in efficiency and quality among Brazil's energy companies.

I congratulate the previous Management Team, who was responsible for all these results - particularly the CEO Antônio Martins da Costa - for all the efforts in leading the Energias do Brasil Group since its IPO.

Once the IPO and the respective corporate reorganization are complete, Energias do Brasil will commence new development cycle. This cycle will be marked by the appreciation of the Company and internally by the motivation and rallying of the entire organization around the primary goal.

We will concentrate on five priorities during this new cycle, as announced to all our employees:

1. Human capital and culture

Energias do Brasil has 2,920 employees. We are a big family. We will strengthen our unique culture that shares the values of the EDP Group and also makes us stand out in our market. We will become a fairer, more open, ambitious, innovative and better Company, with strong team spirit, capable of developing the talents that all of us have and motivating us to always excel.

2. Growth and new opportunities

Our recent history shows that we are able to expand our business by taking advantage of opportunities to increase our assets. We want to continue to strengthen the value of our stock, which today is close to R\$ 4 billion, by essentially growing in the traditional generation sector (hydro and thermoelectric) and in new forms of energy. In this field, we stress the central role that biomass and wind power will play. They will become part of the energy solution for Brazil in the future. This importance will be reflected in the creation of a strategic area dedicated exclusively to this activity.

3. Clients and innovation

We have more than 3 million end customers at Bandeirante, Escelsa and Enersul. We sell 7.2 TWh/year in the spot market through Enertrade. We hold an important position in the Brazilian distribution and sales sectors. In these areas, we are dedicated to the excellence of our services and the satisfaction and loyalty of our clients. Innovation will be a main feature of our service culture.

4. Costs and efficiency

The Vanguarda Project, which is aimed at achieving cost reductions, brought savings of R\$ 41.6 million in 2007. We will continue to pursue improvements in operational efficiency, especially in the Distribution sector. By saving, eliminating waste and increasing efficiency, we will generate wealth and add value to our business.

5. Community and social responsibility

Today, Energias do Brasil owns facilities in four Brazilian states and, through Enertrade, does business in every corner of Brazil. Our activity is vital to Brazil's economy. We are aware of the importance of the service we provide and we want to continue being active agents of change in the communities where we are present. Our sponsorship of social responsibility, cultural, art and sporting events will grow, reinforcing society's recognition of our role as a corporate citizen.



Our goal is to create value for all shareholders and investors, assist communities where we are present, satisfy our clients and motivate our human capital, our people. These are permanent challenges that encourage us to excel.

Antônio Pita de Abreu
CEO

Engagement of Stakeholders

According to its sustainable development principles, Energias do Brasil establishes policies and processes with a view to ensuring a transparent, proactive, two-way, ethical relationship with all its strategic publics.

GRI
4.14; 4.15;
4.16; 4.17

The company provides different communication channels for these groups and offers periodic information on its economic, social and environmental performance. But it also ensures that the demands, suggestions and criticisms presented will be forwarded to the appropriate areas and that those making requests will be served quickly and efficiently.

In 2007, the Group reinforced its position by introducing nine policies that were announced to all employees and published on the Internet and the Intranet of Energias do Brasil and companies of the Group. The new policies serve as complements to the Code of Ethics and the ten principles of the Global Compact. They are: Sustainability; Anti-Discrimination, Sexual Harassment; Fight Against Child and Slave Labor; Fight Against Corruption and Bribery; Environment; Health and Safety; Labor Union Relations; Diversity Appreciation; Communication and Intangible Assets.

Another important initiative for the year was the creation of the Energias do Brasil Institute, whose objective is to promote dialogue with all stakeholders, ensuring a balance between social, environmental, educational, cultural, social assistance, local development and volunteer activities sponsored by the company in the locations in which it operates.

The creation of the Sustainability Channel, a place on the Group's Intranet and the Internet, disseminates a culture of sustainability to all strategic publics. The annual publication of the sustainability report is another accountability tool.

Materiality of sustainability issues

In 2007, Energias do Brasil also conducted a structured mapping process and consulted the strategic publics of the Company by selecting, identifying, prioritizing and dialoging with stakeholders, through activities that include training, guidance and internal workshops, and consolidation of the results from interviews and questionnaires.

The activities carried out follow the guidelines and principles of GRI G3, which refer to a process of stakeholder engagement, with the objective of building a materiality matrix and defining relevant issues to be addressed in the annual report.

Involved in this process were Energias do Brasil companies, with the participation of 69 employees, top management and stakeholder group representatives determined by the company. Throughout the project, the Company relied on the support of BSD Consulting.

In the materiality matrix, the subjects were classified according to their importance to Energias do Brasil management (leadership vision) and with the relevance in the view of the stakeholders (external and employees). The data were treated and presented in a corporate form, taking into account the scope and boundaries of the Company's sustainability report.

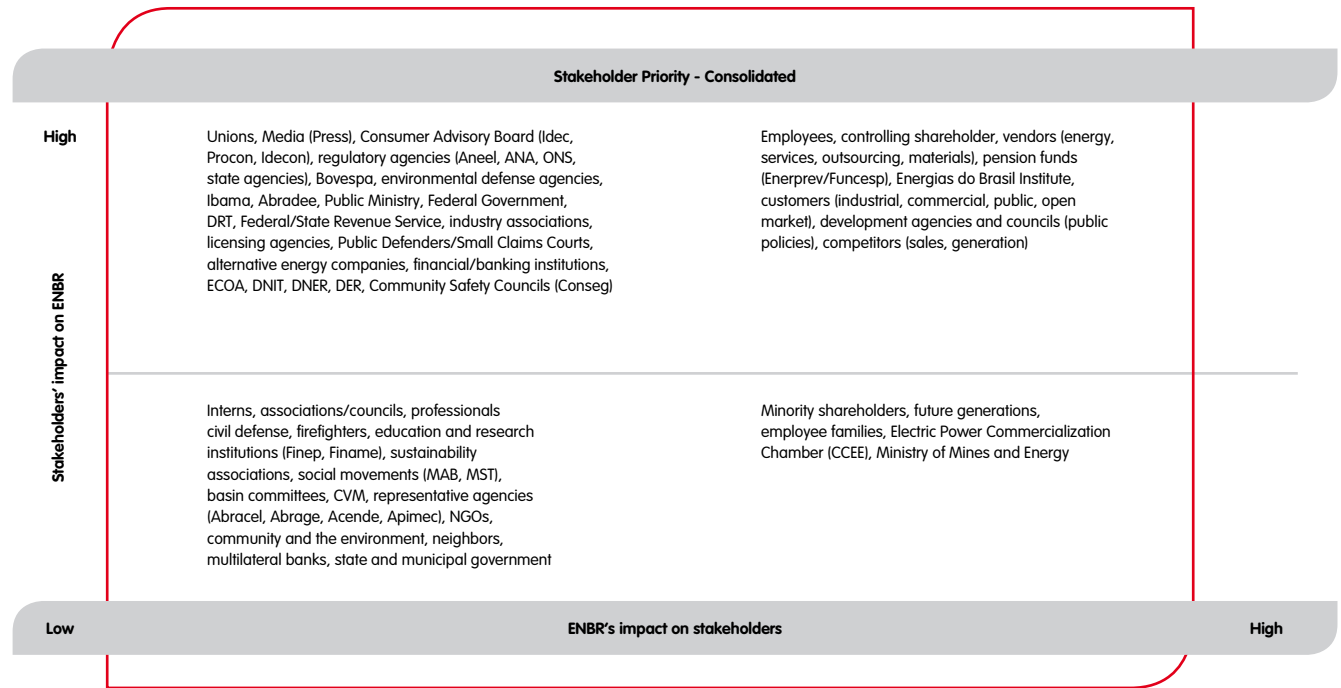
ENBR's initiative in conducting these activities reflect the importance given to the Company's sustainability report and certainly contributed to the quality of the process of developing and defining content.

Energias do Brasil materiality matrix

The Energias do Brasil materiality matrix was created to reconcile the perception of the Company on the current and future impact of sustainability issues and the expectations of stakeholders on the Company's sustainability issues.

Four criteria were used to classify the relevance of subjects: very high, high, medium and low. The scoring of these criteria allowed for their consolidation, taking into account the representativeness of participating strategic stakeholders and Company leadership.

The results of the materiality of sustainability subjects are presented according to their positioning on the matrix topics; quadrant topic view; subject classification table; and stakeholders' comments.

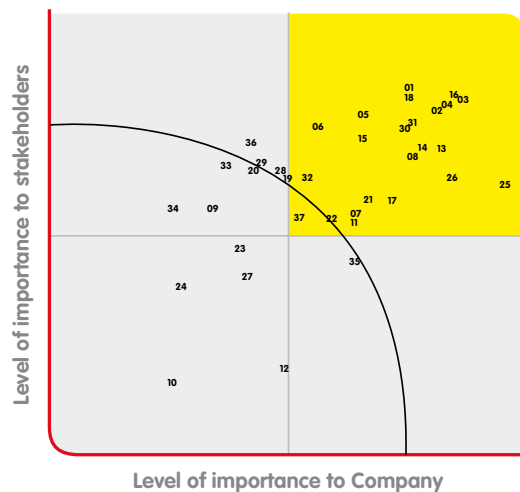


The presentation of these different formats provides a broad view on the materiality of topics. The evaluation of materiality cannot be considered a criterion with scientific value, but rather dynamic criteria subject to subjective viewpoints that allow the company to focus better on its management activities and sustainability.

The subjects are presented on a matrix with a numerical reference, as in the table shown next to the chart.

The subjects positioned in the upper right-hand quadrant are those with the highest impact on ENBR sustainability; those in the upper left-hand quadrant above the line also represent issues of great importance to the Company and/or stakeholders; the others, below the line, are less important.

Materiality Matrix



SUBJECTS

CORPORATE GOVERNANCE

- 01 - Bribery and corruption
- 02 - Fraud

ENVIRONMENT

- 03 - Legal compliance
- 04 - Environmental management
- 05 - Conservation
- 06 - Biodiversity
- 07 - Climate Change

HUMAN RESOURCES

- 08 - Training and development
- 09 - Diversity
- 10 - Overtime

OUTSOURCING

- 11 - Compensation
- 12 - Outsourcing

STRATEGIC PLANNING

- 13 - Alternative sources of energy
- 14 - Energy efficiency
- 15 - Conscientious consumption

CLIENT RELATIONS

- 16 - Client satisfaction
- 17 - Tariffs
- 18 - Customer service

MARKET AT THE BASE OF THE INCOME PYRAMID

- 19 - Universalizing access to electricity
- 20 - Subsidized "social" tariff

COMMUNITY RELATIONS

- 21 - Regularization of illegal connections
- 22 - Social investment
- 23 - Sponsorship of cultural activities

PUBLIC REGULATION

- 24 - Volunteering
- 25 - Compliance with contract terms
- 26 - Fines

HUMAN RIGHTS

- 27 - Indigenous rights
- 28 - Child labor
- 29 - Forced labor

HEALTH AND SAFETY

- 30 - Accident rate/Internal safety
- 31 - Public grid safety
- 32 - Protected network

EMISSIONS

- 33 - CO₂
- 34 - Other atmospheric emissions

ECONOMIC IMPACTS

- 35 - Payment of taxes
- 36 - Creating employment
- 37 - Supplier development

With this set of actions, Energias do Brasil works to engage all its audiences in the sustainable promotion of its activities and to encourage the adoption of social responsibility practices and citizenship.

The main mechanisms for communication and engagement for each group of stakeholders are:

Public	Subgroups	Activities
Shareholders	Shareholders (controlling and minority) São Paulo Stock Exchange (Bovespa)	The Company holds periodic meetings (monthly/quarterly), disclosing information relevant to the business, results and market positioning. Quarterly sustainability reports are presented to the majority shareholder (Energias de Portugal), with accompanying economic, environmental and social indicators of the Group companies in Brazil.
Internal audience	Direct and outsourced employees Employee family members Labor Unions	The Company promotes awareness raising activities for social responsibility, citizenship and the environment, ensuring alignment with the Group's sustainability principles in day-to-day activities. It holds climate surveys, and channels are offered for sustainability, communication and to report code of ethics violations. It supplies clear information and ensures ethical treatment of unions.
Customers	Customers (industrial, commercial, government and spot) Consumer Advisory Board Competitors (sales and generation) Electric Power Commercialization Chamber (CCEE)	The Company provides specific channels to serve customers, which respect social, economic, regional and cultural differences. It maintains a call center service, service agencies and specific departments for receiving suggestions and complaints from the sites of the companies of the Group. It carries out periodic research on customer satisfaction.
Society	Communities surrounding Group companies NGOs and social organizations Industry associations (Abracel, Abrage, Acende, Apimec) Educational and research institutions Cultural institutions Mass Media	The Company promotes engagement of communities through social, cultural and environmental programs. It monitors social projects and establish specific communication channels with communities served. It conducts public surveys on its enterprises and develops a proactive and ethical relationship with the mass media and the local, regional and national press.
Suppliers	Energy, services and material and outsourced suppliers	In addition to the clauses with socio-environmental and human rights criteria for the hiring of services and products set out in the Groups sustainability policies, these audiences are encouraged to expand on these concepts in their businesses and support or develop initiatives to promote sustainability.
Government	Regulatory agencies (Ministry of Mines and Energy; National Electric Energy Agency - Aneel; National Water Agency - ANA; Brazilian Association of Electric Energy Distributors - Abradee; state agencies) Developmental agencies and councils (public policies) Environmental defense agencies, Ministry of the Environment, Ibama Public Ministry, Federal Revenue Service	The Company complies with all norms established by the governmental agencies for its business and is engaged as an active partner in serving the needs of society. It supports and/or carries out projects in partnership with municipal, state and federal governments, with a view to promoting sustainable development in the communities where it operates and, more broadly, by joining forces to build a more prosperous country with opportunity for all.

Commitments

GRI
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In 2006, Energias do Brasil joined the United Nations Global Compact, an initiative directed at the corporate community to address fundamental values in Human Rights, Labor and Fighting Corruption.

The participation of Energias do Brasil in this compact reinforces its aim of following the path of sustainability and its commitment to supporting its principles by not only complying with them, but also advocating them. This commitment was reaffirmed in 2007 with the delivery, by the Company, of the Communication on Progress (COP), a document that ratifies its pledge.

This year the Group launched nine policies that reinforce this position: Sustainability; Anti-Discrimination, Sexual Harassment; Fight Against Child and Slave Labor; Fight Against Corruption and Bribery; Environment; Health and Safety; Labor Union Relations; Diversity Appreciation; Communication; and Intangible Assets. These documents were distributed to all employees and are available on the Internet and on the Company Intranet.

In 2007, the Group also joined the Business Pact for Integrity and Against Corruption. It is an initiative created by the Ethos Institute for Companies and Social Responsibility (Uniethos), Patri Governmental Relations and Public Policy Consultancy, United Nations Development Program (UNDP), United Nations Office on Drugs and Crime (UNODC), World Economic Forum and Brazilian Global Compact Committee, with the support of Brazilian Advertising Agencies Association (Abap) and the Ford Foundation. This is a voluntary commitment made by companies in an effort to improve business ethics.

In January 2007, the Group joined the World Business Council for Sustainable Development (CEBDS), and, in May, sealed a partnership with the Akatu Institute, an NGO established to raise

awareness and promote the conscientious consumption of Brazilian citizens. CEBDS is part of the World Business Council for Sustainable Development - WBCSD network, an alliance of top executives from 200 leading companies worldwide, created to promote environmental excellence and principles of sustainable development.

The 10 Principles of the Global Compact

Human Rights

1. Businesses should support and respect the protection of internationally proclaimed human rights.
2. Make sure that they are not complicit in human rights abuses.

Labor Standards

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. The elimination of all forms of forced and compulsory labor.
5. The effective abolition of child labor.
6. The elimination of discrimination in the workplace.

Environment

7. Businesses should support a precautionary approach to environmental challenges.
8. Undertake initiatives to promote greater environmental responsibility.
9. Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

10. Businesses should work against corruption in all its forms, including extortion and bribery.

Corporate Governance

Energias do Brasil's commitment to the best practices in its relationship with its audiences has led it to adopt corporate governance characterized by transparency, expanded shareholder rights, accountability and full disclosure of information. In order to strengthen this model, since July 2005, the holding company only issues common voting stock listed on the Bovespa Novo Mercado - a select group of companies that have undertaken additional governance commitments beyond what is legally required of publicly-held companies.

In recognition of its performance, Energias do Brasil was one of only eleven companies with high levels of corporate governance on the Bovespa that provide organized information to shareholders prior to general meetings. The survey conducted by Previ (Banco do Brasil employee retirement fund) analyzed approximately 150 companies listed in these segments.

The best practices include:

- Extension of tag along rights to all (including public offering of share acquisition from transfer of control, for the same price paid per share to controlling block);
- Distribution of dividends of, at least, 40% of adjusted profit (as compared to the 25% established in legislation);
- Full disclosure of quarterly information, including cash flow;
- Independence and qualification of members of Board of Directors;
- Conflict resolution between shareholders through the Arbitration Chamber, which serves as a safe, quick and specialized alternative;
- Code of Ethics subscribed to by all active employees;
- Share Trading and Information Disclosure Policies.

GRI
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Board of Directors

The Board of Directors is composed of nine members, including two executive directors, four independent directors, from which two appointed by minority shareholders. They are elected at the General Stockholders' Meeting to a one-year mandate and can stand for reelection. The Board is responsible for setting policies and general business guidelines, including long-term strategies. It also appoints Management Board members and oversees their performance, in addition to the carrying out the activities defined by law and in the Company's Articles of Incorporation.

Their work is governed by specific regulations, which establishes evaluation policies for the Board of Directors and its members. Ordinary meetings are held each quarter and, extraordinarily, whenever necessary. In 2007, four ordinary and six extraordinary meetings were held. Overall compensation for board directors is approved at the General Shareholders' Meeting - separately from the compensation for executive management - and totaled R\$ 1 million for the period of April 2007 to March 2008. There are no structural processes for qualifying Board members or for the self-evaluation of their performance.

Board member independence follows the definition by the Brazilian Corporate Governance Institute (IBGC): member should have no link to the company, except as an occasional owner of stock; should not be a controlling shareholder, member of the controlling group, spouse or relative less than twice removed, or be linked to organizations related to the controlling shareholder; should not have been employed or an officer of the company or of a subsidiary; should not be supplying or selling, directly or indirectly, services and/or products to the company; should not be an employee or officer of an organization that is offering services and/or products to the company; should not be a spouse or relative less than twice removed of an officer or manager of the company; and should not receive any compensation from the company, except for board fees (dividends from occasional owning of shares are excluded from this restriction).

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Management Board

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The Management Board is comprised of six members elected by the Board of Directors to a three-year mandate. It is responsible for managing business and carrying out necessary or convenient actions, as well as executing the resolutions of the Board of Directors. Executive Board compensation takes into account the achievement of economic, environmental and social targets and is put forward by the Board of directors at the General Shareholders' Meeting, which in 2007 approved the overall amount of R\$ 4,500,000.00 for the period of April 2007 to March 2008.

Changes were made to the Management Board as of January 2008 when Antônio da Costa, CEO since 2003, was appointed Chairman and CEO of Horizon Wind Energy, a recent EDP acquisition in the United States. Custódio Alexandre Rouxinol Miguens and Antônio Eduardo da Silva Oliva, respective vice presidents for Generation and the Environment and Distribution and Technical Services, also took on other positions within the EDP Group in Portugal.

New composition of the Management Board

CEO: Antônio Manuel Barreto Pita de Abreu;

CFO and Vice President of Investor Relations: Antonio José Sellare;

Vice President of Generation: Carlos Alberto Silva de Almeida e Loureiro;

Vice President of Distribution: João José Gomes de Aguiar;

Vice President of Commercialization: Miguel Nuno Simões Nunes Ferreira Setas;

Vice President of Management Control: Miguel Dias Amaro.

Advisory Committees

In early 2008, the Board of Directors decided to eliminate the Supervisory Committee and maintain the other three committees: the Audit Committee, Compensation Committee and the Sustainability and Corporate Governance Committee. They are responsible for advising the Board of Directors in their deliberations on the materials presented. They are made up exclusively of three directors, which can request information and suggestions from the members of the Management Board or members of the Company's management.

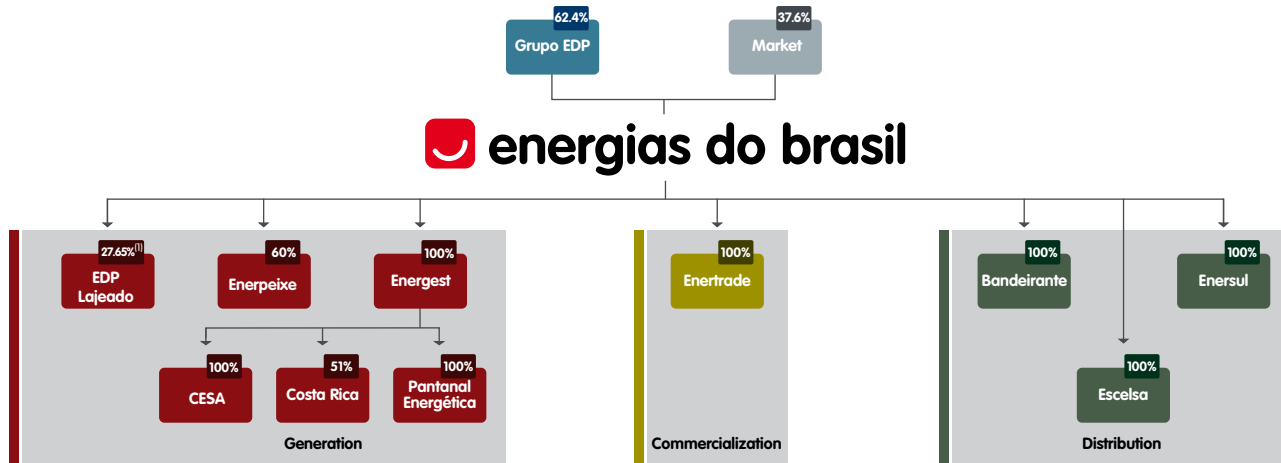
Audit Committee - Is responsible for monitoring and assessing internal and external audit activities, analyzing business risks and following accounting practices and information transparency standards. It is a permanent committee that also establishes procedures for receiving, filing and responding to complaints received by the Energias do Brasil Communication and Reporting Channel. The committee is composed of three members: an independent director (Francisco Gros, who also holds the position of Committee Chairman), a director named by the controlling shareholder (Nuno Alves) and a director named by the minority shareholders (Francisco Pitella).

Sustainability and Corporate Governance Committee - This permanent committee is entrusted with the continuity of the organization by embracing sustainability and taking a long-term view that incorporates social and environmental considerations into business and operating decisions. It must also ensure the adoption of the best corporate governance practices along with the highest ethical principles to increase corporate value, facilitate access to low cost capital and contribute to the company's future. Among its main functions is the proposing of the assessment method for the Board of Directors and its members, and the analysis and monitoring of business between subsidiaries. The president of the Committee is an independent board member (Pedro Malan), and the other two members are Ana Maria Fernandes, representing the controlling shareholder, and Modesto Carvalhosa, named by minority shareholders.

Compensation Committee - A non-permanent joint consulting committee entrusted with assisting the Board of Directors in resolutions related to compensation policies for Energias do Brasil and its subsidiaries. Two of its members are named by the controlling shareholder (Antônio Mexia, who is Committee Chairman, and Nuno Alves). The other member is independent (Pedro Malan).

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Shareholder Structure



GRI 2.4

Legend
% of total capital

⁽¹⁾Voting capital of Investco and represents the percentage that Energias do Brasil owns of energy produced. Energias do Brasil owns 23.05% of its total capital.

Code of Ethics

The Code of Ethics guides the relationship activities of Energias do Brasil S.A. and its subsidiaries with their internal and external publics. It establishes transparent, honest and principled conduct that complies with legislation, respects human rights, nondiscrimination, equal opportunity and prohibits bribery and corruption.

On the Company's page on the Internet (www.energiasdobrasil.com.br), on the "Contact Us" link, there is a channel for communication and complaints where shareholders, employees, clients and vendors, as well as other stakeholders can report conduct they believe incompatible with the principles of the Code of Ethics for the Group. These individuals do not have to identify themselves, to ensure anonymity for those who wish to preserve it. The procedures for receiving, retaining and addressing complaints received through this channel are defined by the Audit Committee.

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This channel, as is also the case for the members of the Board advisory committees and department of Investor Relations, is a place where anyone can make recommendations to the Board of Directors.

Corporate Policies

The Company's relationship with capital markets is based on two policies that are in line with the best governance practices: the Information Disclosure and Confidentiality Policy and the Share Trading Policy. Both were adjusted in 2007 to bring practices into line with Instruction CVM 449, dated March 15, 2007.

The Disclosure Policy applies to anyone who has material information, establishing rules for secrecy and confidentiality and attributing direct and subsidiary responsibility for disclosure of material information by the director of Investor Relations and to those who receive personal knowledge of the material fact, respectively.

The Share Trading Policy establishes parameters and limits for trading Company securities, to prevent the use of material information to obtain unfair advantage in the stock market.

During the year, other corporate policies were also enacted, with the aim of improving governance and sustainability standards. These policies address: Sustainability; Communication;

GRI 4.6

Environment; Occupational Health and Safety; Labor Union Relations; Fight Against Corruption and Bribery; Fight Against Child and Slave Labor; Anti-Discrimination, Sexual Harassment; Diversity Appreciation; and Intangible Assets.

Independent Auditors

In compliance with CVM Instruction no. 381, dated January 14, 2003, regarding the need for Audited Entities to provide information on other services provided by its independent auditors in addition to the external audit, the Company reports that services provided during the 2007 fiscal year by its independent auditors were limited to the independent audit of the financial statements.

Investor Relations

Investor Relations manages the relationship with capital markets. During the year, various meetings were held with market professionals and analysts and four teleconferences for disclosure of quarterly results, initiatives recognized with the Apimec Seal, from the Association of Capital Market Analysts and Professionals, which attests to the diligence of the Group in its meetings with the market. On the Internet, there is a page for Investor Relations, with up-to-date information on the business as well as economic and financial performance.

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Board of Directors

Antônio Luis Guerra Nunes Mexia - Chairman of the Board of Directors of Energias do Brasil since March 2006, and also chairman of the Executive Board of Directors for EDP - Energias de Portugal. In Brazil, he also presides over the companies Compensation Committee. With a successful career in the Portuguese energy sector - he was president of the Portuguese Energy Association for 10 years, from 1992 to 2002, in addition to being a top executive at companies like Galp Energia and Transgás - career highlights also include his post, of July 2004 to March 2005, in the Ministry of Public Works, Transportation and Communication in Portugal. In academics, he stood out as a professor in post graduate studies in European Studies at the Catholic University, from 1985 to 1989, and as an assistant in the Economics Department at Geneva University, from 1979 to 1991.

Antônio Manuel Barreto Pita de Abreu - Board member and CEO as of January 8, 2008. He has a degree from the Technical University of Lisbon and has worked in the electric energy sector since 1977. He is also the executive administrator of EDP S.A. and administrator of Hidrocantábrico Energia. In addition, he is president of ELECPOR - Portuguese Association of Electrical Sector Companies, vice president of the Portuguese Energy Association and a member of the Board of Directors of the Union of the European Electricity Industry (Eurelectric). He previously held various executive management positions in companies in the electrical sector. He was President of REN, National Electrical Grid of Portugal, and EDP Generation, Vice President of EDP Distribution and EDP Sales. As executive administrator of EDP, he was responsible for Regulation, Human Resources and the Distribution of Energy.

Ana Maria Machado Fernandes - Board member since March 2006 and member of the Sustainability and Corporate Governance Committee. Mrs. Fernandes received a degree in Economics from the Porto School of Economics in 1986, was director of Strategic Planning and M&A of Gás de Portugal, reporting directly to the CEO of the company, administrator of Transgás S.A. and Galp Energia, SGPS, SA, and president and CEO of Galp Power, SGPS, SA. She also possesses a solid academic education, completing an MBA from the University of Porto in 1989, and, in the same year, a graduate degree in Finance, from the Porto School of Economics, where she was also assistant chair of Analytical Accounting and Financial Analysis from 1989 to 1991.

Antonio José Sellare - Board member since September 2005, Executive Vice President of Finance and Investor Relations, as well as sitting Board Member for the companies Bandeirante, Escelsa, Enersul, Energest, Enerpeixe, EDP Lajeado and Enertrade and substitute member for Investco S.A. He holds a degree in Business Administration from PUC of São Paulo, accumulating experience in financial institutions by working in administrative and accounting departments, investment fund management, stock market operations and derivatives, risk management, treasury management and financial product modeling.

Francisco Carlos Coutinho Pitella - Board member since April 2007. He is head of Investor Relations for GTD Participações S.A., a company with investments in EDP - Energias do Brasil S.A. Chairman of the Investment Committee for the Energia PCH Equity Investment Fund. Chairman of the Board of Directors and General Director of Juruena Participações e Investimentos S.A., a company with

investments in SHPs in the State of Mato Grosso. It represents the Trading Companies Marc Rich Investment Ag, Stratton Metals Ltd. and Trafigura AG in the import and export of minerals and metals. He was member of the Board of Directors and Fiscal Board of Escelsa and Enersul. He was director of Vale do Rio Doce Alumínio S.A., member of the Board of Directors of the companies Valesul Alumínio S.A. and Mineração Rio do Norte S.A. and of the Advisory Boards of Albras - Alumínio Brasileiro S.A. and Alunorte - Alumina do Norte do Brasil S.A. He was General Director for South America for the trading companies Aioc Corporation and Marc Rich Investment AG. He received his Civil Engineering degree from the National Engineering School at UFRJ.

Francisco Roberto André Gros - Independent board member since September 2005 and chairman of the Audit Committee. He still chairs the Board of Directors at Wilson Sons, and is deputy chairman of the Board of Directors at Globex Utilidades S.A. He is a member of the Board of Directors at OGX Petróleo e Gás, Lojas Renner, Fosfertil, Wellstream, AGCO and the The Nature Conservancy (Brazil). He is also a member of the Advisory Board of the following companies: Scania Latin America Ltda. and Banco Financia S.A. He holds a degree in Economics from Princeton University (USA), he was CEO of Aracruz Celulose, the Brazilian Central Bank (twice), Petrobras and BNDES. Mr. Gros is also a sitting member on the Energy Crisis Management Chamber and responsible for the Electrical Sector Renewal Committee.

Modesto Souza Barros Carvalhosa - Board member since September 2005 and member of the Sustainability and Corporate Governance Committee. Mr. Carvalhosa is also a member of Board of Trustees for the Federal University of São Carlos and the Padre Anchieta Foundation, of the Board of Directors for Companhia Melhoramentos de São Paulo and of the São Paulo Stock Exchange Arbitration Chamber. He holds a degree in Law from the University of São Paulo and a doctorate in Commercial and Economic Law from USP, he was professor of Commercial Law at USP, legal consultant for the São Paulo Stock Exchange, President of the Court of Ethics of the Brazilian Bar Association (OAB) - São Paulo Section and member of the Constitutional Commission for the OAB.

Nuno Maria Pestana de Almeida Alves - Board member since March 2006 and member of the Audit and Compensation committees. Despite studying ship building and engineering at the University of Michigan, in 1980, Mr. Alves pursued a career in management and finance. At the same university where he received his engineering

degree, he also received his Master's in Business Management, in 1985. Three years later, he began his career as a specialist in directing studies and planning at the Banco Comercial Português. He built his career at the institution, where he held various positions until becoming chairman of the Board of Directors, in 1999, of CISF Dealer (investment arm of Banco Comercial Português), and, in 2000, the position of Administrator for Pelouros de Tesouraria e Mercado, now called Millennium BCP Investimento (formerly Banco CISF).

Pedro Sampaio Malan - Board member since September 2005. Currently holds the position of Chairman of the Board of Directors at Unibanco, Chairman of the Board of Directors at Globex-Ponto Frio, and member of the Advisory Board for Alcoa Alumínio S.A. Mr. Malan is an economics professor at PUC-RJ and author of dozens of publications on Brazilian and international economics, published in Brazil and abroad. He was Minister of Finance for eight years, from 1995 to 2002, and president of the Brazilian Central Bank, from 1993 to 1994. He was a special consultant and chief negotiator for Foreign Debt Affairs for the Ministry of Finance from 1991 to 1993; executive director of the World Bank, from 1986 to 1990 and 1992 to 1993; Executive director of the Inter-American Development Bank from 1990 to 1992; director of the United Nations Center on Transnational Companies, from 1983 to 1984; director of the United Nations Department of Economics and Social Affairs in New York, from 1985 to 1986. He earned a degree in electrical engineering from the Polytechnic School of PUC-RJ in 1965, and holds a Ph.D. in economics from the University of Berkeley.

Management Board

Antônio Manuel Barreto Pita de Abreu - CEO as of January 8, 2008. See biography in Board of Directors.

Antonio José Sellare - Executive vice president of Finance and Investor Relations since September 1, 2000. See biography in Board of Directors.

Carlos Alberto Silva de Almeida e Loureiro - Executive Vice President of Generation as of January 8, 2008, after serving as vice president of Commercialization since January 2003. Mr. Loureiro is deputy chairman of the Board of Directors at Enerpeixe and member of the Board of Directors at Coelce. He was commercial director at Bandeirante Energia and director of Commercial Systems Management at EDP - Distribution. He studied electro-technical



Antonio Sellare - Executive Vice President of Finance and Investor Relations, **Carlos Loureiro** - Executive Vice President of Generation, **Miguel Amaro** - Executive Vice President of Management Control, **António Pita de Abreu** - CEO, **Miguel Setas** - Executive Vice President of Commercialization, **João Aguiar** - Executive Vice President of Distribution

engineering at the University of Porto, and business administration (Pade) at the School of Business Administration (Aese). He has held various positions in the Association of Engineers of Portugal and in the European Association of electro-technical Engineers (Eurel), which he presided over. In Portugal, he was very active in politics. He has served as City Councilman in Coimbra, vice president of the coordination commission of the Central region, civil governor of the district of Coimbra, state secretary of construction and roadways (Ministry of Public Works, Transportation and Communication), President of the coordination commission of the Central region and state Secretary of internal administration (1991 to 1995), in addition to holding other positions.

João José Gomes de Aguiar - CEO of Bandeirante Energia and vice president of Energias do Brasil since March 2005. With a long career in the EDP Group, where he has worked since 1979, he has held many executive management positions in various companies of the holding, including CPPE (Companhia Portuguesa de Produção de Electricidade) and EDP Distribution, where he served as vice president. Mr. Aguiar is an electrical engineer with a graduate degree in Energy Economics, he was a visiting professor at the Technical University of Lisbon and vice president of the Portuguese Energy Association.

Miguel Dias Amaro - Executive vice president of Management Control as of January 8, 2008. Mr. Amaro holds a degree in mechanical engineering from the Superior Institute of Engineering of Lisbon (IseI), he was previously director of Corporate Internal Auditing at Portugal Telecom (PT), from October 2003 to December 2007.

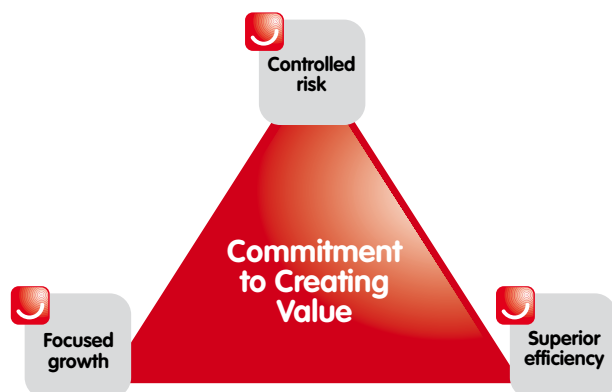
Before his work at PT, where he was also adviser to executive president Miguel Horta e Costa, in 2003, he worked as a financial analyst in the telecommunications sector at Espírito Santo B&M, in Madrid, from 2000 to 2002, and as an aide to the State Secretary of Treasury and Finance of Portugal, from November 1999 to September 2000.

Miguel Nuno Simões Nunes Ferreira Setas - Executive vice president of Commercialization. Mr. Setas began his career as a consultant at McKinsey & Co. and has worked in the energy sector since 1998. He joined the EDP Group in 2006. He was an administrator of EDP Sales, EDP Innovation, Portgás and the EDP Foundation. He holds a degree in physical engineering and a Master's in electrotechnical and computer engineering from the Superior Technical Institute in Lisbon. In 1996, he earned his MBA from the New University of Lisbon. At the Galp Energia Group he was director of strategic marketing and administrator of Lisboaagás. He was also administrator of CP - Comboios de Portugal and president of CP Lisboa.

Corporate Strategy

To reach the goal of becoming a benchmark company in the Brazilian energy market, Energias do Brasil is committed to creating value with sustainability by basing its decisions on three pillars: focused growth, controlled risk and superior efficiency.

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The Company uses the Balanced Scorecard (BSC) management tool to translate strategy into action plans developed on four fronts: financial; the customers' point of view; in-house learning; and growth. This entire process is based on three factors: seeking innovation focused on the value chain, integrating sustainability into the business and ensuring continuous management quality enhancement.

Focused growth

The Company aims to become one of the strongest and well-rounded operators in Brazil in the eyes of the market. To attain this goal, the organization seeks to grow its portfolio of business, giving priority to generation, as well as expanding sales of energy and commercialization services and meeting the growing distribution market demand. Investment in human capital is focused on creating value through education and professional growth.

Controlled risk

To ensure shareholder value creation, the Company strives to maintain a high level of corporate governance and sustainability, which involves keeping market, financial and regulatory risks under control. The Company relies on strategically aligned management systems and enhanced internal and external communication processes.

Superior efficiency

Pursuing the goal of increasing the quality and efficiency of its operations, the Company's programs follow strict investment discipline and seek to maximize operational efficiency and ensure continuous management quality enhancement. The achievement of this pillar also involves strengthening company and Group brands, as well as promoting a culture aimed at value.

Priorities

Five aspects are considered key to executing the strategy:

- 1. Human capital and culture** - Strengthen the Group's culture by sharing EDP values in order to excel in market performance and become a fairer, more open, ambitious and innovative company with strong team spirit, capable of nurturing talent and motivating its employees.
- 2. Growth and new opportunities** - Reinforce the value of shares traded in the São Paulo Stock Exchange by strengthening the distribution and commercialization business through continuous expansion in generation of conventional (hydro- and thermoelectric) and renewable energy sources.
- 3. Customer and innovation** - Give priority to achieving excellence in services and customer loyalty, where innovation is the centerpiece of the service culture.

4. Costs and efficiency - Continue the process of enhancing operations, particularly in distribution. Cost saving, waste elimination and efficiency initiatives generate wealth and add value to the business.

5. Community and social responsibility - Aware of the importance of its operations for the Brazilian economy, Energias do Brasil wishes to continue being one of the fundamental agents of change for the communities where it is present. To achieve this goal, it will increase its sponsorship of social responsibility, cultural, artistic and sporting events to consolidate society's recognition of our role as a corporate citizen.

Vanguarda Project

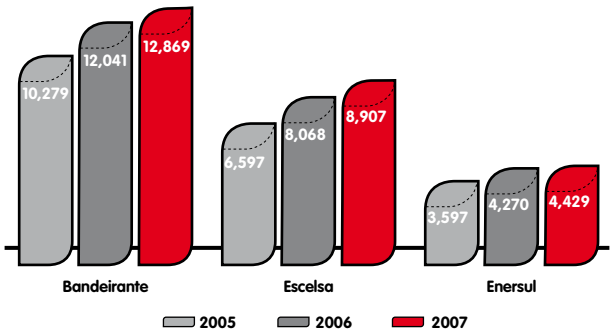
A focus on efficiency is the motivation behind the Vanguarda Project, which covers a series of measures aimed at creating value for Energias do Brasil by promoting the alignment of its business model and creating a cost optimization culture.

The project is the continuation of the Efficiency Program that started in 2004. It pursued savings through synergies between the Group companies as part of the process of creating Energias do Brasil. The second stage was Vanguarda Organizational, based on savings by means of organizational restructuring. The third initiative was Vanguarda Opex in 2007 that integrated optimization measures for expenses at all levels.

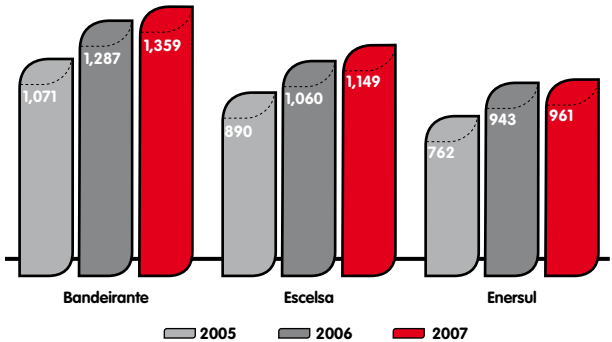
At the end of 2007, Energias do Brasil had a staff of 2,920 employees. The Vanguarda Program, which ended at the end of last year, resulted in the net number of lay-offs of 573 employees. In 2007, savings with personnel from the Vanguarda Project totaled R\$ 41.6 million. Considering that the various lay-offs took place throughout 2007, the full impact of PDV, estimated at R\$ 61.5 million, will be felt starting in 2008.

It is important to note that the Vanguarda Program was targeted mainly at the distributors and generated savings of R\$ 35.6 million in this segment when comparing 2007 with 2006. The staff reductions resulted in improved distribution productivity indicators, as can be seen the in the graphs below:

Productivity
(MWh/employees)



Number of Customers/Employee



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Economic Performance

Macroeconomic Scenario and the Electric Energy Sector

The scenario in 2007 was marked by the good performance of the economy, with a GDP growth rate of over 5%, driven by the lowest level of real interest rates and by rapid growth in credit offer, which grew 27.3% during the year according to Brazilian Central Bank indicators. The continued positive outlook contributed to a constant, abundant inflow of dollars, leading to a 17% appreciation of the real against the dollar.

The global increase in food prices pressured price indexes at the end of the year, pushing the IPCA (Brazilian Consumer Price Index) to end 2007 very close to the 4.5% ceiling and the Central Bank was forced to interrupt its loosening of monetary policy after reducing the Selic rate from 13.25% to 11.25% in the past year.

The outlook for the Brazilian economy in 2008 remains positive, even if it is surrounded by greater caution due to uncertainties in the international scenario.

Electric Energy Consumption

Energy consumption in Brazil increased 4.8% during the year according to a report by the National System Operator (ONS) at the end of December, lower than the GDP growth rate, but higher than the 3.5% rate of the previous year. The agency believes this growth may indicate a larger participation of

non-intensive energy segments in the Brazilian economy and the increase of self-production of energy by large consumers.

The ONS report shows that Brazil's energy load - which includes electricity consumption and losses in the system - reached 49,734 average MW in 2007 in comparison with 47,473 average MW in 2006. The highest increase in consumption (5%) took place in the Southeast and Midwest regions, a subsystem that accounts for 62% of the country's energy load. The Northeast region attained a growth rate of 4.8%, driven by regional economic development resulting from government social programs. In the South, the energy load increased by 4%, strongly influenced by the resurgence in agricultural. In the North, the increase was 3.7%.

Throughout 2007, the electric energy sector debated once again the risks of insufficient energy supply, particularly for the 2009-2011 period. This concern arises from the delays in licensing and building of hydroelectric plants, as well as problems with natural gas supply from Bolivia that supplies thermoelectric plants and the lower reservoir levels due to reduced rainfall during the summer periods.



Regulatory Environment

In 2007, the National Electric Energy Agency (Aneel) began the second round of tariff reviews in order to ensure a more transparent process with the essential attributes of reproducibility and predictability. The regulatory agency issued norms with methodological adjustments to achieve this goal. Many of the adjustments officialized had been practiced informally. Some topics still require enhancements, further research and a new approach, such as the manner in which losses and delinquency are treated, while other topics need to have their calculation parameters updated or adjusted, such as costs related to personnel and information technology expenses and investments.

Aspects that are submitted to further study as well as those that require a review of their parameters are currently being submitted to a public hearing. After this phase, they will then be forwarded for final validation and subsequent legal publication needed for their introduction. One of the highlights is the creation of a Price Database for determining the Regulatory Asset Base (RAB). The enhancement initially determined by Aneel Resolution 234/2006 will require further research, leading the Agency to present its normative repositioning for assessment at a public hearing.

This hearing will take place in April 2008 and it is expected that the set of regulatory norms and parameters for the current tariff review cycle will be defined by the end of the first semester. All other items will still be subject to this cycle's tariff review with the exception of the Price Database.

Enersul RAB

In December, Aneel altered the Enersul tariffs that had been previously approved in the Tariff Review of April 2003 by determining a 6.66% reduction of the average tariff.

This reduction is a result of Aneel's notification to Enersul in August, which became definitive in December, of the reduction of the Company's net Regulatory Asset Base (RAB) by R\$ 126 million and its gross RAB by R\$ 265 million. The RAB is comprised of the assets required to provide distribution service according to the concession contract conditions. These assets are appraised at market prices and adjusted using indexes defined by Aneel. The previously recorded net RAB amount of R\$ 782 million was determined in 2003 by an independent company that was accredited by Aneel at the time.



In addition to the reduction of 6.66% of the average tariff in December 2007, amounts retroactive to 2003 will also be considered: an amount of R\$ 183.1 million (whose economic impact, not considering taxes, was accounted by the Company in the fourth quarter results of 2007). By deducting the last installment of a tariff deferment not received by Enersul, the decrease in RAB will result in an estimated net return of R\$ 141.6 million to be paid by means of tariff reduction under conditions and deadlines to be defined by Aneel during the April 2008 review.

Enersul questioned the regulatory agency's decision through an administrative appeal. Aneel's review is an unusual decision in the Brazilian electric sector since it reopens an assessment report that had been audited various times by the agency. Enersul's RAB had been considered as definitive in 2005 and official in 2006, according to Aneel Resolution no. 234/2006. In April 2008, the date established in the concession contract for the periodic review, the amount and timeframe for the reimbursement will be determined.

Tariff Reviews

Concessionaire	Frequency	Date of next review
Bandeirante	Every 4 years	October 2011
Enersul	Every 5 years	April 2008
Escelsa	Every 3 years	August 2010

Tariff Reviews of 2007

Aneel conducts periodic reviews of authorized electric energy tariffs for distribution concessionaires. In 2007, it reviewed Escelsa and Bandeirante tariffs for all consumption categories (residential, industrial, commercial, rural, etc.). The Enersul tariff review will take place in April 2008.

The purpose of the review is to reassess the concession's economic and financial balance and pass on to consumers the concessionaire's gains in productivity. The review considers projections for the upcoming 12 months and checks all fixed cost items (Parcel B) to define efficient costs, using a company selected by the regulatory agency as a benchmark.

Escelsa - The Escelsa tariffs were adjusted by -6.92% for the period starting on August 2007. Considering financial adjustments already included in the tariffs along with the recovery of tariff differences from past periods, the effective average adjustment in electric energy bills was -9.62%. Aneel also established a preliminary Xe Factor of 1.45% to be used starting with the tariff adjustment of 2008.

Bandeirante - The average tariff adjustment for Bandeirante of -8.80% became effective as of October 23, 2007, due to the still temporary results of the second Tariff Review cycle, and covers all consumer categories (residential, industrial, commercial, rural, etc.). Taking into consideration the financial adjustments associated with the recovery of tariff differences from previous periods, the average consumer perception was -12.47% due to the combined effect of the financial adjustments of 2006 and 2007.

Bandeirante filed an Administrative Appeal at Aneel questioning the result of the Audit Report that led to the preliminary approval of the Company's RAB. The appeal addresses (i) the pricing of the Incremental Base Assets that were acquired before 2003, but only used after the first tariff review cycle, and (ii) the percentages of the minor components of distribution networks.

Aneel established a preliminary Xe Factor of 0.74% that applies to the tariff adjustment of 2008.

Tariff Review 2007 (in thousand of R\$)

	Escelsa	Bandeirante
Verified revenue	1,356,583	2,146,463
Parcel A	814,707	1,402,476
Parcel B	452,202	567,473
Model company	221,263	262,867
Delinquency	8,852	12,667
Remuneration	143,590	184,119
Regulatory depreciation	78,497	107,820
Total required revenue	1,266,908	1,969,950
(-) Other revenue	4,177	12,443
Net required revenue	1,262,730	1,957,506
Tariff review	- 6.92%	- 8.80%
Financial adjustment 2007	4.76%	- 0.52%
Financial adjustment 2006	7.46%	3.15%
Total adjustment	- 9.62%	- 12.47%
Gross RAB	1,842,657	2,354,144
Net RAB	952,457	1,221,292

The temporary nature of the tariff adjustment results for Escelsa and Bandeirante is justified because Aneel opened the Public Hearing period for review of general concepts, methodologies and regulatory treatment, all the subject of Aneel Normative Resolution 234/2006, whose definition will still impact the tariff review of 2007/2008.

Free Market

In 2007, the open energy market focused on three topics: sale of energy from subsidized sources (small hydroelectric plants, biomass, wind and solar power); participation of commercialization companies in energy auctions; and price setting in the short-term market.

The regulation of energy sales from subsidized sources to special consumers was approved by Aneel in November 2007 to be effective as of January 2008, clarifying pending details from the end of the previous year. The new rules involve the accounting and settlement for energy from subsidized sources and also deal with discount calculation mechanisms for tariffs for use of distribution and transmission systems (TUSD and TUST, respectively) for every agent involved in the process.

Additionally, Aneel changed the algebraic formulas and improved the wording of the rules. This measure favors investments by commercialization companies in small-scale generation projects that increase the expansion capacity of these sources.

Two other topics are still under discussion: the Brazilian Association of Electric Energy Traders (Abraceel) considers opening auctions to commercialization companies as a complementary measure to meet the total demand of the energy sector and not just the captive consumers. The debate also extends to the issue of pricing for the short-term market as a way of offsetting the strong fluctuations that can affect the well-being of the industry.

Fluctuation of energy prices is basically due to the variation in the volume of water that reaches the reservoirs. This fluctuation can intensify according to the balance between energy supply and demand. The supply of hydraulic energy depends on the energy stored in the reservoir and the energy on the stream. Increased dependency on stream energy occurs when the dammed water supply is not sufficient to meet market demand. Thus, the volatility of rushing streams is almost fully reflected in the pricing.



Distribution

Distribution activities are carried out by three concessionaires that serve close to 3.2 million customers in regions with a total population of approximately 10 million inhabitants:

Bandeirante - Provides energy to 1.4 million customers in 28 municipalities in the regions of Alto Tietê, Vale do Paraíba and the northern shore of the state of São Paulo, with an approximate population of 4.4 million. The region is home to companies in important industries, such as aviation and paper and cellulose manufacturing.

Enersul - The largest energy distributor of Mato Grosso do Sul serves 710,000 customers in 73 of the 78 municipalities of the state, with a population of 2.1 million inhabitants. The main economic activities of the region are agriculture and cattle raising.

Escelsa - Serves a population of 3.2 million inhabitants in 70 of the 78 municipalities of the state of Espírito Santo by providing energy to 1.1 million customers. The main economic activities of the state are metallurgy, iron ore mining, paper manufacturing, oil and gas.

The three Companies distributed a total of 25,029 GWh in 2007, a volume 4.5% higher than the previous year. Net revenue totaled R\$ 3,915.9 million, a growth of 9.6% in comparison to 2006. The EBITDA of R\$ 679.3 million represented an 18.1% decrease.

The operational results reflect the growth of energy consumption during the year, especially in the commercial, residential and rural categories. The financial performance was affected by the tariff review for the Escelsa and Bandeirante companies that entailed decreases of 9.62% and 12.47% respectively. The greatest impact, however, came from the change in the Regulatory Asset Base (RAB) for Enersul going back to 2003.

Concessionaire Profile

	Bandeirante	Escelsa	Enersul
State	São Paulo	Espírito Santo	Mato Grosso do Sul
Municipalities served	28	70	73
Inhabitants (in millions)	4.4	3.2	2.1
Customers (in thousands)	1,401	1,095	710
Concession area (km ²)	9,644	41,241	328,316
Energy distributed (GWh)	13,268	8,488	3,273
Energy sold to end customers (GWh)	8,045	4,565	2,825
Number of employees	1,031	953	739
Productivity (customers/employee)	1,359	1,149	961

Features of the Electric Energy System

	Bandeirante	Escelsa	Enersul
Number of substations	58	72	91
Installed capacity (MVA)	3,153	2,931	1,646
High-tension network (km) - greater than or equal to 69 kV	866	2,659	3,754
Low and medium tension network - < 69 kV	25,328	50,873	63,563
Number of distribution transformers (company and third party)	53,010	106,290	64,022
Installed capacity (MVA) - Company	2,671	1,934	1,060
Installed capacity (MVA) - Third party	-	1,624	1,271

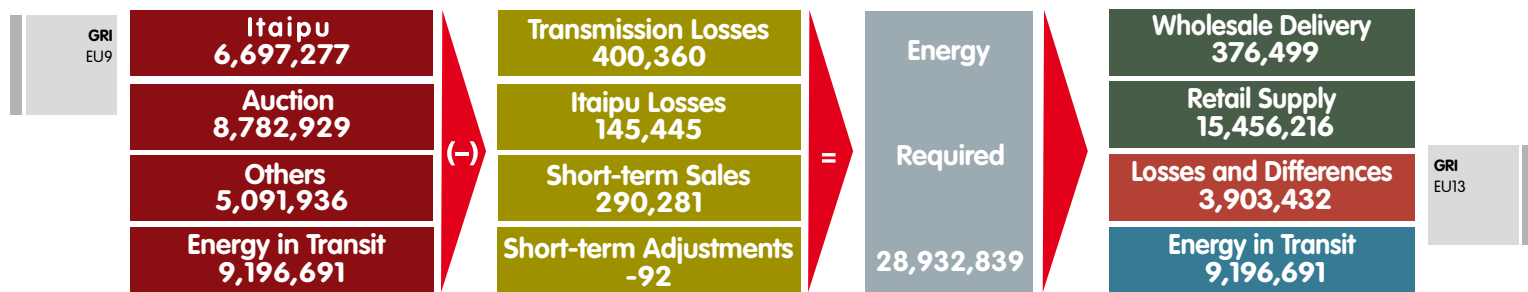
GRI
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Energy Supply

The energy volume required by the Energias do Brasil concessionaire distribution system totaled 28,933 GWh in 2007. Out of this total, 51.4% went to Bandeirante, 34.0% to Escelsa and 14.6% to Enersul.

The supply to distributors, final customers and for its own consumption consumed 15,833 GWh and energy in transit distributed to free customers was 9,197 GWh, changing the energy supply configuration in relation to previous years as a result of customers migrating from captive to free status.

Consolidated Energy Balance - 12M07 (MWh)



Operating Performance

The total volume of distributed energy increased by 4.5% in 2007 in comparison with 2006, mainly reflecting the increased volume in residential, commercial, rural and free customers.

The volume of energy sold to final customers represented an increase of 3.9% in 2007 compared to 2006, due primarily to higher consumption rates in the residential, commercial and rural categories.

For the last two periods, the share of final consumers and free customers in the total amount of distributed energy remained stable at 62% and 37% respectively.

The growth in volume distributed to the residential category was due to the increase in number of customers and per capita consumption in the concession areas.

In the commercial category, the increase reflects primarily the growth in the service sector in the Bandeirante, Escelsa and Enersul regions.

The rural category also showed significant growth in the Escelsa and Enersul regions, propelled by the increase in irrigation due to the lack of rainfall and high temperatures recorded during the year.

The energy in transit volume was driven by the addition of free customers. If the volume of the manufacturing segment is adjusted by the migration of end customers to the free market, there is an increase of 6.8% in the volume distributed in 2007 compared to 2006.

Solution development

"Concern with developing new solutions that reduce risk and ensure sustainability of the business and the environment is a basic premise for our substation automation projects for the distribution and telecommunication network. As a result, we can reaffirm our commitment to hard work and the reliability of our services for our customers and society."

Francisco Manuel Pires Neto - Automation and Telecommunications Manager for the Energias do Brasil Group

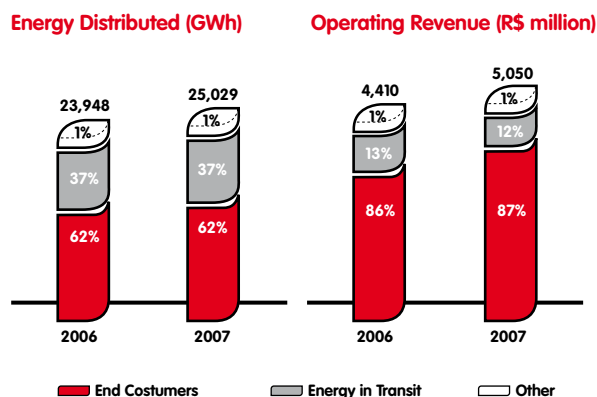
Growth of Operations

		2006			2007		
GRI EU2	Consolidated	Customers (N°)	Volume (MWh)	Revenue ⁽¹⁾ (in thousand of R\$)	Customer (N°)	Volume (MWh)	Revenue ⁽¹⁾ (in thousand of R\$)
	Residential	2,638,467	4,836,662	1,531,776	2,714,456	5,073,602	1,706,370
	Industrial	23,240	4,488,404	893,312	23,500	4,482,490	1,060,270
	Commercial	231,753	2,956,541	835,238	240,033	3,154,374	987,408
	Rural	193,105	834,252	169,860	200,585	920,865	192,577
	Other ⁽²⁾	26,560	1,737,553	380,070	27,972	1,804,356	440,571
	Transferred to energy in transit ⁽³⁾	-	-	(2,395,022)	-	-	(2,571,211)
	Energy sold to final customers	3,113,125	14,853,412	1,415,234	3,206,546	15,435,687	1,815,985
	Conventional supply	2	336,378	36,690	1	376,499	47,454
	Energy in transit	112	8,737,522	562,623	124	9,196,691	617,033
	(+) Transferred from captive costumers ⁽³⁾	-	-	2,395,022	-	-	2,571,211
	Own consumption	365	20,868	-	353	20,529	(2,058)
	Total energy distributed	3,113,604	23,948,180	4,409,569	3,207,024	25,029,406	5,049,625

⁽¹⁾ Data in R\$ refers to revenues net of ICMS and RTE taxes, own consumption and ECE/EAEAE, but including low-income customers.

⁽²⁾ Other: public authorities + public lighting + public services.

⁽³⁾ Usage of distribution system tariff - Captive Customers, net of ICMS.



Technical Integration - Opera Energias System

In 2007, Energias do Brasil developed the Opera Energias Project, a groundbreaking venture in the electrical energy sector that links together the operating centers of the Bandeirantes, Escelsa and Enersul distributors in a single platform.

The integration allows for remote management, online and in real time, the energy supply for 3.2 million customers located in 171 municipalities in the three areas of operations. The solution provides more speed, flexibility and cost reduction, in addition to lowering operating risks.

Control center integration allows the Companies to quickly solve any emergency situation, such as blackouts caused by lightning or storms. The gains in speed mean customer service quality is being continuously improved.

The project development started in August 2005. Close to R\$ 20 million was invested in the construction of operating centers for Enersul and Escelsa, the remodeling of the center for Bandeirante and the standardization of all systems. Identical hardware and software platforms were installed with communication protocols at all three distributors, creating mirror operations of each other. If a problem occurs at one distribution center, another center can instantly take over the operations.

Quality Indicators

GRI EU27 EU28	Distributor	2006				2007			
		DEC (hours)	FEC (times)	TMA (min.)	Ref. Aneel (DEC/FEC)	DEC (hours)	FEC (times)	TMA (min.)	Ref. Aneel (DEC/FEC)
	Bandeirante	8.8	5.5	172	12.6 / 9.7	9.6	5.9	164	12.6 / 9.7
	Escelsa	8.3	6.3	119	13.2 / 10.7	11.5	7.7	156	12.8 / 10.6
	Enersul	13.6	10.5	112	17.0 / 14.8	13.1	9.3	141	16.2 / 14.4

DEC: Equivalent Interruption Period by Customer; FEC: Equivalent Frequency of Interruption by Customer; TMA: Average Service Time.

In addition to enabling remote command of high tension networks (plants and substations) and medium tension networks (distribution), system standardization makes it possible for any solution created for one distributor to be applied to the other two as well, providing for continuous system enhancement.

Commercial Processes

The three distributors continue to standardize commercial processes, based on the SAP/R3 management system. At Bandeirante, an update of the CCS sales management system was completed, and a CRM (Consumer Relationship Management) platform was introduced. At Escelsa and Enersul, these projects will be completed in 2008.

The technology allows each customer to receive exceptional service, especially when requesting service. The conclusion of the process at Bandeirante allowed its customers to receive a simplified, easier-to-understand electricity bill at the end of last year.

Quality

The service quality indicators remained within the standards established by the regulatory agency, reflecting the investments in network expansion, and the modernization, integration and automation of operating centers.

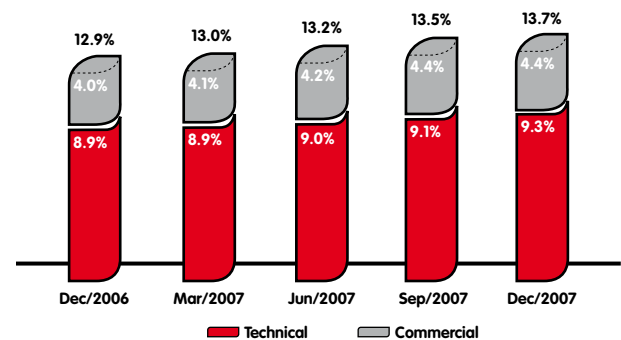
In 2007, data collection processes and the analysis of indicators established by Aneel were certified with the ISO 9001:2000 norm. This certification guarantees the quality of the processes, ensuring indicator reliability and transparency for the regulatory agencies and customers.

Losses

Losses and differences in electric energy distribution, expressed as an average percentage amount of the total energy required during the period, remained stable in relation to the levels shown in September 2007, showing a small reduction of commercial losses that remained at 4.4%. Total losses remained at 13.5%.

Losses and Differences

(based on the average of the last 12 months at end of each month)



In 2007, the Energias do Brasil distributors spent a total of R\$ 79.6 million in loss prevention programs that included the installation of remote metering and protected networks, replacement of damaged or obsolete meters, consumption unit inspections, fraud and illegal connection detection and regularization, as well as awareness media campaigns on the danger of illegal connections.

In 2007, our concessionaires carried out approximately 745,000 inspections that resulted in the removal of more than 300,000 illegal connections and the recovery of close to R\$ 32.5 million. Out of the total funds earmarked for these programs, R\$ 50.5 million went to capex and R\$ 29.1 million to operational expenses.

Generation

Generation, the main strategic growth factor for Energias do Brasil, had a capacity of 1,043.7 MW at the end of 2007. The operations are conducted by three companies:

Enerpeixe - has a 60% share of the capital in the Peixe Angical hydroelectric power plant located on the Tocantins River, built in partnership with Furnas Centrais Elétricas. The installed capacity is 452 MW.

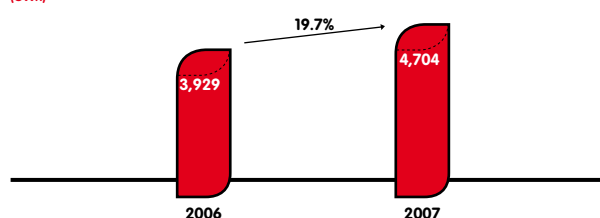
Energest - directly and indirectly controls the Energias do Brasil electric energy generation assets at 14 operating plants with a total capacity of 342.2 MW. The power plants are located in the states of Espírito Santo (274.0 MW of installed capacity) and Mato Grosso do Sul (68.2 MW of installed capacity). Energest is responsible for managing the Mascarenhas and Suíça hydroelectric plants and the SHPs (Small Hydroelectric Plants) belonging to Cesa, Costa Rica and Pantanal Energia.

EDP Lajeado - holds a 27.65% share of the voting capital of Investco, which operates and maintains the Lajeado hydroelectric plant, located on the Tocantins River in the state of Tocantins, with a total capacity of 902.5 MW. Its share corresponds to an installed capacity of 249.5 MW.

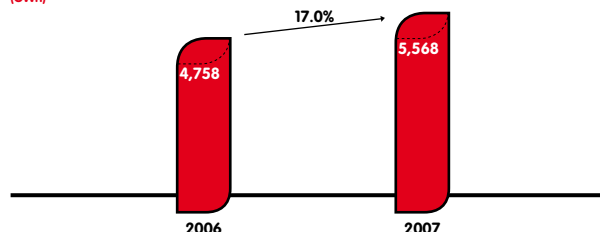
In 2007, the energy volume generated by the Group's power plants reached 4,703.7 GWh, 19.7% higher than the previous year, in light of the start of operations of three expansion projects as of mid-2006: Peixe Angical (June 2006), the fourth generating unit at Mascarenhas (August 2006) and the São João SHP (April 2007). The total energy sold was 5,568.4 GWh, a growth of 17.0% in relation to 2006.

Investments in generation totaled R\$ 105.9 million in 2007 (R\$ 292.9 in the previous year, primarily due to construction of Peixe Angical), equivalent to 15.9% of the funds invested by Energias do Brasil during the year. The net revenue of the generation business was equal to R\$ 582.8 million, an increase of 28.3% compared with 2006. EBITDA grew 62.1% to R\$ 442.0 million.

Growth of Energy Produced (GWh)



Growth of Energy Sold (GWh)



Capacity

Plants	Installed Capacity (MW)	Assured Energy (average MW)
Enerpeixe		
Peixe Angical HPP	452.0	271.0
EDP Lajeado		
Lajeado HPP	249.5 (*)	145.6 (*)
Energest		
Mascarenhas HPP	180.5	127.0
Suíça HPP	31.6	18.9
Energest/Cesa		
Fruteiras SHP	8.7	5.6
Alegre SHP	2.1	1.3
Jucu SHP	4.8	2.9
Paraíso SHP	21.0	13.3
Rio Bonito SHP	16.8	8.0
São João SHP	25.0	14.4
Viçosa SHP	4.5	2.8
Energest/Pantanal		
Coxim HGP	0.4	0.3
São João I HGP	0.7	0.6
São João II HGP	0.6	0.5
Mimoso HPP	29.5	20.9
Energest/Costa Rica		
Costa Rica SHP	16.0	12.3
Total	1,043.7	645.3

GRI
EU1
EU12

(*) Share owned by Energias do Brasil.

Growth in Installed Capacity (MW)

		2004	2005	2006 ⁽¹⁾	2007
GRI EU1	EDP Lajeado ⁽²⁾	249.5	249.5	249.5	249.5
	Energest	161.1	161.1	210.6	212.1
	Cesa	58.5	58.5	58.5	82.9
	Costa Rica	16.5	16.5	16.5	16.0
	Energul (Porto Murtinho)	4.5	4.5	-	-
	Pantanal Energética	40.8	40.8	31.2	31.2
	Enerpeixe	-	-	452.0	452.0
	Total	530.9	530.9	1,018.3	1,043.7*

Assured Energy (Average MW)

		2006	2007
GRI EU12	EDP Lajeado ⁽²⁾	145.6	145.6
	Energest	145.9	145.9
	Cesa	33.8	48.2
	Costa Rica	12.0	12.3
	Pantanal Energética ⁽³⁾	22.3	22.3
	Enerpeixe	271.0	271.0
	Total	630.6	645.3

⁽¹⁾ All energy generated in 2007 was from hydroelectric sources.

⁽²⁾ Takes into consideration the deactivation of the Coxim, Corumbá and Porto Murtinho thermoelectric plants.

⁽³⁾ Represents Energias do Brasil's voting equity interest.

⁽⁴⁾ Does not include the collateral of Coxim and Corumbá (3.85 MW average) thermoelectric plants.

The calculation of energy generation availability (percentage of time over the year in which the plant generated energy, including scheduled and unscheduled stoppages) (EU29) takes into account the average monthly availability of each generating unit, from 2005 to 2007, according to the following table:

Generation Availability

(% of time during the year)

		2005	2006	2007
GRI EU29	Energest	84.83	92.98	95.47
	Enerpeixe	-	89.4	91.06
	EDP Lajeado	87.63	85.86	82.38

Note: Energest consolidated all of the assets of Cesa, Pantanal Energética and Costa Rica.

São João SHP

In 2007, the São João Small Hydroelectric Power Plant (SHP) started the operation. It is located in the municipality of Castelo, in the State of Espírito Santo. With an installed capacity of 25 MW, from its two generating units, and assured energy of 14.4 average MW, the investment totaled R\$ 90 million.

Pecém Thermoelectric Plant

The strategy to expand installed capacity of Energias do Brasil also includes construction of the Pecém Thermoelectric Plant, in the state of Ceará, in which it shares a 50/50 stake with MPX Energia. The Pecém Thermoelectric Plant uses imported coal and will have an installed capacity of 720 MW, of which 615 MW were sold by the Group at the A-5 auction carried out by the Electric Power Commercialization Chamber (CCEE), in October 2007. The total investment for the project will be US\$ 1.3 billion. The price reached at auction was R\$ 125.95/MWh, for a 15-year contract.

The structuring of the project including EPC (Engineering, Procurement & Construction) conditions and financing ensured the sale of energy at attractive rates of return. Operations are scheduled to begin in 2012.

Santa Fé SHP

Also in 2007, Energias do Brasil began construction on the Santa Fé SHP, located in the state of Espírito Santo. The plant, which has an installed capacity of 29 MW and assured energy of 16 average MW, will have an investment of R\$ 120 million. The installation license to begin construction was issued in October and construction should be completed in the first semester of 2009.

Repowering

In June 2007, Aneel approved the re-powering of 17.5 MW at the Mascarenhas HPP. The additional capacity will be fully operational in 2009. The repowering of the Suíça HPP is also being considered, which would add 2.3 MW to installed capacity, in 2009.

The assured energy of the repowering of the Mascarenhas and Suíça Plants (11.7 average MW) was contracted on the free market at R\$ 130.00/MWh.

Advances in relations

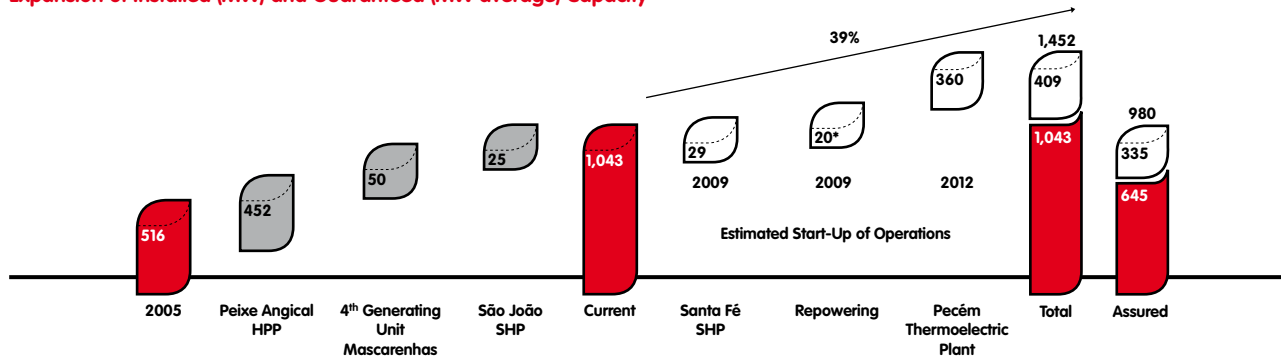
"We saw a milestone achieved in 2007 for Energest-lemma. The licensing process of Santa Fé SHP is an excellent example of progress made. With the effective participation of the company and involvement of IEMA in the planning process, we see progress in understanding and, as a consequence, improvements in the technical quality of the work carried out. The Terms of Reference of the new intended projects are a good example of this improvement in the quality observed. The prevalence of the technical agreements over economic and political factors was essential to improving institutional relations."

Fernando Aquinoga de Mello and Elen Cristin Trentini, State Environment and Water Resources Institute (IEMA)

Expanding Capacity

When completed, the Pécem, Santa Fé and repowering projects will result in an increase of approximately 39% over current installed capacity.

Expansion of Installed (MW) and Guaranteed (MW average) Capacity



Legend:
 ■ Completed Projects
 □ Projects in Progress
 * Includes 2.3 MW of repowering at Suíça HPP still awaiting Aneel ratification.

Project Portfolio

A diversified portfolio of generation expansion projects have been assembled, with approximately 2,000 MW, when all the different sources of energy are totaled: hydroelectric, thermoelectric from coal and gas, biomass, wind and solar. Various projects are being analyzed, which are dependent on technical and economic feasibility studies.

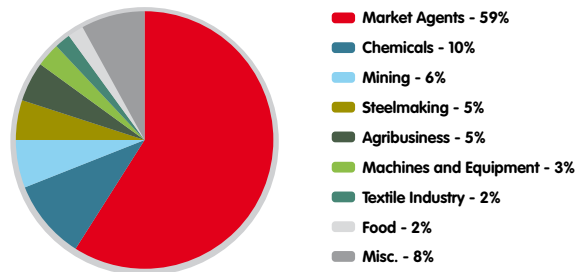


São João SHP (ES)

Commercialization

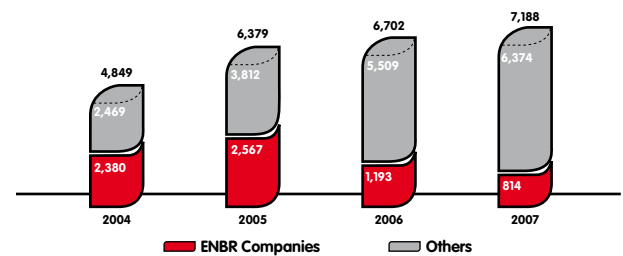
Enertrade is responsible for the sale of energy and services provided to the open market, both inside and outside of the three distributor concession areas of Energias do Brasil, which operate in the regulated market.

Customer Business Sector

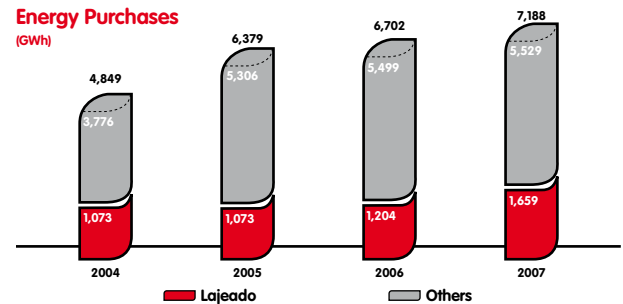


Enertrade posted record sales in 2007, with the sale of 7,188.1 GWh, 7.2% above 2006. Net revenue rose by 24.9% to R\$ 617.7 million, due to an increase in the number of customers and price of energy, primarily in the short-term market. EBITDA was R\$ 46.8 million, R\$ 43.4 million over the previous year.

Energy Sales (GWh)



Energy Purchases (GWh)



Services

During the year, Enertrade improved services provided to customers, which cover the feasibility analysis of transferring captive customers to the free market, contracting of energy, risk management and analysis consulting and representation at CCEE, etc. Another measure was the reformulation of the Company's website, an important customer relationship channel.

Readiness and excellence

"The timely and excellent service provided by Bandeirante in the stages of planning, building, inspecting, commissioning and activating the Apolo Tubulars substation, in Lorena (SP), was fundamental to the operational and economic success of the business. We have been creating projects since 1993, always with an eye on quality, reliability and the safety of our systems and employees."

Luciano Santiago Meirelles Reis and Christian Matarazzo, Tag Plan Engenharia de Energia e Telecom

Analysis of Economic and Financial Performance

Generation and distribution of wealth

GRI The value added for 2007 was R\$ 3.732 billion, distributed among
ECT the government and society (70.8%), financial institutions (10.3%), employees (7.0%), shareholders (5.6%) and retained earnings

(6.2%). The amount is the result of a gross revenue of R\$ 6.801 billion, less R\$ 3.268 billion from the costs of inputs and outsourced services, depreciation and amortization, materials, equity accounting and added financial revenue.

Economic Value Added (EVA)

	2006	Consolidated	2007
Generation of added value	6,125,516		6,801,027
Operational revenue	6,221,997		6,894,349
Allowance for doubtful debts and net losses	(87,471)		(101,060)
Deferred tax credits	1,527		19,458
Non-operational	(10,537)		(11,720)
(-) Inputs acquired from third parties	(2,480,346)		(2,950,676)
Cost of energy purchased	(1,453,716)		(1,882,598)
Charges for use of transmission and distribution system	(557,829)		(524,314)
Materials	(36,598)		(43,107)
Third-party services	(296,787)		(353,949)
Other operational costs	(135,416)		(146,708)
Gross added value	3,645,170		3,850,351
Depreciation and amortization	(287,450)		(317,280)
Net added value	3,357,720		3,533,071
Financial income	321,409		240,784
Minority interest	(34,545)		(52,460)
Equity accounting results	1,007		10,237
Added value to distribute	3,645,591		3,731,632
Distribution of added value			
Labor compensation	248,442		246,545
Payroll charges (except INSS)	44,703		15,827
Taxes, fees and contributions	2,463,779		2,640,450
Financial expenses	470,462		365,549
Rent	21,366		19,875
Founder's shares	2,719		3,595
Dividends	169,914		207,212
Profit for the fiscal year after dividends	224,206		232,579
Total	3,645,591		3,731,632

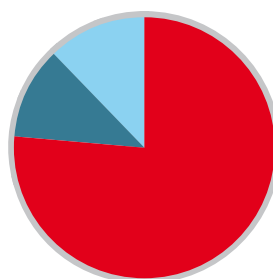
Consolidated revenue

In 2007, net operational revenue rose 13.3% to R\$ 4.5135 billion over the previous year. The main drivers of growth in net revenue in 2007 were:

Generation:

- Growth in the volume of energy sold resulted mainly from: the operation at full capacity of the Peixe Angical SHP, the fourth generating unit at Mascarenhas, and the start of commercial operations of São João SHP;
- An average 7% increase in tariffs; and
- Increase in sales of secondary energy in the short-term market.

Distribution of Net Income



- Distribution - 76.5%
- Generation - 11.4%
- Commercialization - 12.1%

Distribution:

- Growth of 4.5% in the volume of energy distributed and the tariff readjustments applied to the three distributors of the group over the period; and
- Negative impact of R\$ 183.1 million, accounted under the heading "Non-invoiced Supply," for the reduction in Enersul's RAB established by Aneel in December 2007.

Commercialization:

- Growth of 7.2% in the volume of energy commercialized, combined with a higher average sales price for energy.

Revenue from transmission charges (TUSD - others) reached R\$ 617.0 million, 9.7% above that recorded in 2006, a result of the 5.3% increase in the volume of energy in transit and tariff readjustments.

Net Operational Revenue - in thousands of R\$

	2007	12 Months 2006	Change
Retail Supply			
Residential	1,706,370	1,531,776	11.4%
Industrial	1,060,270	893,312	18.7%
Commercial	987,408	835,238	18.2%
Rural	192,577	169,860	13.4%
Other	438,513	380,070	15.4%
(-) Transfer to TUSD - captive customers ⁽¹⁾	(2,571,211)	(2,395,022)	7.4%
Unbilled Supplies	(185,508)	75,683	n.d.
Total supply	1,628,419	1,490,917	9.2%
Wholesale delivery			
Electric energy	47,454	36,690	29.3%
Short-term energy	99,083	78,565	26.1%
Total wholesale delivery	146,537	115,255	27.1%
Retail supply and wholesale delivery	1,774,956	1,606,172	10.5%
Usage of the Distribution System (TUSD)	3,188,244	2,957,645	7.8%
TUSD - other	617,033	562,623	9.7%
TUSD - captive customers ⁽¹⁾	2,571,211	2,395,022	7.4%
Trading (retail supply and wholesale delivery)	496,376	364,157	36.3%
Generation	79,022	80,516	-1.9%
Other operational revenues	51,721	54,009	-4.2%
Gross Operating Revenue	5,590,319	5,062,499	10.4%
(-) Deductions from operating revenue	(1,076,844)	(1,077,735)	-0.1%
Net operational revenue	4,513,475	3,984,764	13.3%

Note: According to Aneel Dispatch 3073, dated 12/28/2006, energy distributors must account for CCC, CDE and R&D charges as income deductions. Financial statements for 2006 were presented in compliance with the new structure.

⁽¹⁾ In accordance with Aneel's determinations, by means of the Accounting Manual for Public Service of Electric Energy and additional instructions laid down in the Notice 2409, from November 11, 2007, and Order 294, from February 01, 2008, the Company reclassified, retroactively to 2007, the portion billed from captive customers corresponding to the tariff from the usage of the distribution system, previously presented as a part of Retail Supply. The reclassification started to be presented in the Usage of the Distribution System, using the proportion of the usage of the distribution system contained in annual average tariffs from the respective tariff period.

Operational expenses

Operational expenses grew by 15.9% over 2006 to R\$ 3.7077 billion.

Manageable expenses, excluding depreciation and amortization, increased by 8.8%. A detailed analysis of changes in manageable expense subaccounts is presented below.

Savings of R\$ 23.3 million in personnel expenses is mainly due to a combination of the following effects:

- (i) provision for the redundancy plan, carried out in 2006 (- R\$ 51.6 million);
- (ii) savings provided by PDV in 2007 (- R\$ 41.6 million);
- (iii) average salary readjustment of 7.0%, a result of the collective labor agreement and introduction of the new Positions and Salary Plan (+ R\$ 28.2 million);
- (iv) changes to accounting for performance bonuses. In 2007, the provisioning of bonuses followed accrual basis (+R\$ 8.0 million);
- (v) an increase in staff at Energest by 23 employees (+ R\$ 3.7 million);
- (vi) full capacity operation of Peixe Angical HPP. Until the start of plant operations, in 3Q06, personnel expenses were capitalized (+ R\$ 2.2 million).

In material accounts, the change of R\$ 6.5 million is due principally to expenses with system conservation and maintenance (+ R\$ 4.3 million).

Under the heading of third-party services, the change of R\$ 57.2 million includes the effects:

- (i) of an increase in expenses with the conservation and repair of distributor networks (+ R\$ 9.9 million), primarily Enersul (+ R\$ 5.3 million), to comply with Labor Ministry regulations (NR-10);
- (ii) of operational efficiency programs and support activities that include expenses with information technology services, call centers and customer service (+ R\$ 14.3 million);
- (iii) of the expenses from communication and advertising (+ R\$ 7.0 million); and
- (iv) of expenses from billing, meter reading, invoicing, disconnection and reconnection (+ R\$ 3.4 million).

Under the heading of provisions and others, the increase of R\$ 36.2 million reflects, mainly:

- (i) allowances for doubtful debts (PDD) in the subsidiaries (+ R\$ 11.5 million);
- (ii) civil, tax and labor contingent liabilities recorded by the distributors (+ R\$ 23.9 million).

Non-manageable expenses are related principally to the purchase of energy and charges for the use of the electrical network which, as a whole, grew 19.8% in 2007 over the previous year. Electrical energy purchased for resale absorbed R\$ 428.9 million, rising 29.5% over the previous year, reflecting an increase in energy volume and an increase of CVA amortization.



Operational Expenses - in thousands of R\$

	2007	12 Months 2006	Change
Manageable Expenses			
Personnel	315,796	339,078	-6.9%
Materials	43,107	36,598	17.8%
Third-party Services	353,949	296,787	19.3%
Provisions	144,364	106,890	35.1%
Other	94,483	95,755	-1.3%
	951,699	875,108	8.8%
Depreciation and Amortization	317,280	287,450	10.4%
Total manageable expenses	1,268,979	1,162,558	9.2%
Non-manageable expenses			
Energy Purchased for Resell	1,882,598	1,453,716	29.5%
Charges for Usage of Basic Network	524,314	557,829	-6.0%
Aneel Inspection Fee	13,218	10,327	28.0%
Financial Offset	18,599	14,183	31.1%
Total of non-manageable expenses	2,438,729	2,036,055	19.8%
Total expenses	3,707,708	3,198,613	15.9%

Energy Purchased for Resell - in thousands of R\$

	2007	12 Months 2006	Change
Initial contracts	-	-	n.d.
Itaipu	586,031	539,388	8.6%
Auction	598,309	566,178	5.7%
PROINFA	47,061	23,832	97.5%
Short-term energy - CCEE	59,211	29,832	98.5%
Other Suppliers	491,992	442,382	11.2%
CVA (NET)	99,994	(147,896)	n.d.
Overall total	1,882,598	1,453,716	29.5%

Charges for Usage of Basic Network - in thousands of R\$

	2007	12 Months 2006	Change
Usage and connection charge	500,137	506,128	-1.2%
System service charge	2,764	11,044	-74.7%
CVA (NET)	21,383	40,657	-47.4%
Overall total	524,314	557,829	-6.0%

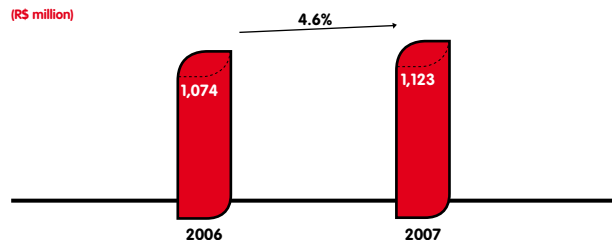
EBIT

The combination of the effects presented resulted in earnings of R\$ 805.8 million in 2007, 2.5% higher than that of the previous year. EBIT margin fell by 1.9 percentage points to 17.9%. An increase of 10.4% in expenses with depreciation and amortization recorded for the period reflects the start of operations of Peixe Angical and the fourth generating unit at Mascarenhas.

EBITDA and EBITDA margin

In 2007, consolidated EBITDA rose 4.6% over 2006 to R\$ 1.123 billion. EBITDA margin (EBITDA/Net revenue) fell 2.1 p.p. on the previous year to 24.9%.

This change reflects the positive contribution of generation and commercialization. In generation, the full operations of the Peixe Angical HPP and the fourth generating unit at the Mascarenhas HPP and the start-up of the São João SHP resulted in growth of 62% in the EBITDA of this segment. Another highlight was the rise in EBITDA margin in generation of 15.7 percentage points to 75.8%.

Growth of EBITDA
(R\$ million)**Financial result**

Net consolidated financial result for 2007 was negative R\$ 303.7 million. The figure for the previous year, R\$ 377.8 million, was also negative. Contributing to this result were the following:

- (i) the reduction in the cost of debt due to the issue of debentures and payment of Senior Notes by Escelsa;
- (ii) lower monetary restatement due to a reduction in the balance of regulatory assets;
- (iii) lower expenses with interest on shareholder's equity.

Net income

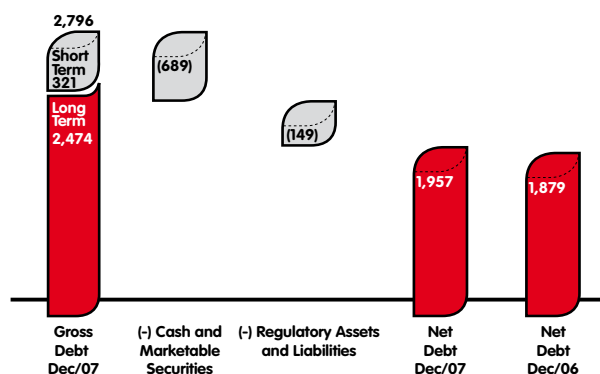
Due to the effects mentioned, net income rose 11.6% over 2006 to R\$ 439.8 million in 2007. Net income before minority interest came to R\$ 495.8 million; the previous year was R\$ 431.4 million.

Indebtedness

On December 31, 2007, consolidated gross debt, including interest, came to R\$ 2.796 billion, lower than the amount posted in December 2006 of R\$ 3.159 billion. Net debt, adjusted by cash, investments and the net balance of regulatory assets rose to R\$ 1.957 billion at the end of 2007, an increase of 4.1% when compared to the end of 2006. This performance reflects primarily the lower regulatory asset balance from Aneel's reduction of Enersul's RAB.

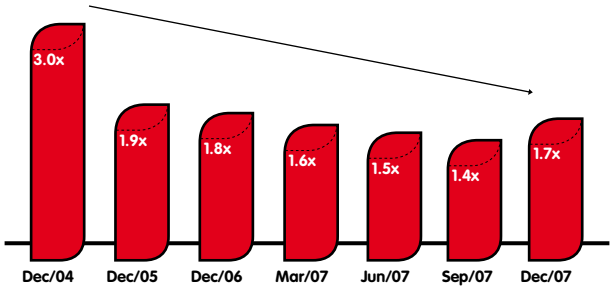
Of total gross indebtedness at the end of December 2007, 4.6% was denominated in foreign currency, 74.1% of which was hedged against foreign exchange variation, resulting in a net exposure of 1.2%.

The reduction in foreign currency debt is related to the payment of Senior Notes at Escelsa

Trend in Net Debt
(R\$ million)

The net debt/EBITDA ratio in the end of December was at 1.7 times, showing a comfortable leverage position. This indicator shows growth due to the higher regulatory liabilities following the reduction of Enersul's RAB, established by Aneel in December 2007.

Net Debt/EBITDA*



* EBITDA for last 12 months.

Debentures

On July 2, 2007, Escelsa issued 25,000 simple, non-convertible, subordinate debentures totaling R\$ 250 million. The debentures are remunerated at a rate of 105% of CDI and have seven-year maturity, with a five-year grace period and payment of interest semesterly and annual amortization. The debentures were issued to pay the R\$ 306.3 million in Senior Notes which came due in the first half of July.



Capital Markets

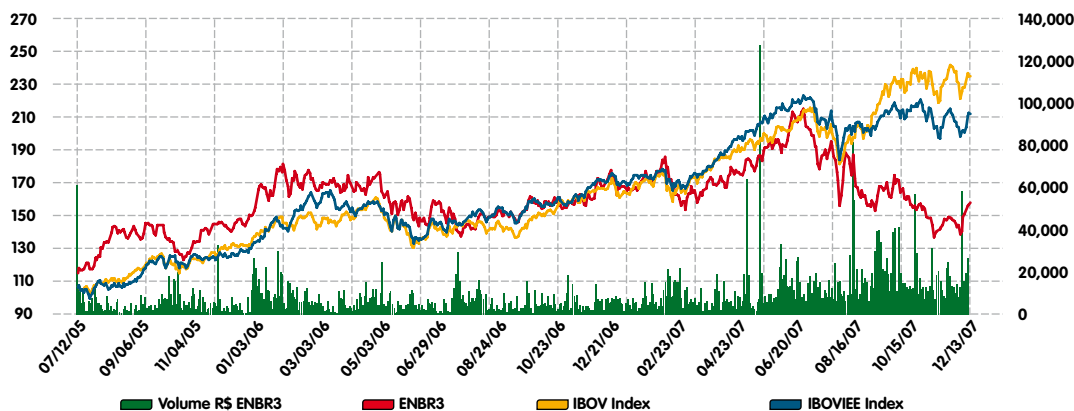
Energias do Brasil Shares (ENBR3) ended the year quoted at R\$ 28.90, falling 9.6% in value as compared to the end of 2006. The market capitalization of the Company at the end of 2007 was R\$ 4.8 billion.

The fall in share price is due primarily to the market perception of the impact of the Regulatory Asset Base (RAB) for Enersul on consolidated earnings. Since shares were listed in July 2005, they have appreciated by 60.6%.

Company's shares have been traded at all sessions, with a trade volume of 108.3 million and a daily average of 441,900 shares. The financial volume totaled R\$ 3.3797 billion, representing a daily average of R\$ 13.8 million, an increase of 104% over the daily average of 2006.

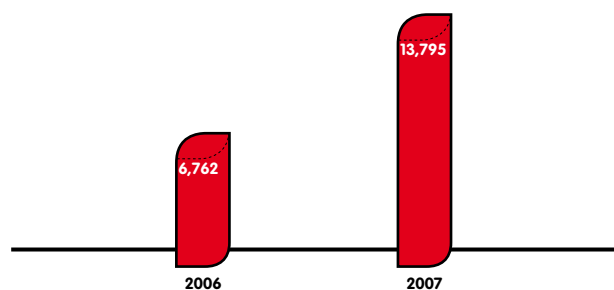
Performance of ENBR3 vs. Indices

Base 100: 07/12/2005

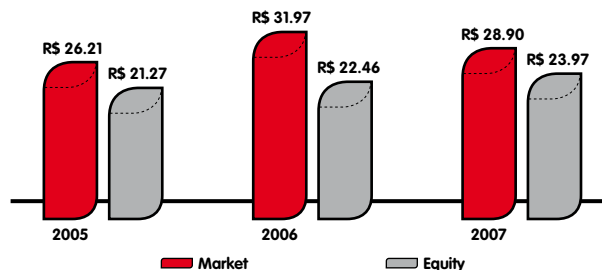


Growth of Liquidity

(Daily Average - R\$ thousand)



Price Index x Equity Value Share Price



Shareholder Composition

On December 31, 2007

	Quantity of shares	Participation
EDP - Energias de Portugal	102,902,115	62.36%
Shares in circulation	61,253,167	37.12%
Shares in treasury	861,322	0.52%
Total	165,016,604	100%

Indices

Energias do Brasil shares are included in the main stock market indices. For 2008, they are present in the Special Corporate Governance Index (IGC), Special Tag Along Index (Itag), IBrX-100 - Bovespa Brazil Index, Bovespa Electric Energy Index (IEE) and in the IVBX-2 (Bovespa Value Index), which comprises companies with liquidity still in development.

In December 2007, the company was again included, for the second year running, in the Corporate Sustainability Index (ISE), along with 31 other companies selected using a questionnaire that covers six aspects: General, Product Type, Corporate Governance, Economic-Financial, Social and Environmental. Created by the

São Paulo Stock Exchange (Bovespa), the ISE is a benchmark for companies recognized for their commitment to sustainability and good practices in the Brazilian business community. The selection process was conducted independently by the Getúlio Vargas Foundation (FGV).

Share Buy Back

In December, the repurchase of company shares was announced. These shares will be kept in treasury and subsequently canceled and/or transferred, without reducing its capital. The operation, which can be extended up to a year, is designed to invest available cash resources if market conditions are favorable. The Board of Directors authorized the purchase of up to 6,211,426 (six million, two hundred and eleven thousand, four hundred and twenty six) common shares. Added to the 22 shares held in the Treasury on the announcement date, the volume is equal to 10% of the shares in circulation, not exceeding, therefore, the legal limit established in Article 3 of CVM Instruction no. 10/80. As of December 2007, Energias do Brasil had repurchased 861,300 of its own shares. On February 18, 2008, the volume of shares repurchased was 4,861,500.



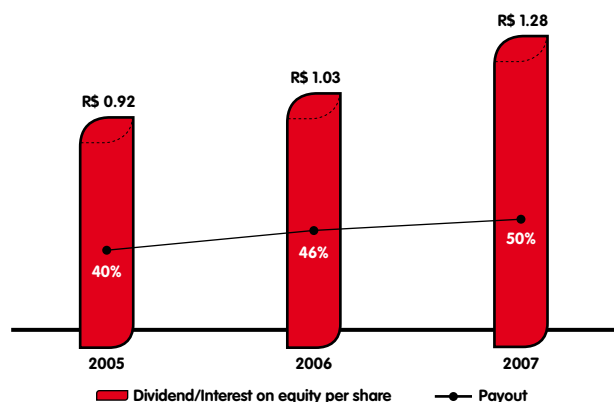
Investors meeting

Shareholder Compensation

Energias do Brasil reviewed the dividend policy that established the payment of at least 40% (forty percent) of adjusted net income of the Company, calculated in accordance with Article 189 of the Corporation Law, Brazilian accounting principles and CVM (Brazilian Securities and Exchange Commission) rules. The Board of Directors of Energias do Brasil, in a meeting held on 03/05/2008, approved an increase of the minimum value to 50% (fifty percent) of adjusted net income, which is equivalent to a distribution of R\$ 207,212 thousand of interest on equity and dividends.

The Board of Directors of Energias do Brasil had already approved payment of interest on equity in the amount of R\$ 119,923 thousand, for 2007, or R\$ 0.730546 per common share. Interest on equity will be credited as the minimum mandatory dividends to be paid by the company for 2007. The Board of Directors of the Company approved, on 03/05/2008, the payment of a complementary dividend of R\$ 87,289 thousand, or R\$ 0.545028 per share.

Share Dividend (R\$) and Payout



Market Maker

The Credit Suisse S.A. Brokerage was hired to act as a market maker to promote liquidity for Energias do Brasil shares. The contract was signed on June 11, 2007 and is valid for 12 months. A market maker is an agent that commits itself to buying and selling on a regular and continuous basis at a maximum pre-established spread, with the aim of facilitating business and preventing artificial changes in price of the share caused by lack of liquidity. This operation is regulated by CVM Instruction # 384, dated March 17, 2003. The hiring of a market maker by Energias do Brasil reinforces its commitment to investors and with the best trading practices.



Intangible Assets

During the strategic planning for the period 2007-2010, Energias do Brasil identified four intangible assets, defined as the knowledge that exists at the organization used to create competitive advantage in the achievement of its Vision, Mission and Values and corporate strategies. They are:

- Human Capital
- Information Capital
- Organizational Capital
- Marketing Capital

A Corporate Policy for Intangible Assets was created in 2007, with the objective to establish guidelines to identify, evaluate, develop and maintain these assets aligned with strategic learning and growth management. During the process, it was established that intangible assets would be reviewed annually, according to the corporate planning schedule.

Human Capital

As one of the main assets of a service sector company, human capital involves the competencies and skills, talents and knowledge of professionals at Energias do Brasil. They are aspects developed through study and training, from the formulation of processes and development of improvement projects using various methodologies and tools, in addition to the experience acquired from day-to-day operations.

In order to develop this asset, the strategic objective mapped, by the Balanced Scorecard (BSC) methodology, is investment in human capital with a special focus on value. This involves maintaining personnel in line with the strategy and expanding their knowledge of technology, production and management, both for internal production through investments in research and development, technological partnerships with suppliers, individual competency building, agreements with specialized universities, technology transfer contracts, structured processes of benchmarking and use of management consultants.

Information Capital

Information capital is represented by the availability of information, infrastructure and knowledge management systems necessary to provide support for strategy. In 2007, new management system versions were completed for Energias do Brasil and subsidiaries, with the updating of SAP/R3, for the Administrative, Finance and Human Resource departments, as well as BW for management information. For Bandeirante, there was also an updating of the CCS (sales management system) and the introduction of the CRM (customer relationship management) systems. A second stage, the expansion of the sales management system to Escelsa and Enersul, will be completed in 2008.

Organizational Capital

Organizational capital refers to the search for motivation, alignment of efforts and commitment to organizational guidelines. It includes aspects such as culture - awareness and assimilation of the Mission, Vision and Values - qualified leadership, alignment of the targets and incentives with the strategy at all hierarchal levels and teamwork.

Marketing Capital

This asset covers the brand and the reputation of the Group.

Energias do Brasil policy is to protect its brands (EDP, Energias do Brasil, Bandeirante, Enersul, Escelsa, Enertrade, Energest, etc.).

The logo - a smile on a red background - reflects the personality, values and the strategy based on sustainability. It symbolizes our relationship with customers and our commitment to building a more inclusive society.

Reputation refers to the public perception of the image of the Company, quality of service, level and type of service from related parties (market, customers, society, the press, shareholders, suppliers, government, etc.). An indicator of progress in this area is the Perceived Quality Satisfaction Index (ISQB), compiled by Abradee, which showed the following results for the Group distributors in 2007: 74.8% for Bandeirante (71.1% in 2006); 86.3% for Escelsa (73.8% in 2006); and 74.2% for Enersul (72.6% in 2006).

Risk Management

As one of the pillars for carrying out Energias do Brasil strategy, the Group's risk management has been overhauled in 2007, to align it with EDP's global project. A Risk Portal was created on the Internet, where the main threats to business performance are presented, with up-to-date information on the levels of financial impact, estimates of probabilities, level of possible management and mitigation activities. The Portal also provides access to all the risk management policies and action plans.

The following operational risks for Energias do Brasil have been identified as follows:

Energy - The scenario for supply and demand of energy in the different regions of the country is evaluated by the Energy Risk Subcommittee, which works with a horizon of five years, in addition to analyzing macro- and microeconomic variables and the particularities of each market. This process is conducted with support from software and statistical models developed by Energias do Brasil. The model includes the identification, parameterization, evaluation and risk control, with the objective of anticipating potential impacts on distribution, generation and commercialization, in order to prepare them to ensure the supply of energy, increase revenue and minimize occasional losses.

Regulatory - The businesses of distribution and generation are subject to the provisions in the concession agreements signed with the Federal Government and the regulatory structure of the Brazilian energy sector. These activities are regulated and inspected by Aneel, under the Ministry of Mines and Energy. Energias do Brasil has a regulatory affairs department, which coordinates relations with Aneel and monitors developments that could interfere in business, complying rigorously with the requirements established

in the concession contracts. Sales to free market customers is only regulated when it entails operations with subsidiaries - as is the case when purchasing energy from Group generators - which are approved beforehand by Aneel.

Financial - The Financial Risk Management Policy establishes the conditions and the limits for exposure to credit risk of counterparties in financial operations, market risk of financial assets and liabilities, and liquidity risk. The policy establishes minimum ratings for financial institutions in which cash is invested and with which derivative operations are conducted. Furthermore, the Policy establishes concentration limits for investments in financial institutions, for both the total amount of the Group investments, as well as the shareholders' equity of the financial institutions, respecting minimum rating levels. In debt management, concentration limits are established by the lender, as a share of the total debt. For liquidity management, the Policy determines concentration limits for the maturities of installments of total debt in the same quarter, and targets to be followed in new loans. Foreign exchange liabilities that are not covered by financial instruments have little impact on Company debt since they represent only 1% of commitments at the end of 2007.

Market - The growth of energy consumption is dependent upon the behavior of the economy and consumer income. Market risk is mitigated by having distributor operations in three different regions, with their own economic activities and characteristics: aeronautics, metallurgy and a structured service industry in São Paulo; agribusiness in Mato Grosso do Sul, and steelmaking, mining and foreign trade in Espírito Santo.

Stakeholder opinions

"When I filled out the questionnaire about the report, I felt that Energias do Brasil wanted to know the opinion of employees, who, with their experience, regardless of their department, could contribute to improving and, consequently, preventing harm to the company and its customers."

Maria Antonia Aparecida S. Cunha - Ombudsman

Investment and Outlook

Hydrology - The energy generated by the companies of the Group comes from hydroelectric power plants, whose operation is fully dependent on hydrological conditions. Moreover, sales revenue is not associated with the energy effectively generated, but rather guaranteed power, at a volume determined by the regulatory agency and established in the concession contract. This risk, however, is mitigated by the Energy Reallocation Mechanism (MRE), which is applied to all plants in the national electrical grid.

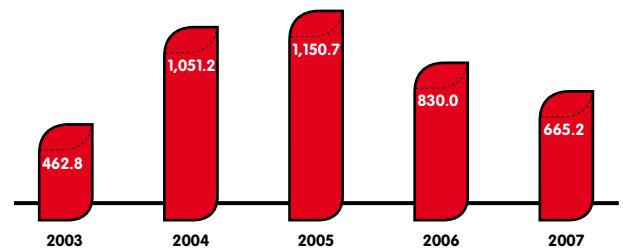
Environment - Sustainability is at the center of the Group's strategy, which involves the commitment to preserve the environment and operations guided by a Sustainability Policy. Projects and activities in the area of generation and distribution are carried out within parameters that ensure the least possible environmental impact. An example of this was the construction of the Peixe Angical HPP, on the Tocantins River, which complies with all environmental agency regulations.

Operational - The risk of disruption of supply from equipment losses is managed through insurance (of the main equipment) and an inventory of replacement equipment. Inventory optimization management is employed to standardize different types of equipment, identify families of materials with premature defects and investment in technological updating.

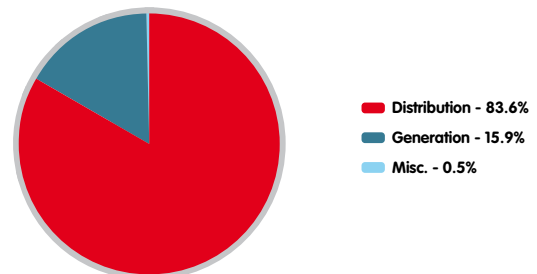
Energias do Brasil made investments of R\$ 665.2 million in 2007, 19.9% below that of the previous year. Completion of the Peixe Angical Power Plant, in September 2006, is the most important factor behind this reduction.

The largest proportion of investment was made in the distribution business (83.6%), which is concentrated in projects to expand and improve the Bandeirante, Escelsa and Enersul company grids. Investments in programs to Universalize Access to Electricity, which includes the Light for All Program, came to R\$ 80.8 million. Generation received 15.9% of investments, especially with construction of the São João Small Hydroelectric Power Plant, in the state of Espírito Santo.

Investments
(R\$ million)



Distribution of Investments



Investments* (R\$ millions)

	2006	2007	%
Distribution	536.5	556.2	3.7
• Bandeirante	149.6	173.5	16.0
• Escelsa	191.3	203.0	6.1
• Enersul	195.6	179.7	-8.1
Generation	292.9	105.9	-63.8
• Enerpeixe	243.6	49.4	-79.7
• Energest	46.2	51.9	12.2
• EDP Lajeado	3.1	4.6	50.7
Others	0.6	3.1	415.3
Total	830.0	665.2	-19.9
Total without capitalized interest	751.9	663.4	-11.8

* Includes capitalized interest.

In 2007, investments in distribution rose 3.7% over the previous year to R\$ 556.2 million. For network expansion, investments rose by 30.5% to R\$ 196.1 million, or 35.3% of the total for the year. Investments in network improvements rose by 14.8% over 2006 to R\$ 141.4 million. Investments in Universalization of Access to Public Electricity Service decreased by 49.1% to R\$ 80.8 million (14.5% of total investment for the year). Additional R\$ 137.9 million was invested in telecommunications, information technology and other activities.

Investments in Distribution (in thousands of R\$)

	Bandeirante	Escelsa	Enersul	Total 2007	Total 2006
Network Expansion	77,567	58,497	60,049	196,113	150,229
Network improvements	39,063	62,520	39,857	141,440	123,250
Universalization (rural+urban)	11,838	36,693	32,266	80,797	158,657
Telecommunications, information, technology and others	45,030	45,292	47,541	137,863	104,387
Total	173,498	203,003	179,713	556,214	536,523

GRI 1.2 Outlook

Investments planned for 2008 will total R\$ 1.180 billion, with priority placed on generation (R\$ 585 million) and improvements to the distributor networks and services (R\$ 438 million in distribution and R\$ 157 in the Light for All Program).

The Group remains alert to opportunities for growth in generation by analyzing different technologies for the generation of electrical energy. And seeks growth in both traditional generation (hydroelectric and thermoelectric) and new energies, most importantly biomass and wind. All investments are evaluated using return on capital parameters to ensure the creation of value for shareholders.

The investments ensure business growth and service quality enhancements. According to projections made by the Energy Research Company (EPE), the consumption of energy in Brazil will grow 5.2% in 2008, once again driven by the commercial sector, which should rise by 7.5%. The estimate includes an increase of 6% in residential consumption and 4% in industrial consumption. The slower growth in industry is explained by the expansion of self-generation.

Aneel, in its annual Energy Analysis, outlined 77 scenarios for supply in the coming years and believes that there is little real chance of rationing in Brazil as long as scheduled projects are completed on time. Brazil will only face difficulties if GDP grows on average 6% for the next five years - a rate currently considered improbable. If the new projects' start-up delays and the amount of energy injected into the system falls, the risk would then rise significantly. Of the 77 scenarios, 23 show energy demand outstripping supply.

Economic Targets

In 2007, Energias do Brasil established targets for the economic performance of its subsidiaries. The proposals and their prospective evaluations were as follows:

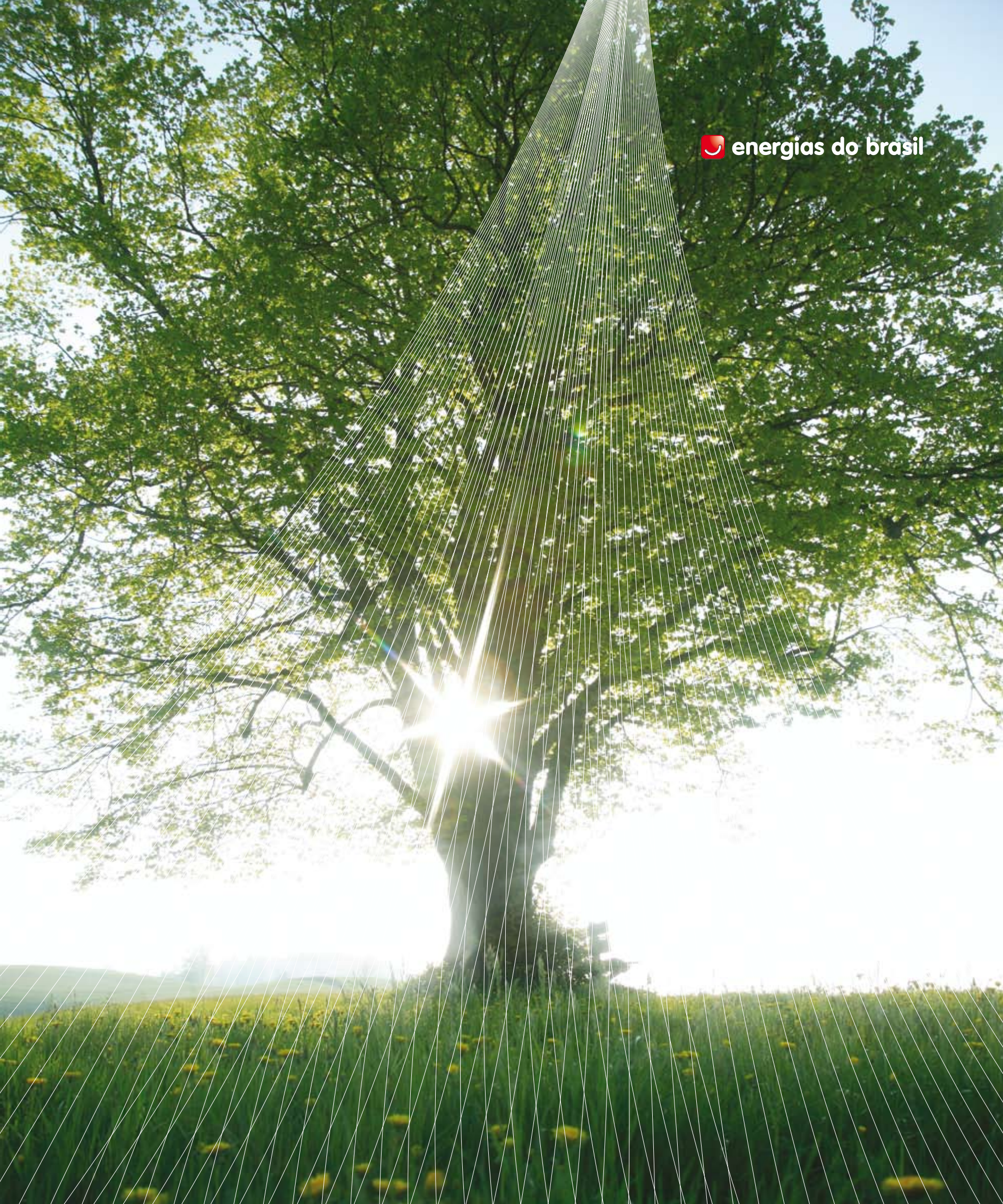
Economic Targets	Evaluation
Double generation capacity through appropriate opportunities	Ongoing.
Distribute at least 40% of adjusted net profit to shareholders as dividends and/or interest on net equity	Exceeded. 50% of net profits will be distributed in the form of dividends.
Reduce commercial losses by 2.8% in the medium term	Undergoing reanalysis, due to changes in the regulatory framework.

For 2008, the following economic performance challenges were laid down:

- Creation of a new business unit focused on developing renewable energy (SHPs, wind and biomass);
- Create a pipeline of HPP and thermoelectric (predominantly gas) projects;
- Broaden the commercialization business;
- Optimize the regulatory margin while consolidating standards of service quality.



energias do brasil



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Social Performance

Labor Practices

Employment

Energias do Brasil aims to be a benchmark for Brazil's electricity industry. It has undertaken a wide range of changes in the last three years through its Vanguarda Project - which underpins the Group's entire plan for change - including far-reaching restructuring of Human Resources.

In its ongoing strategic realignment process, one highlight of 2007 was the launch of Vanguarda Gente, which aims to boost the morale of employees, as its slogan "You Are the Face of Our Energy" shows. Integration between the Human Resources departments of its companies in Brazil and the parent company Energias de Portugal (EDP) was the focus of actions to reinforce the Group's culture and corporate identity.

Energias do Brasil took part alongside EDP in the EneRHgia and Talento projects. The first is the Cézanne data system, which brings together information on all employees and enables integration and in-house recruitment to fill positions in the countries where the Group operates. It additionally provides managers with information about their teams, such as the results of performance and skills assessments. The Talento project aims to apply a strategic personnel management plan along several dimensions: assessment of potential and performance, rewards management, skills development and training, and career management. One offshoot of this program is the High Potential Youth (JEPs)

program, which aims to identify young talents and set up a retention and development program to prepare them for future management responsibilities.

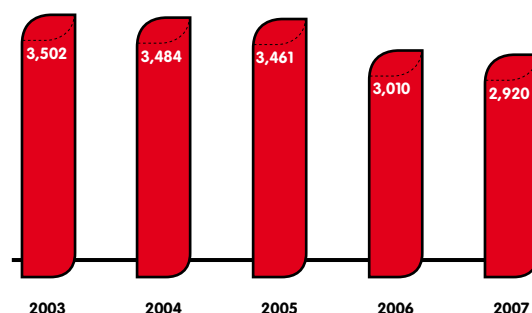
The Group's organizational environment survey will be carried out, as of 2008, on the basis of its global platform, which is why Energias do Brasil held back a data-gathering survey that had been planned for 2007.

Profile

Energias do Brasil ended the year with 2,920 employees, 2,272 of whom were men and 648 women. Two hundred thirty-eight new staff were taken on, while 328 were let go. Turnover for the year was 9.4%, due mainly to renewal of its personnel, resulting from the voluntary retirement program (PDV). The gross payroll for the 2007 financial year, including rewards, benefits and social charges came to R\$ 368.9 million (source: IBASE social balance sheet).

GRI
LA2

Number of Employees



Staff Structure by Company

	Escelsa	Enersul	Bandeirante	Enertrade	Enerpeixe	Energest	Energias do Brasil (holding)
Full-time directors	-	-	1	-	-	2	2
Top management	7	8	19	3	2	6	8
Managers	25	21	35	-	4	5	6
Professionals	244	239	229	8	19	26	24
Technical experts	677	471	747	2	22	49	9
Total	953	739	1,031	13	47	88	49

GRI
LA1

Employees by Employment Contract

	2007
Employees	2,920
Trainees	180
Outsourced	6,141

GRI
LA1
EU16

Its Managers In Action program, intended to develop management personnel, logged 96 course-hours and was attended by 157 employees. The company does not have specific programs to manage the end-of-career phenomenon.

Training (man/hours)

Amount of training by field

Management
Management technique
Specific technique
Behavioral
Organizational

186,118

17,540
70,930
40,057
34,961
22,630

GRI
LA10

Employees by Region

Region	2007
São Paulo	1,172
Mato Grosso do Sul	742
Espírito Santo	972
Tocantins	34

Training hours

Position

Management
Top executives
Middle executives
Intermediate staff
Highly-qualified and qualified professionals
Semi-qualified professionals
Practitioners/apprentices

Hours

186,118
2,688
27,305
10,138
41,164
76,282
19,575

GRI
EU15
LA11
LA8

Training and Education

Our projects to attract and retain talent, to promote professional development and qualifications, and enhance the quality of life for employees, are carried out so as to contribute to the Company's growth and that of its people.

Energias do Brasil's Training and Development Program spent R\$ 7.2 million on courses and training activities. The initiative works on three dimensions: the Functional Training Program (PTF), the Program to Encourage Formal Education (PIE) and the Management Development Program (PDG).

At the end of 2007, Energias do Brasil acquired Chronos®, a virtual training course for sustainable development produced by Cambridge University and the World Business Council for Sustainable Development (WBCSD). It aims to integrate the concepts of social and environmental responsibility, provide information and practical solutions to challenges arising in the field of corporate sustainability, and test the employee's ability to identify company initiatives that promote sustainable development. Energias do Brasil has run the program as an e-learning course, which was taken by 31% of its management personnel and will be extended to 80% of employees in 2008.

Union participation

Unions

Number of members
% of members
Number of unions

2007

673
70.62%
3

GRI
LA4

Performance management

Energias do Brasil regularly monitors its employees' performance. It adopted an objectives- and skills-based Performance Management program in 2007. The objectives are segmented throughout all the levels of the organization and are made up of Group goals, business-unit/company goals, department goals and individual goals.

GRI
LA12

Part of a single group

"I was happy to be able to help with the stakeholders survey, because it is very important to be part of the design of a report like that of the Energias do Brasil Group. And why is it important? Because I'm part of another company, Vanguarda, a service provider, but I see myself as part of one big group. We are a true partnership. We work together every day, towards a common objective, with a great deal of respect."

Pension Plans (R\$ million)

	2006	2007
Current value of actuarial obligations, totally or partially covered	(579)	(598)
Fair value of assets	563	666
Value of unacknowledged actuarial losses	16	(42)
(Deficit)/Surplus		
Bandeirante	(98)	(96)
Escelsa	59	71
Enersul	40	51
Energest	0.2	0.1

GRI
EC3

Skills are behaviors and attitudes shown by the employee, focused on the present and future. They are arranged along three axes: crosscutting skills (shared by all employees), management skills (exclusive to managers) and function-related skills (broken down by functional groups).

Assessment of managers is by the 270° model, in other words, managers carry out self-assessment and are also assessed by their hierarchical superior and by their peers. Other employees are assessed by a 180° model involving self-assessment and assessment by their immediate superior. The assessment process in 2007 covered 100% of employees active on the date of assessment.

New managers in the Group, whether hired externally or promoted internally, undergo assessment by an impartial external consultancy.

Welfare and benefits

GRI
LA3
EC3

In 2007, Energias do Brasil consolidated the migration of its health plans to a single insurer. Prospecting in the regions where the Group's companies are located led to a marked expansion in the network of providers and healthcare. Taking only the Paraíba Valley and Alto do Tietê regions in São Paulo state - which has a high density of employees - the network of physicians and hospitals rose from 341 to 2,479, while the number of dental professionals leaped from 385 to 1,264.

The new employee life insurance plan also came into effect. The plan has a monthly premium that is 100% covered by Energias do Brasil, with an insured capital 24 times the value of the salary, capped at a maximum R\$ 400,000 and a minimum R\$ 30,000.

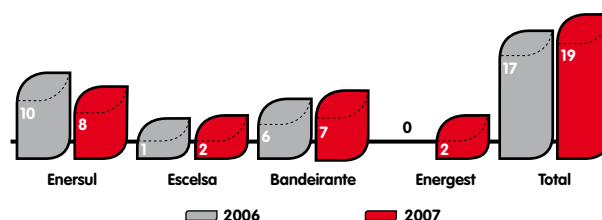
EnerPrev is a supplementary pension plan created by Grupo Energias do Brasil to centrally administer supplementary pension plans offered by the Group's companies. Energias do Brasil also entered a partnership with Bradesco Vida e Previdência, to provide coverage for Disability Income, and Widowhood Pensions, and set up a Lifestyle Account which enables the participant to build up a reserve to cover health expenses in retirement. Contributions are equal; the employee can opt to make monthly payments of up to 7% of salary, and the Company will pay in an equal amount. The Company also covers 100% of costs to cover Disability Income and the Widowhood Pension. In 2007 Energias do Brasil paid R\$ 327,899 to EnerPrev and Bradesco, while employees totaled R\$ 302,828.

Health and safety in the workplace

The group set up policies for the Environment and for Health and Safety, and launched its Integrated Sustainability Management System, coordinating procedures in the fields of the environment, safety in the workplace and occupational health.

It carried out awareness-raising campaigns, training courses, concrete actions and follow-up to keep the workplace healthy and safe for employees and visitors to all operations.

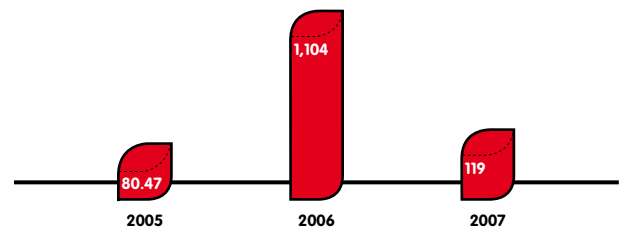
Work Accidents



Workplace Accidents

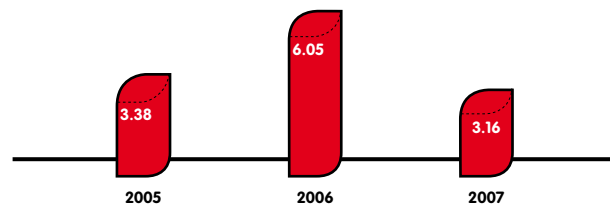
		2007
GRI LA7	Average number of workers	3,057
	Hours worked	6,008,283
	Workplace accidents	
	- Leading to absence	19
	- Fatalities	-
	- Days lost	712
	Commuting accidents	
	- Non-fatal	18
	- Fatal	-
	- Days lost	562
Fatal workplace accidents		
- Involving ENBR workers	-	
- Involving service providers	2	
Accident frequency rate	3.16	
Rate of incidence (RI)	6	
Accident severity score	119	

Serious Accident Rate



High rate in 2006 due to fatality at Enersul.

Accident Frequency Rate



Baseline salaries by Gender and Job Description (R\$)*

		Women	Men	Ratio (salaries men and women)
GRI LA14	Superintendent	19,104	18,196	0.95
	Manager	10,095	11,004	1.09
	Supervisor	5,614	5,611	1.00
	Administrative/technical	1,802	1,716	0.95
	University/Teacher	3,702	4,254	1.15
	Operational	1,100	1,713	1.56
	Trainee technician	2,491	2,613	1.05
	People with Special Needs	616	646	1.05

* Average Salary December 2007.

Diversity and equal opportunities

Energias do Brasil is committed to respecting diversity and to offering its employees opportunities for development. This stance was reinforced in 2007 when it launched policies to value diversity and fight discrimination and harassment.

In the reporting period, Energias do Brasil's Communications and Accusations Hotline received eight reports of harassment and discrimination, which were not borne out. The accusations were analyzed by the Ethics Committee and by an internal audit, and the company concluded that these reports either were unfounded or were not cases of discrimination.

Support and encouragement

"I was really pleased to be hired full-time, because it reflected the dedication and effort I have put into my job and also my supervisors' encouragement of me. I intend to carry on working and growing in my knowledge of my job, because I really identify with it and I love it. I thought it was very good to be taken on full-time by a company that supports and encourages its employees in all their aspects."

Marianne Cristina Sesti - administrative assistant, former member of the Inclusion program which integrates people with special needs

GRI
HR4

Human Rights

As a signatory of the United Nations' Global Compact and Millennium Development Goals, Energias do Brasil seeks to promote human rights in its daily activities and encourage this practice among all those stakeholders with whom it is in contact. (Further information on the commitments undertaken by the company is given on page 21).

GRI
HR5
HR6
HR7

Energias do Brasil does not perform activities that entail a significant risk of child labor, forced labor or slavery, or threaten freedom of association, and recorded no accusations involving these practices in 2007.

Responsibility in the production chain

GRI
HR2

In 2007, Energias do Brasil further extended its sustainability practices among suppliers. Its selection criteria were adapted to the new policies, and the Companies' socio-environmental performance was included in the continuous production chain monitoring process, through factory inspection and industrial assessment. The group contacted its approximately 1,500 suppliers by means of a legal contract, and briefed them as to the newly-defined socio-environmental performance rules.

These companies together supply R\$ 1 billion in goods and services. One hundred per cent of the company's suppliers are subject to clauses including such issues as the protection of human rights, both in selecting and in monitoring such contracts.

GRI
EC6

Energias do Brasil implemented two major projects to make transactions with suppliers faster and safer, and assure lower costs. Vanguarda OPEX, the first, aims to improve the level of efficiency in all the Group's companies by standardizing and centralizing the purchasing process. Some 200 employees from a range of departments were directly involved in carrying it out. Measures already taken include reducing the amount of materials in inventory and standardizing the codes for products and services hired, so that they integrate a shared electronic real time network.

The second program, Sinergie, was set up by the EDP group to unify and standardize the Group's companies worldwide. It too is based on an electronic platform manually compiling more than 500 processes and providing some 200,000 purchase orders within a universe of 27,000 suppliers.



Society

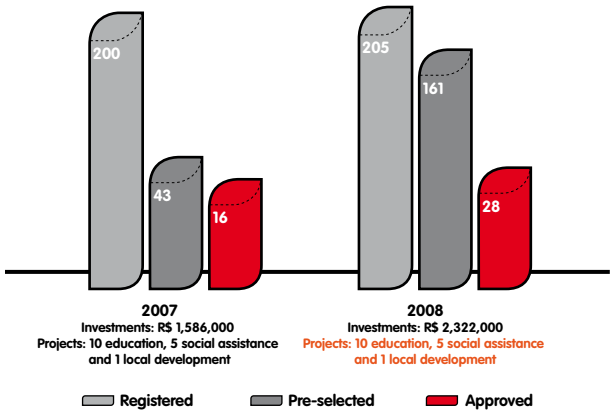
Community

Energias do Brasil’s commitment to the communities where it operates is shown by its promotion of its own initiatives or its support for its social partners who work to bring about social change and mobilization. In 2007 social investments came to R\$ 8.1 million. The main focus is on education; however, investment is made in social welfare initiatives, local development and local culture, in accordance with the Company’s guidelines as set out in its External Social Investment Policy and Cultural Policy.

These policies were officially launched in 2007, when the first projects were chosen through a public selection process and the Monitoring and Assessment System began. Investments exceeded R\$ 2.0 million in social projects (donations and direct participation); 16 projects (R\$ 1.6 million) were initiatives hired through a public bidding process. A further highlight is R\$ 1.6 million in educational projects and some R\$ 4.2 million in cultural sponsorship, above all for the theatre, with plays that Energias do Brasil seeks to stage in venues located in those places where the Group’s companies operate. In 2007 theatergoers in cities like Vitória, Campo Grande, São José dos Campos and Guaratinguetá enjoyed such shows as Shakespeare’s *Richard III*; Pirandello’s *Man, Beast and Virtue*; Mazzeo’s *Enfim Nós; A Life Less Ordinary*; the *Parlapatões Festival* and Flavio de Souza’s *Fica Comigo Esta Noite*.

The target audience of social and educational projects is children and adolescents, students from the public education system, the local community, young people and adults, the illiterate, people with special needs, educationalists and families.

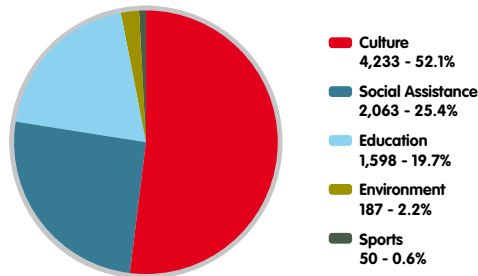
Participants in Call for Social Projects



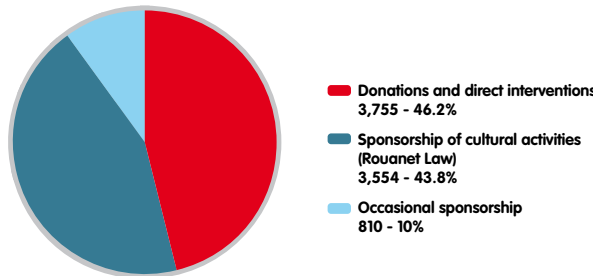
A team of 12 specialists visited all the projects every two months. There were 162 meetings and interviews with the coordinators of the initiatives, and the directors of organizations, technical experts and beneficiaries, making up a total of 900 people heard during the monitoring process. The results obtained in the first six months show that the vast majority of interventions are in line with the objectives.

Social investment is expected to total R\$ 6.5 million in 2008. Of this sum, roughly R\$ 2.27 million will be dedicated to the 28 winning projects from the 205 projects enrolled in this second Energias do Brasil social bidding process carried out in the second half of 2007.

Social Investment by Area
(in thousands of R\$)



Social Investment by Source
(in thousands of R\$)



Total invested: R\$ 8.12 million (0.17% of net operating income)

Energias do Brasil Institute

The Company set up its Energias do Brasil Institute in 2007 to coordinate social and environmental projects and to involve and communicate with employees and other strategic target groups. The Institute is responsible for the development and coordination of Environmental Investment, Social Investment, Voluntary Work and Institutional Management policies. It also promotes consolidation of the Company's sustainability culture among employees, customers, suppliers, partners, and other strategic target audiences.

In the environment, the Institute is responsible for promoting projects that go beyond mere legal requirements. One example was the launching of Ecotropical, the Center for Tropical Biodiversity Studies, in partnership with Instituto Ecológica (an environmental NGO) and the University of Aveiro in Portugal; it will conduct scientific studies of some of Brazil's main biomes, beginning with the cerrado grasslands of the state of Tocantins. (Further information on the Center and other environmental projects is given in the chapter on Environmental Management, page 89).

Integration between the Group's management and the activities of the Institute is assured by the corporate governance model produced in line with the sustainability commitments laid down by Energias do Brasil.

The founder members of the Institute are the Holding company and the companies making up the Group. The General Assembly is its highest body. The directorate is made up of three members: the director-president, the executive director and the administrative and financial director. The advisory board was set up to counsel the directorate. It is a permanent board made up of 10 members, four of whom are representatives from civil society. The Institute also has a non-permanent Audit Committee made up of three members elected by the General Assembly.

Some of the entity's income will derive from the sale of carbon credits generated by CDM (Clean Development Mechanism) projects and VER (Verified Emissions Reductions), within the Kyoto Protocol, and applied in its socio-environmental programs. Some 900,000 tons of CO₂ resulting from CDM projects at the São João, Paraíso and Santa Fé SHPs and the fourth turbine at Mascarenhas are expected to be traded by 2013. (Read more on Energias do Brasil's CDM projects in the chapter on Environmental Management, page 80).

Social projects

Energias do Brasil's main social project is Letters of Light. Launched in partnership with the Roberto Civita Foundation in late 2006, it aims to encourage reading so as to boost education and culture and citizenship. With over R\$ 1.7 million invested in 2007, the projects benefited 60 towns in the four States where Energias do Brasil's subsidiaries operate.

The project enables 1,700 disseminators to extend the three axes of the Letters of Light project to students in the first to fourth years of Elementary Education (children aged from 7 to 10): workshops to encourage reading, capacity building and theatrical presentations, as well as the donation of collections of literature. In 2007, Letters of Light staged 270 reading workshops and trained 973 disseminators. A further 270 theatre workshops were held and attracted some 43,000 spectators. The project was also responsible for collecting over 16,000 books donated to libraries in the cities that benefited.

A program for voluntary co-operative teaching of reading and writing to young people and adults - the Solidarity Literacy program (Alfasol), supported by Enerpeixe, likewise aiming at integration through education - opened 25 groups and served 444 students in municipalities directly influenced by the Peixe Angical HPP in the state of Tocantins.

The Bandeirante Community Education program, focusing on strengthening elementary education in municipal schools, assisted 54 institutions over the course of the year, and benefited 16,000 students. The program also carries out repairs to the school environment through voluntary group efforts of painting, gardening, and electrical and classroom lighting repairs as well as the donation of furniture and equipment. The program sets up libraries, toy collections and fun activities such as School Radio and plays and thus helps integrate the school setting and encourage parents and children to think about education and culture for sustainable development.

Core business-related projects

The Group has several projects related to its core business and works to promote access to electricity, energy efficiency, and awareness of the risk of accidents involving power lines as well as electrical accidents in the home.

Energias do Brasil has benefited 55,764 families through the Light for All program, run by the Ministry for Mines and Energy and the National Electrical Energy Agency (Aneel) to assure access to electricity for all Brazilians, above all in the neediest rural communities. In 2007, distributors carried out 9,193 connections with a total investment of R\$ 71.5 million. The Group has invested R\$ 327.7 million in the program since 2004.

Light for All Program

	Bandeirante	Escelsa	Enersul	Total 2007
Connections	1,207	5,015	2,971	9,193
Investment (R\$ million)	3.7	35.9	31.9	71.5

Rewriting history

"We at Solidarity Literacy are proud to partner the Energias do Brasil Group, a company which has pursued a policy of private social investment, extending its network of partners by publishing calls for projects, and is a benchmark in the industry. In our view Energias do Brasil underpins our programs to strengthen the education of young people and adults in the communities where we operate, causing a real impact on public policies. Together we hope to rewrite the history of many Brazilians."

Regina Célia Esteves de Siqueira - Executive-Superintendent of Solidarity Literacy

Time to spread the message

"The Letters of Light project exploits the synergy of two very important fields: theatre and literature. What makes us different is our promotion of Brazilian works. At the end of the plays everyone always says that they would like to know more about the author. This shows that everything is a question of opportunity. I grabbed my chance! The experience was really worthwhile. Now it's time to spread the message."

Roseclair Leandra de Oliveira, Mogi das Cruzes (SP)

Another initiative is the program to make illegal connections legal - Regularization of Illegal Connections - which Bandeirante Energia has been running since 2005. Last year 13,000 connections were made legal. The company has provided communication channels and informational material to teach the population about the proper and safe use of electricity. It also carries out specific actions such as its Safety in the Community program (PSC) for customers in the Escelsa and Enersul catchment areas. The distributors also take part in broader Eletrobras programs such as Christmas of Light, which enhances historical monuments and churches throughout Brazil by illuminating them over Christmas and New Year.

Energy efficiency

GRI
EN6
EU6

To promote greater efficiency and safety in the use of electricity, the distributors carry out regular studies and projects in energy efficiency in a whole range of customers' premises - industrial, commercial, domestic and public sector - as well as projects specifically targeting lower-income bracket communities. Approximately 300,000 energy efficient light bulbs were distributed in its operating area last year.

One standout project carried out by Bandeirante is its Energy in the Community project, which benefited more than 61,000 low-income residential customers by installing 274,000 compact fluorescent light bulbs, bearing the Procel/Inmetro seal of performance, to replace inefficient light bulbs, as well as providing repairs to their wiring.

This resulted in a fall in peak time demand, an improvement in the distribution system and electricity savings for these consumers, reducing rates of non-payment among these families. In addition 12,680 illegal connections were made legal, boosting the safety of those premises and the Company's customer base.

Bandeirante also won Brazil's National Prize for Electricity Conservation and Rational Use for 2007, awarded by the Ministry for Mines and Energy, with its project for using LED (Light Emitting Diode) technology for all traffic lights in the city of Guarulhos (São Paulo state). The project was hailed as groundbreaking in Latin America owing to its scope, originality, and the solutions created.

Escelsa undertook a major project aiming at consumers in 76 target-neighborhoods in Greater Vitória (Espírito Santo state). Educational initiatives were carried out in partnership with the community to promote safe and efficient use of electricity, install 89,840 compact fluorescent light bulbs bearing the Procel/Inmetro seal of performance, to replace incandescent bulbs, and replace 4,900 inefficient refrigerators by others bearing the Procel seal of electrical efficiency.

Enersul carried out projects in public hospitals and charity entities as well as in low-income communities, fitting compact fluorescent light bulbs to replace inefficient light bulbs, rewiring, and replacing 300 inefficient refrigerators by others bearing the Procel seal of electrical efficiency.

An ISO 9001:2000 certification process began in 2007 covering the energy efficiency of the three distributors in order to standardize processes, track indicators, and monitor customer satisfaction as well as continually enhance quality. This certification is expected to be awarded in the first half of 2008.

Fighting corruption

Energias do Brasil showed its commitment to transparency and ethics in all its relationships by launching in 2007 its policy for Fighting Corruption, Bribery and Kickbacks. The policy is applied throughout the Group's companies, and also underpins the hiring of suppliers. The company also signed up to the Corporate Compact Against Corruption and For Integrity, an initiative headed by the Ethos Institute for Corporations and Social Responsibility. (Further information under the heading Commitments, page 21).

In early 2007, the Code of Ethics was updated and redistributed to all employees, who signed an pledge to follow it. The document is also posted on bulletin boards, on the intranet and on the Company's website. The Ethics Committee, which meets monthly, oversees and enforces the code. Shareholders, employees, customers, suppliers, and the public at large can use the anonymous Communication Channel and Hotline, to raise questions and point out conflicts affecting compliance with these principles. Energias do Brasil seeks through such measures to assure that 100% of its employees receive instructions on the Code of Ethics and on its policy of fighting corruption. There were no reports of corruption involving the Group's companies in 2007.

GRI
S03

**GRI
S05** **Public policies**

Energias do Brasil is regulated by the National Electrical Energy Agency (Aneel), a body reporting to the Ministry for Mines and Energy. It fully complies with the legislation concerning the electricity industry and takes part in a range of initiatives to support public policies. In addition to federal programs such as Light for All, to assure access to the electricity grid for all Brazilians, and Procel, promoting energy efficiency, the Group also enters partnerships at city and state levels.

In addition to its own projects and support for social partners, the Group's companies set aside 1% from Income Tax annually to Municipal Funds for the Rights of Children and Adolescents. The money is invested in programs meeting the needs of children and adolescents who are at social and personal risk. Last year, R\$ 479,000 was set aside for 14 projects, benefiting over 1,800 people.

Three of the group's distributors (Bandeirante, Escelsa and Enersul) were awarded the title of Child-Friendly Company by the Abrinq Foundation, which fights for the rights of children and adolescents, for work benefiting young people.

One example is the cooperation agreement signed by Escelsa and the state government of Espírito Santo to provide financial support to IASES, the State Institute for Socio-Educational Care. R\$ 182,973.00 will be invested by CRIAD, the State Council for the

Rights of Children and Adolescents to promote education, health and leisure activities for needy youngsters. This corresponds to the donation of 1% of Income Tax owed by the Company to FIA, the Fund for Childhood and Adolescence.

The Group's companies also took part in business associations and entrepreneurial forums including CEBDS (Brazilian Entrepreneurial Council for Sustainable Development), Instituto Ethos, the Entrepreneurial Council for Citizenship, FIDES, the Espírito Santo Federation of Industries, and Akatu Institute. They also work directly on and are represented on such electricity industry entities as Abradee (Brazilian Association for Electrical Energy Distributors) and the Acende Brasil Institute.

The Group's guidelines prohibit support for political parties or participation in political campaigns, and there were no records of financial or cash contributions to such in 2007.

Unfair competition

Energias do Brasil participates with its rivals in issues of public interest. The Group seeks to assure that all its relationships are guided by respect and transparency, through a series of initiatives that included formalizing the Policy for Fighting Corruption, Bribery and Kickbacks and updating and disseminating the Code of Ethics. No lawsuits for unfair competition, monopoly or trust activities have been recorded in 2007.

A different sort of energy

"Taking part in the Art with Energy competition made me really happy. It all started when I made a doll out of recyclable material: her name is Energilda. Me and my classmates were chosen as one of the best entries, and we were given a sculpture kit. This prize gave my mum and my sister the idea of making handicrafts and we started selling them. Selling these works of art turned into a source of income for my family, which was suffering financial difficulties. Bandeirante distributes a different kind of energy."

Bruna dos Santos Souza, 9 years old, from São José de Campos (São Paulo)

**GRI
4.12**
**GRI
S06**
**GRI
S07**

Responsibility for Product

Energias do Brasil adopts policies and procedures to boost dialogue with customers and continually improve its products and services.

The group's distribution area is covered by three companies - Bandeirante, Enersul and Escelsa - meeting the needs of over 3.2 million customers in 2007, which means 9.7 million people in 171 municipalities. The number of social clients in 2007 came to 571,914.

Customer health and safety

GRI
PR1

The launching of Sustainability, Environmental, Health and Safety, Union Relations, and Communications policies in 2007 underscored Energias do Brasil's commitment to assuring that 100% of its products and services be assessed for life cycle and safety aspects.

GRI
PR3

All information on the necessary caution and proper use of the electricity grid is made available on the communications channels of the companies belonging to the Group, such as websites, call centers and the electricity bills.

There have been no reports of non-compliance with regulations and voluntary codes concerning health and safety in the product lifecycle, or information and labeling for the Company's products and services.

GRI
PR2
PR4

In addition to fully meeting the conditions laid down by Aneel for protecting consumers' health and safety, the Group's distributors run awareness-raising campaigns in the communities where they operate, a list of which follows.

Bandeirante

GRI
EU22

Kites and safety - This project involves a workshop and kite flying competition, at least once a year, in all towns within the concession area. Each participant is given a leaflet teaching them how to play safely with kites, and can watch talks on how to use electricity safely. In 2007, 69 events were staged and 80,000 people took part.

Distribution of leaflets - Materials about the using electricity safely are handed out at strategic points such as stores, events and schools. The company took part in the Jacareí Agriculture and Livestock Show (FAPIJA), where it not only disseminated the value of corporate sustainability but also presented ideas on the safe use of electricity through a memory game. Theatre groups and bands also took part in the event.

Economy and safety tips on the company's website -

Web-users can familiarize themselves with tips on how to use electricity safely and rationally.

Energy in the community - Over 30 events were held in 2007 in communities whose connections were made legal. The goal is to raise citizens' awareness of the proper use of electricity through play.

National Week of Electricity Safety/Abradee - Events are held in the 28 towns within the concession area, at venues such as shopping malls, railway stations, public squares, and through actions such as radio broadcasts, lectures in schools, or kite-flying competitions.

Messages printed on the Electricity Bill - Printing messages on the electricity bill concerning the safe use of electricity.

Escelsa

National Week for Prevention of Electrical Accidents/Abradee -

The campaign involves making 1,600 posters and 8,000 sheets, given out to customers at the Company's 46 Customer Service Agencies and posted in shops, courthouses, city halls, schools, banks and so on, during the first fortnight of November.

The campaign underscores the Company's message on the prevention of accidents, alerting customers to the dangers of flying kites near power equipment, of stealing electricity, of building or renovating real estate near the power lines, or setting up antennas near the electricity grid.



Enersul

Turned on to safety - This campaign was held to publicize the company's new 0800 toll-free number, and added a warning on risks and advice on how to use electricity safely. The message was spread and reinforced by 700,000 fridge magnets, providing the visibility to achieve the necessary effect in all customers' homes.

Full-time safety - This campaign was spread through 50,000 pocket calendars given out at events and at customer care points. The material was an opportunity for customers to read tips on the safe use of electricity all the time.

Serious and fatal accidents

GRI EU24 Forty-one accidents were caused in 2007 by people coming into contact with electrical equipment and power lines, with five fatalities occurring within Escelsa's region.

Escelsa - There were eight accidents with five fatalities that led to lawsuits against the distributor.

Bandeirante - Five lawsuits were begun in 2007 concerning accidental deaths from electrocution which occurred before 2007.

Enersul - There were three lawsuits, two concerning electrocution, and moral and material damages, one of them involving a minor. The third lawsuit is for compensation for moral damages caused by third-party death.

Enerpeixe - Is not facing any lawsuits for damages relating to fatalities, either of its own employees or of third parties. In the only lawsuit under way - the death of a contractor's employee - the suit was found groundless, judgment has been handed down, and the records have been filed.

Communication and marketing

Customer Communications Strategy is guided by the Communication Policy and underpinned by the Group's Code of Ethics.

Respect for the customer underpins all initiatives undertaken by the Company. This includes customer satisfaction surveys, conducted either in compliance with the demands of Brazil's electricity industry or spontaneously, as is the case of the survey carried out by Enersul in partnership with the Futura Institute.

GRI PR6 PR7

Type of accident	Cause	Frequency
Automobile accident	Collision between motorbike and Escelsa vehicle	1
Electric shock	Self-reconnection	1
	Fallen cable	4
	Undue contact	3
	Attempted theft	2
	Illegal connection	5
	Accidental contact with high-voltage	4
	Pruning a tree	-
Contact with very high temperature object or substance	Construction, renovation of roofing or guttering	1
Exposure to high voltage electricity	Undue interventions to the network	2
	Assembly, disassembly or work on scaffolding near the network	1
	Painting, cleaning or renovation of façades, roofs, guttering	8
	Recovering a kite from pylons or power lines	1
	Work on concrete slabs, marquises or support construction	3
	Climbing or pruning trees	1
	Installation/repair of antennas	1
	Other causes	1
Exposure to electricity	Fall of object, post, cable	1

Distributors are assessed annually by two national surveys carried out by Aneel and Abradee. The results of the last five years are

Index of Satisfaction with Perceived Quality (ISQP) - in %

		2003	2004	2005	2006	2007	
GRI PR5	Bandeirante	71.9	73.5	67.8	71.1	74.8	GRI EC6
	Escelsa	74.2	74.3	73.4	73.8	86.3	
	Enersul	70.2	72.7	73.8	72.6	74.2	

Aneel Consumer Satisfaction Index (IASC) - in %

	2003	2004	2005	2006
Bandeirante	68.8	56.6	60.0	62.3
Escelsa	64.2	57.9	55.6	60.3
Enersul	61.9	55.5	57.7	55.7

x¹ - Results for 2007 have not yet been disclosed.

Survey of Major Clients

ISG* (2007)	Bandeirante	Escelsa	Enersul
	67	69	51

* ISG = General Satisfaction Index.

A further customer satisfaction survey was carried out in 2007, for Group A clients who receive high and medium voltage, including Captive Consumers, Free Consumers, Special Consumers, and Self-producers. The survey is conducted by the Brazilian Institute for Public Opinion and Statistics (Instituto IBOPE), and asks the client to assess a range of aspects of the service such as: quality of the electricity received; reliability of the utility's supply; and personalized assistance by account managers.

Satisfaction surveys were also carried out in the fields of communication (advice on risks/hazards of electricity), rights and duties (clarification), payment locations, warnings of scheduled cuts (clarification), relationship channels/ease of contact (dissemination), intelligibility of information on the electricity bill (clarification), expiry

dates/choices (clarification) and guidance as to the proper use of electricity so as to avoid waste (changes in the toll-free 0800 services). The results of these surveys have not yet been presented.

No cases were recorded of non-compliance with regulations on voluntary codes for communications and marketing in 2007.

Communications channels

In addition to 24/7 call centers, the Group's companies keep several channels open for customer relations. Information on tariff changes, maintenance on the network, and quality and performance indicators, for example, is given on the companies' and the Holding's websites and on the electricity bills.

Energias do Brasil also promotes communications initiatives to disseminate its socio-environmental responsibility actions. The Group's more than 600 service options in 2007 represent another important space for communication between the Company and its customers.

Support for vocational skills training

"The sales of the mussels that I farm on Cocanha Beach, in Caraguatatuba (São Paulo) have taken off thanks to the support that the company has given to the Mussel Farming Tourist Trail. It would be pointless to produce quality seafood if we could not reel in the most difficult fish: the tourist. The purpose of the project is to encourage consumption of mussels at kiosks on Cocanha Beach and make our service increasingly professional."

Tirso da Rocha Neves, fisherman and mussel farmer in the state of São Paulo

Customer Service Points

	Bandeirante	Escelsa	Enersul
Own stores	6	8	10
Third-party stores	13	38	38
Poupatempo	1	-	-
Third-party kiosk	7	-	-
Commercial agent	-	119	399
Total	27	165	447

Customer demands, as identified through these channels, are forwarded to the responsible areas for assessment and appropriate solution, so as to continually enhance products and services.

Access channels - calls and visits in 2007

Total calls and visits	Bandeirante	Escelsa	Enersul
Call center	1,961,667	1,790,729	1,405,024
Interactive voice response (IVR)	885,291	581,794	107,381
Stores/agents*	974,516	1,726,375	1,099,165
Internet (visits)	844,234	985,525	591,041
Total	3,691,192	5,084,423	3,202,611

* Includes own and third-party stores.

Performance of call center 2007

	Bandeirante	Escelsa	Enersul
Goal	90%	85%	85%
Basic service level index (INB)	91%	95.8%	95.1%
Goal	7%	8%	8%
Aborted call rate (IAB)	1.6%	1.5%	1.3%

Consumer privacy

Confidentiality of information for 100% of the Energias do Brasil customer database is assured by processes, procedures, and tools aligned with the Group's security and technology systems, guaranteeing total data protection. There were no recorded cases in 2007 of customer privacy violations.



Social goals

In 2007 Energias do Brasil adopted certain goals for the social performance of its affiliates. Proposals and respective assessments are shown below.

Social goals for 2007	Assessment
Investment of 0.16% of net operating revenue in external social investments	Exceeded
Attain 75% in Index of Satisfaction with Perceived Quality in distributors' services	Partially met
Training in sustainability for 100% of management positions in the Group	Partially met (31%)
Promote the Letters of Light project in 51 municipalities, training 1,725 disseminators	Exceeded with regard to municipalities and partially met (56%) with regard to disseminators
Set up a prize for fine arts with the Energias do Brasil seal	Not met
Conclude the first list of social projects sponsored by Energias do Brasil	Met

The following challenges in social performance have been set for 2008:

- To set up a prize for fine arts with the Energias do Brasil seal;
- Build the structure for, and set in motion the Energias do Brasil Institute; and
- Provide training in sustainability to 80% of the Group's employees.



Workshop of the Letras de Luz project

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Environmental Performance

Environmental Management

In 2007 Energias do Brasil consolidated its stance for promoting sustainability throughout all aspects of its operations. Among the most noteworthy initiatives are the setting up of the Energias do Brasil Institute, the implementation of the Integrated Sustainability Management System (SGIS) and the Integrated Policy for the Environment, and Occupational Health and Safety. Three programs were set up to promote responsible use of natural resources: the Reduction of Consumption and the Rational Use of Water and Electricity; Atmospheric Emissions Management; and Reduction of Fuel Consumption.

Energias do Brasil also had three Clean Development Mechanism (CDM) projects approved by the Inter-Ministerial Commission on Global Climate Change (CIMGC), a body linked to the Ministry of Science and Technology (MCT).

Environmental expenditure by Energias do Brasil came to R\$ 31.2 million in 2007; 59% of the total was capitalized. Expenditure fell by 30% over 2006, as a result of the completion of the Peixe Angical HPP.

Integrated Sustainability Management System

The Integrated Sustainability Management System (SIGS) aims to standardize and enhance the performance of Energias do Brasil's companies in environmental management and occupational health and safety.

Its objectives include supplying data to the Sustainability Information System (SIS) currently being set up, and certification of facilities under ISO 14000 (International Standardization Organization) and OHSAS 18001 (Occupational Health and Safety Assessment Series) norms.

Energias do Brasil and climate change

Energias do Brasil is committed to the principles of sustainability in all its operations, and seeks, in alignment with global trends, to find efficient solutions to climate change; it works on two specific fronts. The first is programs to reduce greenhouse gas emissions from its operations. The second adds Clean Development Mechanisms (CDMs) to enable the sale of carbon credits on the market that has arisen under the Kyoto Protocol.

GRI
EC2

Total investments and expenditures on environmental protection by company (R\$ million)

	2006	2007
Energest	0.72	3.65
Cesa	-	1.08
Pantanal	-	0.26
Enerpeixe	29.74	12.04
EDP Lajeado	1.79	3.15
Bandeirante	0.54	2.77
Escelsa	6.91	4.36
Enersul	4.23	3.86
Total	43.93	31.17

Total expenditure on environmental protection by type (R\$ million)

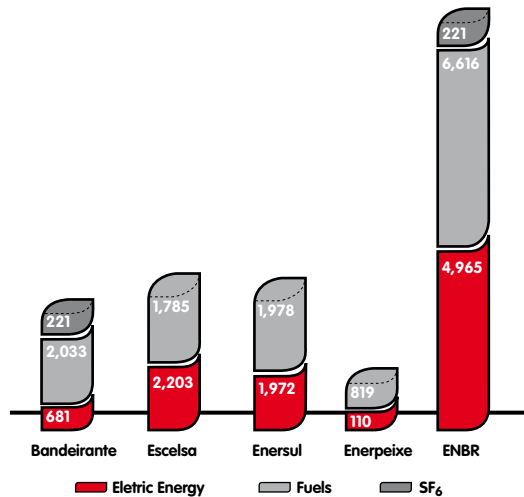
	2006	2007
Waste water management	0.00	0.28
Waste management	0.42	0.24
Conservation and recovery of soil, underground and surface water	0.28	0.55
Protection of biodiversity and landscape	0.21	0.57
Other environmental management and protection initiatives	3.13	5.64
Total	4.04	7.28

GRI
EN30

GRI EN16 Atmospheric Emissions

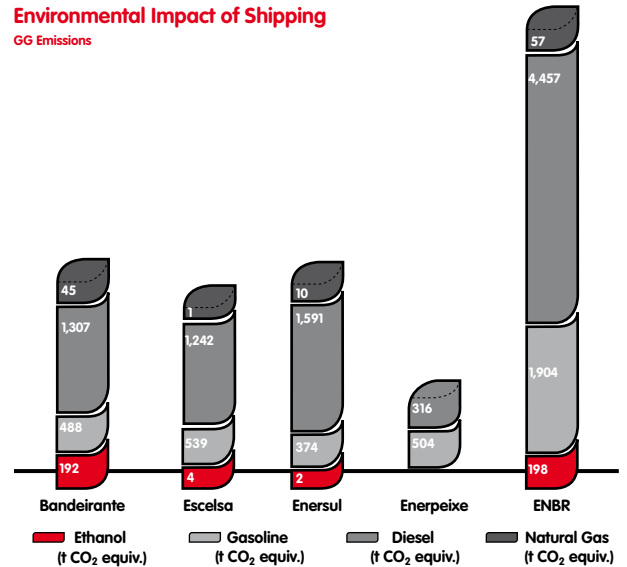
Energias do Brasil takes steps through the application of monitoring mechanisms to control and reduce greenhouse gases (GG) in its electricity generating and distribution operations. In 2007, indirect atmospheric emissions of GG coming from electricity consumption in its administrative buildings, the burning of fuel by its fleet of vehicles, and emissions of SF₆ totaled 11,407 tons of CO₂ equivalent.

GRI EN17 Other Indirect GG Emissions (t CO₂ equiv.)



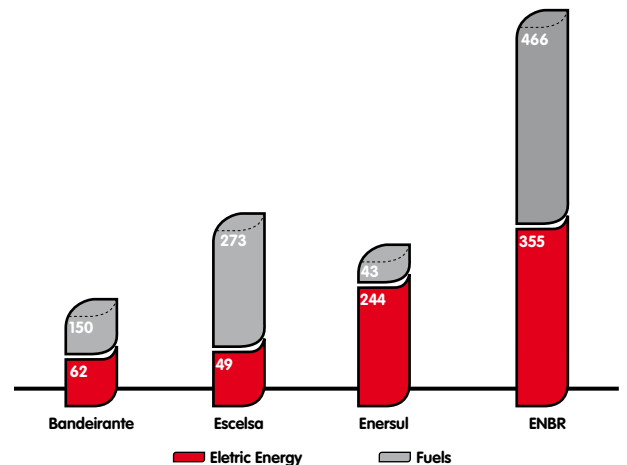
The Atmospheric Emissions Management Program for vehicle fleets was introduced throughout all companies in 2007. The program was set up to complement the Reduction of Fuel Consumption Program and the Intelligent Driving System. Its initial goal was to reduce emissions by the vehicle fleet by 5% from average annual emissions recorded between 2004 and 2006. Bandeirante, for example, reduced energy consumption per kilometer by more than the predicted 5%, although the absolute volume of fuel increased over the previous year. In 2007, 4.17 MJ/km were consumed; in 2006, the volume reached 4.41 MJ/km.

Environmental Impact of Shipping GG Emissions



Among specific steps taken by the distributors - Bandeirante, Escelsa and Enersul - the installation of kits allowing natural gas to be burned in gasoline vehicles, in 2006, and the decision to purchase bi-fuel vehicles (gasoline + ethanol), in 2007, are noteworthy. The intelligent driving system enabled each vehicle to be monitored by means of an on-board computer. The system analyzes parameters such as speed, intensity of braking, and engine idling to improve vehicle use efficiency and, as a result, fuel efficiency.

Reduction of GG Emissions (t CO₂ equiv.)



Since Energias do Brasil's generating activities are hydroelectric, there are no significant direct atmospheric emissions of NO_x or SO_x.

GRI EN29

GRI EN18

GRI EN20

Clean Development Mechanisms (CDM)

GRI
EC2
EU4

Energias do Brasil's strategy regarding emissions trading is to identify projects that could generate carbon credits already existing among operations and assets of its generating and distributing companies. Such projects are submitted for appreciation and approval by the Inter-Ministerial Commission on Global Climate Change (CIMGC) and registered by the Executive Committee of the UN. After this stage they are awarded so-called Verified Emissions Reduction (VERs) and can be traded.

At the end of 2007, the Group had three CDM projects approved by CIMGC: São João SHP (25 MW) and the fourth turbine of Mascarenhas HPP (50 MW), both located in the state of Espírito Santo, and Paraíso SHP (21.6 MW) in the state of Mato Grosso do Sul. It also continued with its project for transmission lines from Porto Murtinho to Jardim, in the state of Mato Grosso do Sul. The first CDM project in the world in the field of electricity distribution, it has already been validated and is being appreciated by the Inter-Ministerial Commission on Global Climate Change. A fifth project, the PDD (Project Design Document) for Santa Fé SHP (29 MW), in the state of Espírito Santo, has been completed and is to be submitted to CIMGC in the first quarter of 2008.

All told, the five projects could generate some 900,000 avoided tons of CO₂ in the first period of compliance with the Kyoto Protocol (2008-2012) and approximately 1.4 million tons of CO₂ over their lifetime.

The Group also began to draft PDDs for the following projects for repowering in the state of Espírito Santo: the first three turbines of the Mascarenhas HPP (an added 17.50 MW), the Suíça HPP (an added 2.31 MW) and the Rio Bonito SHP (an added 5.22 MW).

Energias do Brasil debuted on the voluntary carbon credits market, having generated some 130,000 tons of Verified Emissions Reduction (VERs) over the year. A portion of these VERs was used to neutralize other events of the group, and the rest was traded.

Social carbon

Energias do Brasil was Brazil's first electricity industry company to adopt the Social Carbon methodology, aligning it with issues such as environmental sustainability, working conditions, job creation, income distribution, capacity building and technological development, and linking and coupling the regions mapped out in its projects.

The concept of social carbon is applied to projects that reduce or eliminate greenhouse gas emissions and enable measurement of benefits to stakeholder communities. These projects enhance local production systems and habits, so as to balance the development of social and economic aspects, enabling greater profitability in the long run.

The project is carried out at the Mascarenhas HPP in the state of Espírito Santo and assesses the living conditions of surrounding communities, taking into consideration their prospects, resources, strategies, threats, opportunities, political organizations and social relationships. When Social Carbon is adopted, some of the resources obtained by selling carbon credits (CDM projects) are ploughed back into the communities.

Monitoring

In 2007 Energias do Brasil began the process of environmental and health and safety certification in its facilities. After surveying the environmental aspects and impacts, risks and hazards to health and safety, over 40 operational procedures were developed. It also adopted a computerized system to verify and update legislation and assess legal compliance that will be available to all the companies in the Group. The first certification in the strategic areas of distribution and generation is foreseen for 2008.

Among the highlights for the period in question is the program to monitor and control noise. It was begun in 2004 in Bandeirante Energia, as part of the environmental diagnosis of substations;

GRI
4.11

at that time it identified 30 substations with measurement scores above limits set down in the Brazilian Association of Technical Standards - ABNT norm NBR 10.151. In the second stage of the program, carried out in 2006, sound pressure measurement equipment was purchased and measurements were taken at 12 substations. Continuing the process in 2007, the Group carried out 32 measurements and identified a need to adapt nine facilities so as to meet the norm. Possible adaptations include maintenance and/or replacement of voltage transformer ventilators, the construction of anti-noise barriers and the redeployment of loads between substations.

The Group aims, through its program to prevent and manage contaminated areas, to identify and remediate possible environmental liability in its companies.

The program got under way in Bandeirante in 2004, and was divided into four phases: Preliminary Assessment, Confirmatory Investigation, Detailed Investigation and Risk Analysis, and Monitoring and Environmental Recovery. Processes were completed, in 2007, in 19 Bandeirante facilities, 18 of which did not involve the identification of environmental hazards. At Escelsa, the program got under way to investigate possible environmental liabilities in the area which once housed the now decommissioned electromechanical workshop.

GRI
EU21

The Program to Monitor the Life Quality of Resettled Populations, which has been carried out by Enerpeixe since 2005, follows up and assesses the living conditions of 107 families that were relocated in urban and rural areas as a result of starting up the Peixe Angical HPP. Among indicators that are evaluated are access to public services, the health of this population, access to water supply, sanitation, leisure and culture activities, transportation, safety, education, housing, nutritional standards and the description of production systems and production infrastructure in the rural areas. Monitoring activities showed an improvement in the living conditions of the families with regard to housing, water supply, basic sanitation and access to education. All houses have running potable water, bathrooms with sanitary fittings, and a proper transportation and education infrastructure. Projects to teach young people and adults to read and write are also ongoing.

The Negotiation Forum was set up in 2004 as part of the process of introducing the HPP. This is a collegiate committee made up of members from the public licensing body, IBAMA, the Brazilian Institute for the Environment and Renewable Natural Resources, and watchdog organizations (the Federal and State Attorney's Offices), and representatives of other public bodies, municipal authorities and the populations affected. It is an important tool for clarifying doubts, discussing situations not foreseen in the environmental programs, and bringing forward disagreements concerning treatment. The Forum met four times in 2007.

Environmental Licensing

Energisa has 123 environmental operating licenses (OLs) in the area of distribution, involving virtually all its transmission lines and operating substations. All Bandeirante projects built after 2004 have been licensed, while earlier projects are being made legal within the environmental organization. Some Escelsa projects are fully legal while others are subject to ongoing dialogue with the State Government to make them so. Escelsa's has a special agreement with IDAFI (the Agriculture, Livestock and Forest Protection Institute) which guarantees authorization for pruning trees and clearing strips alongside all transmission lines.

In the field of Generation, four installation licenses (ILs) were obtained in 2007 from Espírito Santo's State Institute for the Environment and Water Resources (IEMA), one of which is for the construction of the Santa Fé SHP, and three are for modernization and repowering of operational plants (Mascarenhas HPP, Suíça HPP and Rio Bonito SHP).

In order to obtain licenses for the Santa Fé SHP, the Group drafted an Environmental Impact Study and an Environmental Control Program. For its other ongoing operations only Environmental Control Programs were drawn up, laying down guidelines for the control of atmospheric emissions, and liquid and solid waste during construction works.

GRI
EU19

An environmental operating license was also obtained in 2007 for the São João SHP (Espírito Santo) and environmental impact studies began in order to obtain installation licenses for two new projects in the state of Espírito Santo - the Santa Teresa SHP (11 MW) and the Aparecida SHP (4.5 MW), as well as one in the state of Mato Grosso do Sul - the Cassilândia SHP (18 MW).

At the end of the year, the generating area totaled 17 OLS that were operational or whose renewal had been requested. The operating licenses for these projects contain an array of 361 environmental conditions, including monitoring of water resources, monitoring of aquatic fauna, waste control (water quality, level of the water table, sediments), recovery of degraded areas, socio-economic programs, and other environmental control actions.

Responsible use of natural resources

Energias do Brasil Group seeks permanent efficiency in the use of natural resources in order to assure access to these goods for the present and future generations. It therefore has implemented programs to use more efficient equipment, investing in research and technology to optimize resources, and awareness raising campaigns for its strategic target audiences.

Water

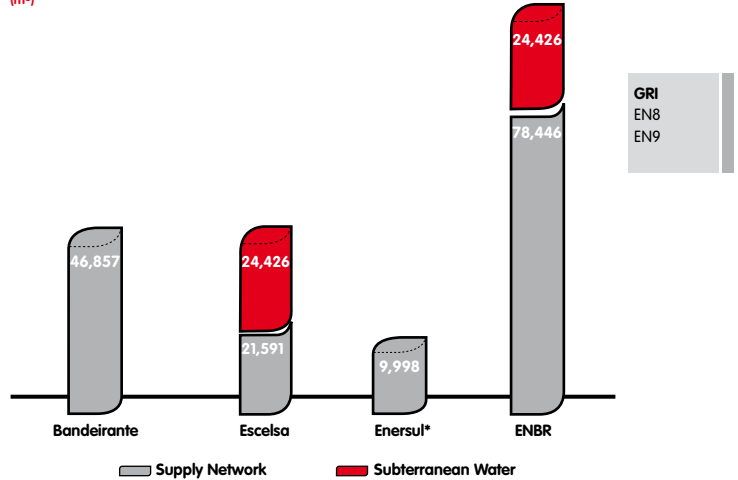
Energias do Brasil's hydroelectric power plants require water so consumption of water from the reservoirs is controlled. Caring for this scarce and essential resource for the sustainability of the planet is one of the Company's priorities. In 2007, by means of integrated actions involving all the companies, it exceeded its goal of reducing water consumption at administrative units by 3% over 2006. One measure involves a large awareness raising campaign for its internal public, using educational pamphlets and cartoons,

adhesive stickers in the restrooms, and engineering and control steps, such as reducing the flow from faucets and flushing toilets.

In Bandeirante, for example, consumption was estimated at 54,400 cubic meters, based on data from the first quarter. After measures were taken, real consumption fell to 46,857 cubic meters, well below the goal proposed for the period (52,760 cubic meters). The results of these actions were seen in savings of 7.5 million liters of water.

Total water consumption for the Group in 2007 was 78,446 cubic meters. Several facilities were adapted during this period, underground collection wells were taken out of action, and major facilities were integrated to the public water supply system.

Total Water Removed by Source of Water Consumption
(m³)



* The consumption of water at Enersul refers to the total amount invoiced by the water company, and does not take into account the amount of water taken from the subterranean well at the company's headquarters in Campo Grande.

Setting a good example

"The good example that the company sets through its social responsibility program encouraged us to partner in these actions. The Bandeirante Community Education Program should be an example for other companies to embrace the social cause."

João Bico de Souza, CEO, Tecnolamp do Brasil, partner in the Bandeirante Community Education Program

Energy

GRI
EN5
EN7

Energias do Brasil has extended its initiatives to reduce energy consumption in its operations. The company posted energy savings of 7.9% in the period by means of campaigns for the rational use of electricity and fuel. In Bandeirante, for example, electricity consumption in administrative buildings came to 2,522 MWh, a reduction of 8.4% in annual consumption.

Electrical Energy	Bandeirante	Escelsa	Enersul	Enerpeixe	ENBR
Administrative consumption (kWh) ⁽¹⁾	2,522,764	8,158,557	7,302,374	405,924	18,389,639

⁽¹⁾ Electricity consumption for Escelsa and Enersul is the total energy consumed in administrative buildings and operating facilities.

GRI
EN4

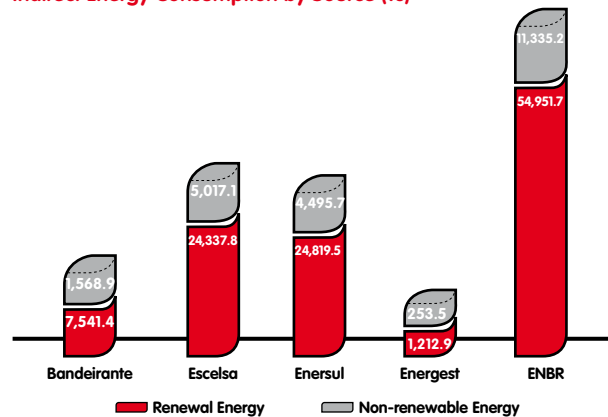
Fuels

Fuel consumption was also a concern in 2007. Reduction in fuel consumption, already verified, leads to a series of outcomes including a reduction in atmospheric emissions.

Fuel consumption	Bandeirante	Escelsa	Enersul	Enerpeixe	ENBR
Ethanol	167,662	0	1,943	0	169,605
Gasoline	220,668	265,961	168,909	101,314	756,852
Diesel	502,216	485,770	611,288	50,656	1,649,930
NG (NG hybrids) (m³)	22,083	374	5,055	0	27,512

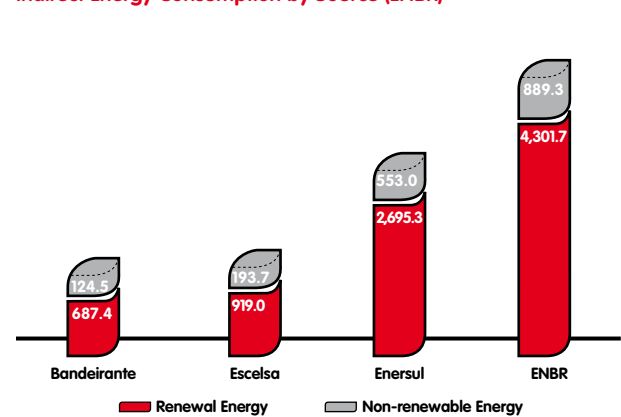
Mindful of its role in domestic energy, ENBR assesses gross energy consumption to monitor demand required for carrying out its administrative activities and the transportation of its employees. In order to consolidate data, consumption of electricity and fuel is converted into energy (Joules) and monitored through specific indicators. It saved 4,742 TJ in its programs in 2007, which is energy equivalent to 1,317 GWh, as shown below.

Indirect Energy Consumption by Source (TJ)



GRI
EN4

Indirect Energy Consumption by Source (ENBR)



GRI
EN7

Energy consumption within the Energias do Brasil Group is compared, by source, with total energy demand in Brazil:

	Brasil	ENBR
Non renewable energy (oil and byproducts, natural gas, coal and uranium)	54.2%	83%
Renewable energy (Hydro and electricity, wood and charcoal, sugarcane byproducts and others)	45.8%	17%

Source: MME Brazil Energy Review. Preliminary results for 2007.

Energy efficiencyGRI
EU6

Eletrobrás and Bandeirante Energia signed three contracts within the Procel Reluz program to promote improvement in street lighting in the municipalities of Taubaté, Suzano and Guarulhos, state of São Paulo.

Total investment will be R\$ 23 million and 72,630 public lighting points will be replaced by a more modern energy-efficient technology. Measures taken will include replacing mercury vapor light bulbs (white lights) by sodium vapor light bulbs (yellow lights), which consume less energy and provide enhanced lighting. The project will bring a reduction of 18.2 GWh in these three municipalities' energy consumption and annual savings above R\$ 3 million.

Consumption of Materials

Among initiatives to manage and reduce the environmental impact of operations, the development of cleaner and more efficient technology and reuse of equipment stand out. Trials began in 2007 in Bandeirante to replace a petroleum-byproduct insulating oil used in equipment. The alternative, still under analysis, is the use of soybean oil, a renewable input.

Although small-scale, wood is another product used by distributors on poles and cross-members. In 2007 the group began to use only reforested wood, and kicked off an R&D project aiming to use polymer cross-members instead of the traditional wooden cross-members.

Waste management

The solid waste management program identifies, analyzes, classifies and quantifies all solid waste produced by operations to enable management, treatment or disposal. In its administrative activities, the Group pre-sorts trash, disposing of plastics and paper for recycling or reuse.

Enersul and Escelsa have eliminated equipment that uses PCBs for insulation. Bandeirante, which still has 804 capacitors in use, continuously monitors equipment and has a gradual decommissioning plan for equipment that is still in perfect working order and within its lifespan. Handling procedures, packaging for transport, and disposal are specified and carried out by trained and duly equipped teams. The following table presents data on Energias do Brasil's waste management.

Waste management	Bandeirante		Escelsa		Enersul		ENBR	
	2006	2007	2006	2007	2006	2007	2006	2007
Hazardous waste (t)	19	24	77	86	0	0	97	111
Used oils	0	0	57.4	85.0	0	0	57.4	85.0
Eliminated PCB (*)	0.1	0	20	0	0	0	20.1	0.0
Light bulbs	19.0	24.3	0	1.2	0	1.25	19.0	26.8
Non-hazardous industrial waste (t)	2,702	2,522	2,656	3,603	254	4,551	254	10,676
Concrete poles	2,069	1,804	2,534	3,261	81	4,131	81	9,196
Metallic waste	633	718	122	342	173	510	173	1,570

(*) PCB – Polychlorinated Biphenyls.

A fresh look

"I believe that work that involves and benefits the community will always enrich the student. The Seafood Farmers project taught us to take a fresh look at the community. The main benefit has been learning teamwork. We cannot merely force our proposals on other people; the decisions have to be adapted and accepted by the whole group. That's something I'll remember for the rest of my life."

Patrícia de Melo Tescaro, Biological Sciences student

GRI
EN24

With regard to waste metals (iron, copper, aluminum, zinc and other metals), Energias do Brasil, mindful of its responsibility to preserve natural resources for the coming generations, is particularly careful to recycle no longer usable metallic material from its electrical system. After appropriate separation, the material is sold to recycling/reuse companies to be returned to the market after reprocessing. Owing to the high added value and recycling potential, the sale of such waste in 2007 led to additional revenues of R\$ 3.56 million. Energias do Brasil does not transport hazardous waste internationally. All

facilities dispose correctly of liquids, whether to the public waste collection network, or by septic tank systems built in compliance with applicable technical standards. Furthermore, to assure compliance with legislation in the case of the only facility that was not connected to the public collection system, a waste treatment station was built in 2007 at the Enersul headquarters. Full legal compliance in the disposal of waste can be verified through the monthly monitoring reports posted since the start of operations at the facility. Energias do Brasil, by adapting its facilities, does not cause significant impacts on bodies of water.

GRI
EN25

Waste metals (t)	Enersul	Escelsa	Bandeirante	Total
Housings of transformers and capacitors	29	0	1.5	31
Copper, bronze, tin	1.4	16	4.8	22
Aluminum	158	2.3	97	257
Iron and steel	202	220	479	901
Mixed metals	119.3	0	56	175.3
Non-hazardous cables	0.1	103	80	183
Waste metals	510	342	718	1,570

GRI
EN22

The whole community benefits

"What pleases me most is taking part in a project that allows seafood farmers to have a new vision. At first they were working on their own, each one concerned with their own production. Today they understand that working as a team can be much more profitable and the whole community can benefit."

Diego Bonadias, 19 years old, Tourism Technology student



Spills	Bandeirante		Escelsa		Enersul		ENBR	
	2006	2007	2006	2007	2006	2007	2006	2007
Spills	0	1	1	2	0	1	1	4
Volume of oil (liters)	0	600	400	100	0	1,700	400	2,400

GRI EN23

Environmental Incidents

Some minor environmental incidents were recorded in 2007 involving oil spills in distribution or energy transformers. In the case of Bandeirante, a spill at the Skol distribution substation was contained within the cable trough system and was quickly controlled by the maintenance team using kits containing turf and oil and absorbent capes. In the case of Enersul, the welding broke on a transformer at its Almoarifado distribution substation, causing the spill of some 1,700 liters of oil in the area surrounding the substation. Several containment measures were likewise taken in order to protect the surrounding environment.

At Escelsa two incidents occurred in its overhead distribution network, causing spills of the order of 100 liters of oil on urban roads. In all cases the waste was duly packed, transported and stored until suitably disposed of.

Distributors of the Energias do Brasil Group, in order to fully meet costs and assure financial resources to clear up possible liabilities from environmental accidents, have preventively taken out a supplementary insurance policy allowing for coverage of expenditures of up to R\$ 4.7 million.

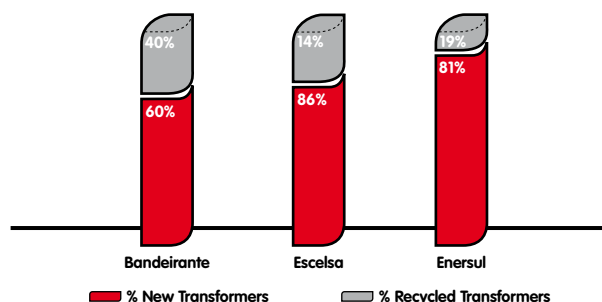
Products and services

Energias do Brasil seeks to extend care and respect for the environment throughout its value chain. One example of this is the recovery of overhead distribution transformers and electricity meters. Qualified suppliers help sort out damaged equipment into two groups. Possibly recoverable equipment is overhauled and returned to the electricity grid for a new working life cycle.

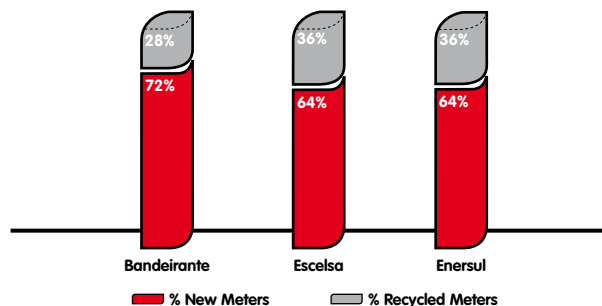
GRI EN27

Unusable material is scrapped, and the waste is sent to metals recycling companies. This has enabled a significant reduction in purchasing requirements as the following figures show.

Transformers - 2007



Meters - 2007



Research, Development and Technological Innovation

GRI
EU7

Research and development activities (R&D) are a routine part of the activities of the Group's distributors. In addition to projects to restrict technical and commercial losses which have led to reductions in demand for generated energy, partnerships with corporations and universities to develop cleaner technologies or pollution control equipment totaled approximately R\$ 6.55 million in 2007 and R\$ 13.80 million in the last two years.

Bandeirante excelled through projects to develop methodologies to investigate areas contaminated by insulating oil, to investigate the effects of electromagnetic fields of 60 Hz on human health, and to develop technology and equipment to contain oil spills from power transformers. One could also mention studies of microbial bio-corrosion and bio-deterioration of the metal elements of transmission pylons and substations.

Ongoing projects at Escelsa and Enersul concern environmental issues indirectly, since the approach taken to date aims at loss reduction and enhancement of the system.

Enersul initiated its Sustainable Constructions project which renovated two of the 19 facilities at the company headquarters. They were fitted with galvanized steel sandwich-type roofing, thermal and acoustic insulation, air-conditioning equipment, mineral wool lining and new reflective lighting. These changes aimed to increase the efficiency of facilities, reducing electricity consumption and enhancing employees' comfort. Another groundbreaking project within Enersul, carried out in the town of Jardim, will include the collection of rainwater and improved use of natural lighting, in addition to the features listed above.

In the field of generating, Energest began to take steps to carry upstream sediment downstream of the dams and to retain and control residues. The main steps taken were:

Air lift at Mascarenhas HPP (ES) - The air lift works by means of a lift pump to remove sediment from the bottom enabling it to be transferred from upstream to downstream. This sediment is mainly formed by particles of the order of 0.1 µm (silt and clay) resulting from changes in the flow pattern.

Log boom at Mascarenhas HPP (ES) - The log boom comprises metal tunnels and structures placed end to end and taking up approximately the first meter of depth of the reservoir, in a line that holds back all types of waste and avoids it reaching the trash rack and the turbines. Its importance is due to the fact that residues in the trash rack slow down the flow of water and therefore reduce electricity generation. The residues are trapped in the log boom, facilitating residue handling.

Log boom at Suíça HPP (ES) - The project is at a drafting stage to meet demands by the municipal attorney's office of Santa Leopoldina.

Biodiversity

Energias do Brasil carries out a range of activities to reduce its impact on biodiversity and on the landscape where it operates.

Enersul is located in one of the planet's most important biomes - the Pantanal wetland - and runs a program called Planting Trees with Responsibility, providing environmental education for young people from the state of Mato Grosso do Sul. The program aims to reconcile the electricity network with urban tree coverage.

An agreement signed with the Association of Municipalities of the State of Mato Grosso do Sul (Assomasul), and in partnership with the State Secretariat for the Environment also calls for measures to reduce disruption caused by power lines to fauna and flora. In order to protect regional fauna, the construction of animal nurseries was increased, after beginning in 2006, leading to a proposal to build Centers for Environmental Living in two tribal villages in 2007.

Another measure was to adapt the electricity network of the Várzeas do Rio Ivinhema State Park, enabling electricity to be supplied to the local population without damaging the ecosystem. In partnership with CRAS, the Center for Rehabilitation of Wild Animals in the Prosa State Park, Enersul enables medication and food to be bought for animals that are recovering before being returned to the wild.

GRI
EN12
EN14
EN26

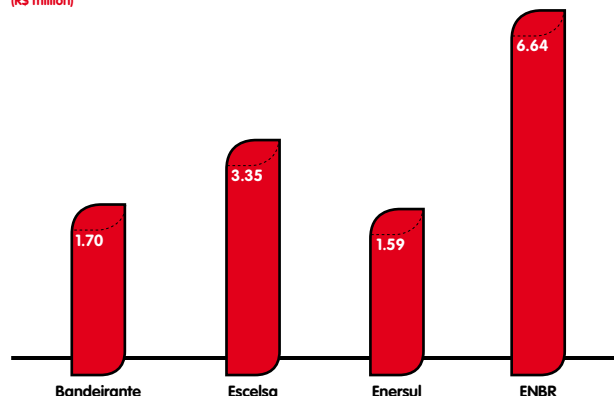
The Group's companies have been prioritizing the use of compact insulated networks in electricity distribution in order to avoid affecting nearby vegetation and thus reduce the need for pruning. Forty per cent of total environmental investments by the distributors is in protected networks. In 2007, Bandeirante Energia fulfilled its commitment to environmentally recover an area on the banks of the Tietê River Eco-Park (PET), which meant planting 25,000 saplings of native species and tending them for two years. Wildlife is protected by the installation of insulation on some substations reducing disruptions caused by animal contacts.

Nine environmental studies have been carried out at its operational power plants to monitor fish species and diagnose areas directly

affected or surrounding the reservoirs. Thirteen recovery plans have been drawn up for environmentally degraded areas. A project was begun at the Paraíso SHP to recover degraded areas by reforestation some 70 hectares.

Several monitoring programs are under way at Peixe Angical HPP, focusing on the climate, wildlife, fish species, vectors of diseases, plant life and the reservoir banks. The program to reforest the surrounding area of the reservoir is in full swing and predicts a 90.84-hectare area of conventional reforestation, an 11.26-hectare area of enrichment and a 144.93-hectare area of regeneration. A further 124.7 hectares of areas degraded by the construction works are being recovered.

Investment in Protected Networks
(R\$ million)



Reforested areas PEIXE ANGICAL HPP

GRI
EN13

- Conventional reforestation
- Enrichment
- Regeneration

Area (ha)

- 90.84
- 11.26
- 145.33

Recovery of degraded areas

- Peixe Angical HPP
- Mimoso HPP
- Paraíso SHP
- São João II HGP
- São João I HGP
- Coxim HGP

Area (ha)

- 124.7
- 19.4
- 75.9
- 10.8
- 6.1
- 2.0

Center for Tropical Biodiversity Studies

A partnership between Energias do Brasil, the University of Aveiro (UA) and Ecológica Institute planned the setting-up and management of the Center for Tropical Biodiversity Studies, Ecotropical. Created to serve as a hub to boost research in the area, it will receive R\$ 3 million in investments over the next five years, 50% of which will be invested by Energias do Brasil and the remaining 50%, by Ecológica Institute.

The project allows for training and scientific studies on biodiversity, technological innovation and climate change. Ecotropical will be a benchmark for the preservation of biodiversity and for scientific training at undergraduate, M.A. and Ph.D. levels, promoting interchanges between Brazilian and international students and researchers, so they can share experience.

With capacity to house groups of 25 students and teachers, Ecotropical is located in a 2,500-hectare area of virgin cerrado in the state of Tocantins. This privileged location, a transitional area between the Atlantic rainforest, Amazônia and cerrado biomes will enable the concept to be extended to these areas in the near future.

Technical Information System (SIT)

Since 2005 Bandeirante Energia has included specially protected areas in its Technical Information System (SIT). Developed in partnership with the State Secretariat for the Environment of São Paulo, SIT comprises a digital geo-referenced cartographic database showing all environmentally protected areas within the

municipalities of the Bandeirante concession. The Company uses the project to identify and automatically block countless requests for connection that need special authorization from the environmental protection and control agencies. Distribution networks in classified areas are listed below.

Electricity networks in protected areas ENBR

HV overhead lines in protected areas (km)
 MV overhead lines in protected areas (km)
 MV underground lines in protected areas (km)
 Number of the substations in classified areas

ENBR

405
 9,712
 10
 30

GRI
 EN11

Well-being that motivates

"It's great to be part of a company that encourages citizenship, assists the development of communities, and acts with social responsibility in every field. As a voluntary worker, I feel like I am conducting positive energy to my fellow beings. And I think the rewards that voluntary work gives to those who take part in it are priceless. What drives me to take part is the well-being I feel after every activity."

Vânia Tondato Assunção, volunteer worker in the Bandeirante community education program

Environmental training and educational

GRI EN26 Energias do Brasil carried out an internal poll in 2007 to assess employees' awareness of and commitment to its environmental policy and the principles of sustainable development. Among activities to promote environmental training and education for all employees were orientation on ISO 14000 and OHSAS 18001 guidelines, given to 99 employees and coming to 1,584 hours of study. Training was also given to 94 employees, in order to identify health and safety aspects and environmental hazards, with a total of 552 hours.

The Group also provided several types of environmental education to the outside public. Enersul, for example, launched its Trees and Climate, Way to Go project in partnership with the Waldemir Barros da Silva State School to train students to be disseminators of awareness regarding urban green areas, and used the Guide to Urban Tree Coverage as teaching material.

The commitment to fostering debate and seeking environmentally sustainable solutions is also borne out by participation in water resource committees and environmental councils. Escelsa and Energest are part of CERH, the State Council for the Environment and Water Resources.

The setting up of the Sustainability Channel, the Group's Intranet and Internet space, also promotes Energias do Brasil's culture of sustainability with all its stakeholders. Another initiative is an e-learning course to provide sustainability training to employees. (More information on page 61).

Compliance

In late 2007, Energias do Brasil's companies faced 27 environmental lawsuits and enforcement actions. Nine of these began during the year. Two of these nine suits concerned oil spills, five concerned the suppression of vegetation, one had to do with the occupation of a protected area, while another questioned the environmental licensing of a potential asset of the Company. No decisions relating to these suits were handed down in 2007.

An accident at Enersul's Almoarifado substation gave rise to two warnings from IBAMA and the City Hall of Campo Grande, totaling R\$ 54,000. The accident involved a spill of insulating oil from a power transformer after a lightning incident. At the moment of the accident, high winds and torrential rain were affecting the region. Steps were taken immediately to contain and clean up the oil, including suction pumps, oil storage tanks and containment barriers downstream from the location, the Córrego Lagoa stream.

Enersul monitored physical, chemical and bacteriological parameters in the waters of the stream for three months, collecting soil samples from the affected location. The results show that there was no significant impact on water quality, soil, and local plant and animal life. This was the first time such an occurrence had been recorded by Enersul.

GRI EN28

The certainty of improvement

"Energias do Brasil's efforts in setting up its SGIS - Environment, Health and Safety will undoubtedly lead to improvements in processes in these areas."

Cristina Diniz - Environmental Specialist - Energest

Enforcement actions (Adm.) and lawsuits (Jud.) in Energias do Brasil companies

	Bandeirante		Escelsa		Enersul		Energest		Holding		ENBR Group	
	Adm.	Jud.	Adm.	Jud.	Adm.	Jud.	Adm.	Jud.	Adm.	Jud.	Adm.	Jud.
Overall Total	0	0	9	3	6	4	4	0	0	1	19	8
Total 2007	0	0	3	0	3	2	0	0	0	1	6	3
Total Amount (R\$.000)	0.00	0.00	137.30	0.00	460.80	0.00	0.00	0.00	0.00	0.00	578.10	0.00

During pruning and felling of trees in the Chácara dos Poderes area of the city of Campo Grande, Enersul was cited by City Hall. After appealing the decision, in line with environmental legislation, the penalty was converted into the signing of a Commitment to the Municipality. Enersul has fully complied with the commitment, which calls for mitigation measures and compensation for the environmental damages caused, including an educational campaign about replanting, and the planting of 2,000 saplings of native trees in places to be defined by the City Hall.

No other enforcement measures or legal penalties were recorded in 2007 against the other companies in the Group.

Environmental Goals

Energias do Brasil entered into certain commitments in 2007 to improve the environmental performance of its affiliate companies. The proposals and assessments are listed below:

Environmental goals 2007	Assessment
Maintain ranking in the BOVESPA Corporate Sustainability Index (ISE)	Fully met
Apply integrated management system in Bandeirante	Fully met, being extended to the other companies within the Group
Provide training in sustainability at management level - Chronos	Partially met (31%)

In 2008, the company intends to continue to improve its processes and attain even higher standards of environmental performance. It has set itself the following challenges:

1. To continue on the São Paulo Stock Exchange Corporate Sustainability Index (ISE);
2. To apply all procedures created within its integrated sustainability management system in order to achieve ISO 14001 certification in five substations (255 MVA) operated by the distributing companies and in power generating plants (43% of the Group's installed power), and OHSAS 18001 certification for the operating and maintenance processes of the substations.

Awards/Market Recognition

Abradee Prize

GRI
2.10

Companies from the group won three categories of the Abradee prize, awarded by the Brazilian Association of Electrical Energy Distributors (Abradee), after an assessment carried out by Brazil's National Quality Foundation (FNQ). Enersul won in the North/Mid-west Region 2007, and Escelsa won two categories: Customer Evaluation 2007 and Greatest Improvement 2006/2007. This is the sixth trophy that Enersul has won, making it Brazil's second most recognized distributor for Abradee. Escelsa had already won the same prize in 2001 for Management Quality.

Abrasca Prize for Best Annual Report

Energias do Brasil's annual report won third prize for Abrasca's Best Annual Report in 2007, in the Publicly-Held Company category.

Theobaldo De Nigris Prize for Annual Reports

Energias do Brasil's Annual Report came second in the Annual Report category of the 16th Theobaldo De Nigris Latin American Contest of Graphic Products, sponsored by the Latin American Confederation of the Graphics Industry (Conlatingraf).

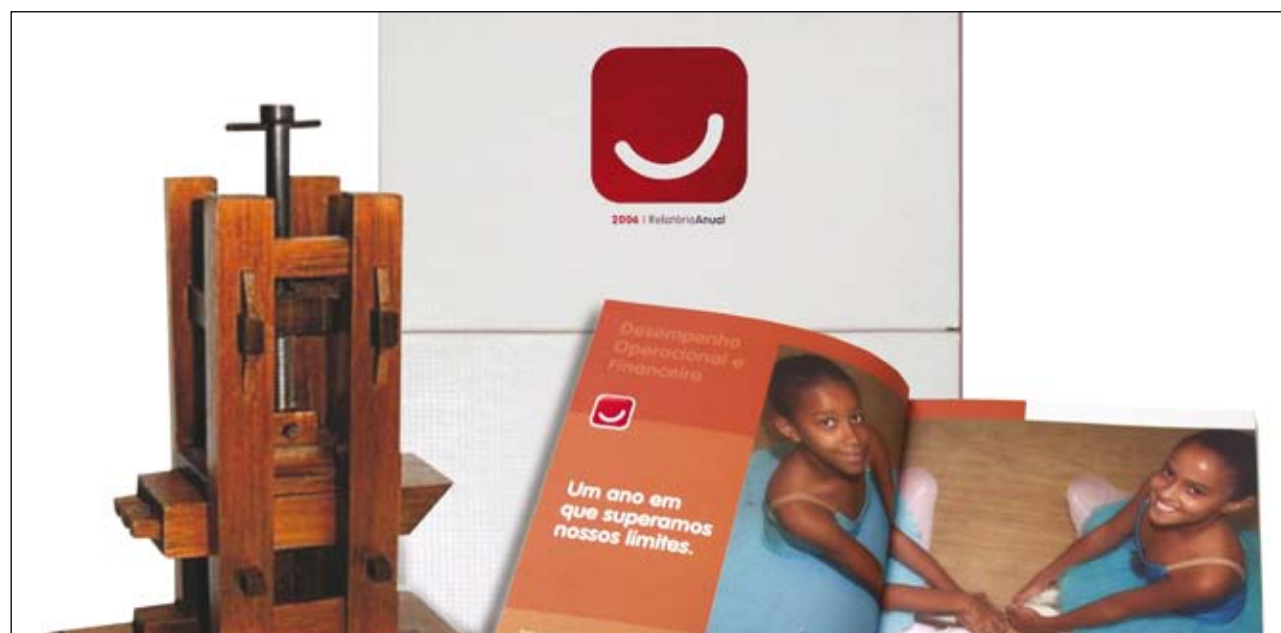
The competition was held in Brazil and brought together more than 1,300 reports from 11 countries.

ABCE Prize

Energias do Brasil was also awarded the Eloy Chaves Medal and Prize for Safety by the Brazilian Association for Electricity Concessionaires (ABCE), in the category of companies with over 2,000 employees, for achieving the lowest workplace accident rates in 2006. It was also given the Top RH Prize by the Brazilian Association of Sales Managers (ADVB) for its safety training program.

Procel Prize

Awarded to Bandeirante's Traffic Light Efficiency Project by the National Program for the Conservation of Electricity, set up by the Ministry of Mines and Energy. The project consisted of using LEDs (Light Emitting Diodes) for traffic lights in the city of Guarulhos (São Paulo state).



Corporate Information

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Executive Vice President of Distribution

Miguel Amaro
Nominated for Executive Vice President of Management Control

Miguel Nuno Simões Nunes Ferreira Setas
Nominated for Executive Vice President of Sales

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Social Balance Sheet 2007

1 - Calculation Basis		2007 Amount (thousand reais)			2006 Amount (thousand reais) ¹		
Net earnings (NE)		4,513,475			3,984,764		
Operating income (OI)		512,306			409,338		
Gross payroll (GP)		368,935			385,390		
2 - Internal Social Indicators		Amount (thousand)	% over GP	% over NE	Amount (thousand)	% over GP	% over NE
Meals/food		19,102	5.18%	0.42%	15,988	4.15%	0.40%
Compulsory social charges		119,033	32.26%	2.64%	104,948	27.23%	2.63%
Private pension plans		21,522	5.83%	0.48%	19,283	5.00%	0.48%
Health		27,070	7.34%	0.60%	18,898	4.90%	0.47%
Occupational health and safety		148	0.04%	0.00%	2	0.00%	0.00%
Education		0	0.00%	0.00%	0	0.00%	0.00%
Culture		0	0.00%	0.00%	0	0.00%	0.00%
Professional development and training		4,480	1.21%	0.10%	3,912	1.02%	0.10%
Daycare or daycare assistance		308	0.08%	0.01%	257	0.07%	0.01%
Profit sharing plans		14,077	3.82%	0.31%	12,748	3.31%	0.32%
Voluntary Dismissal Program		(4,838)	-1.31%	-0.11%	40,122	10.41%	1.01%
Misc.		3,509	0.95%	0.08%	3,416	0.89%	0.09%
Total - Internal social indicators		204,411	55.41%	4.53%	219,574	56.97%	5.51%
3 - External Social Indicators ²		Amount (thousand)	% over OI	% over NE	Amount (thousand)	% over OI	% over NE
Education		2,808	0.55%	0.06%	824	0.20%	0.02%
Culture		3,621	0.71%	0.08%	2,060	0.50%	0.05%
Health and sanitation		237	0.05%	0.01%	3	0.00%	0.00%
Sports		65	0.01%	0.00%	40	0.01%	0.00%
Fight against hunger and food security		0	0.00%	0.00%	11	0.00%	0.00%
Misc.		1,610	0.31%	0.04%	335	0.08%	0.01%
Total social contributions		8,342	1.63%	0.18%	3,273	0.80%	0.08%
Taxes (excluding social charges)		2,519,270	491.75%	55.82%	2,257,177	551.42%	56.65%
Total - External social indicators		2,527,612	493.38%	56.00%	2,260,450	552.22%	56.73%
4 - Environmental Indicators ³		Amount (thousand)	% over OI	% over NE	Amount (thousand)	% over OI	% over NE
Investments in company production/operations		29,699	5.80%	0.66%	14,592	3.56%	0.37%
Investments in programs and/or external projects		1,471	0.29%	0.03%	0	0.00%	0.00%
Total investment in the environment		31,170	6.08%	0.69%	14,592	3.56%	0.37%
With regard to establishing "annual targets" for minimizing waste, overall consumption in production/operations and increasing efficiency in the use of natural resources, the company:		() does not establish targets			() does not establish targets		
		() achieves 51 to 75%			() achieves 51 to 75%		
		() achieves 0 to 50%			() achieves 0 to 50%		
		(x) achieves 76 to 100%			(x) achieves 76 to 100%		
5 - Workforce Indicators		2007			2006*		
No. of employees at end of period		2,920			2,956		
No. of hirings during the period		238			83		
No. of outsourced employees		6,141			ND		
No. of interns		180			167		
No. of employees over 45 years of age		917			1,058		
No. of women who work at the company		647			626		
% of women in management positions		22.19%			13.42%		
No. of Afro-Brazilians at the company *		533			181		
% of Afro-Brazilians in management positions		4.11%			3.36%		
No. of disabled or special needs individuals		133			138		
6 - Corporate Citizenship Information		2007			Metas 2008		
Ratio of highest to lowest compensation at the company		59.93			59.93		
Total number of work accidents		34			0		
Social and environmental projects undertaken by the company were determined by:		() executive (X) management board			() executive (X) management board		
		() all employees			() all employees		
The health and safety standards for the workplace were determined by:		(X) executive board and management employees			() all + CIPA		
		() all employees			() executive board and management employees		
With regard to union freedom, the right to collective bargaining and internal representation of workers, the company:		() does not get involved			() will not get involved		
		(X) adopts ILO standards			() will follow ILO standards		
		() encourages and follows ILO standards			(X) will encourage and follow ILO standards		
Private pension plans cover:		() executive board and management employees			() executive board and management employees		
		(X) all employees			(X) all employees		
Profit sharing plans cover:		() executive board and management employees			() executive board and management employees		
		(X) all employees			(X) all employees		
When selecting vendors, the same standards of ethical, social and environmental responsibility adopted by the company:		() are not considered			() will be suggested		
		() are suggested			(X) will be required		
With regard to employee participation in volunteer programs, the company:		() does not get involved			() will not get involved		
		() supports and encourages			() will support and encourage		
Total number of complaints and criticisms from consumers**		to the company 757,459			to the company 703,730		
		to Procon 5,397			to Procon 5,392		
		to the Courts 3,767			to the Courts 3,861		
% of complaints and criticisms resolved:**		at the company 100%			at the company 94%		
		at Procon 94%			at Procon 94%		
		in the Courts 28%			in the Courts 23.3		
Total value added for distribution (in thousands of R\$):		In 2007: 3,731,632			In 2006: 3,645,591		
Distribution of Value Added (DVA):		70.8% government			67.7% government		
		7% employees			8% employees		
		5.5% shareholders			4.6% shareholders		
		10.5% third parties			13.5% third parties		
		6.2% retained			6.2% retained		
7 - Other information							

⁽¹⁾2006 does not include information from Enerpeixe (start of operations: Oct. 2006), except for (NE) and (OI)

⁽²⁾External Social Indicators: In 2006, only amounts from the Group's distributors were considered

⁽³⁾ Environmental Indicators: In 2006, only amounts from the Group's distributors were considered

^(*)In 2007, the number of Afro-Brazilians who work in the company was compiled

^(**)Refer to data from the Group's distributors

Brazilian Accounting Norm NBCT-15 - 2007

Social and Environmental Information

Gross Compensation (R\$)

Employees	150,926,579.08
Management	13,597,465.58
Outsourced employees	ND
Independent contractors	ND
Total	164,524,044.66

Compensation from company (R\$)

Highest	ND
Lowest	ND
Ratio highest/lowest	59.93

Expenses (R\$) with employees:	In-house Employees	Management	Outsourced Employees	Independent Contractors
Social charges	106,571,796.97	12,461,369.89	ND	ND
Meals/food	19,102,284.88	0.00	ND	ND
Transportation	3,437,326.54	0.00	ND	ND
Private pension plans	21,521,666.69	0.00	ND	ND
Health	27,069,729.13	0.00	ND	ND
Occupational health and safety	148,034.12	0.00	ND	ND
Education	-	0.00	ND	ND
Culture	-	0.00	ND	ND
Professional development and training	4,479,908.81	0.00	ND	ND
Daycare or daycare assistance	308,282.30	0.00	ND	ND
Voluntary Dismissal Program - PDV	(4,838,510.25)	0.00	ND	ND
PLR	14,077,798.30	0.00	ND	ND
Misc.	72,203.28	0.00	ND	ND

Workforce HR Corp

	RH Corp
Hirings	238
Dismissals	328
Interns	180
Special needs individuals	133
Outsourced service providers	6,141
Percentage of men in management positions (%)	77.81%
Percentage of women in management positions (%)	22.19%
Classification by sex	
Male Employees	2,273
Female Employees	647
Classification by age	
No. of employees under 18 years of age	2
Employees 18 to 35 years of age	932
Employees 36 to 60 years of age	1,974
No. of employees over 60 years of age	12
Classification by level of education	
Illiterate employees	8
Employees with primary education	195
Employees with secondary education	207
Employees with technical education	1,412
Employees with graduate education	719
Employees with undergraduate education	379

Labor Suits

Total number of labor suits filed against the company	ND
Number of suits deemed with merit	ND
Number of suits deemed without merit	ND
Total amount of lawsuit damages and fines paid (R\$)	ND

Community relations

Investments in education (R\$)	2,807,841.00
Investments in culture (R\$)	3,621,095.00
Investments in health and sanitation (R\$)	236,980.00
Investments in sports and leisure (R\$)	65,438.05
Investments in meals/food (R\$)	0.00

Customer relations

Number of complaints made directly to the company	757,459
Number of complaints received from consumer protection agencies	5,397
Number of complaints resolved (Company)	100%
Number of complaints received (Procon)	94%
Number of complaints received (Courts)	28%
Amount of fines and damages awarded to clients by consumer protection organizations or the courts	ND
Measures taken by company to remedy or minimize complaints	ND

Environmental Relations

Investments and expenses from maintenance to improve environment (R\$)	31,170,189.77
Investments and expenses from environmental education for employees (R\$)	0.00
Investments and expenses from environmental education for the community (R\$)	-
Investments and expenses with other environmental projects (R\$)	-
Number of environmental, administrative and legal suits filed against the company	27
Amount of administrative and/or legal fines and damages awarded (R\$)	ND
Environmental contingencies and liabilities	-

(*) Gross Compensation = salaries, benefits, bonuses, commission, 13th salary and PSP (Profit Sharing Plan)

GRI Summary and Global Compact table of correspondence

1. VISION AND STRATEGY		Page	Application Level
1.1	Statement from CEO	15, 16, 17	
1.2	Primary impacts, risks and opportunities	28, 54, 56	
2. ORGANIZACIONAL PROFILE			
2.1	Name of organization	6	■
2.2	Primary brands, products and/or services	6	■
2.3	Operational structure (including main divisions, units, subsidiaries and joint ventures)	6, 24	■
2.4	Location of organization's headquarters	6	■
2.5	Number of countries where the organization operates	6	■
2.6	Nature of ownership and type of legal entity	6	■
2.7	Markets served	6	■
2.8	Scale of organization	6, 12, 13, 50	■
2.9	Significant changes regarding size, structure or ownership	6	■
2.10	Awards received in the reporting period	92	■
EU1	Installed Capacity (MW)	40, 41, 42	■
EU2	Number of residential, industrial and commercial customers	38	■
EU3	Length of transmission and distribution lines	36	■
EU4	Licenses for sale of CO ₂ emissions	80	■
3. REPORT PROFILE			
3.1	Reporting period	8	■
3.2	Date of most recent previous report	8	■
3.3	Reporting cycle	8	■
3.4	Contact point for questions regarding the report	8	■
REPORT SCOPE AND BOUNDARY			
3.5	Process for defining report content	8	■
3.6	Boundary of the report	8	■
3.7	State any specific limitations on the scope or boundary of the report	8	■
3.8	Basis for reporting on joint ventures and subsidiaries	8	■
3.9	Data measurement techniques	8	■
3.10	Explanation of the effect of any restatements of information provided in earlier reports	8	■
3.11	Significant changes from the previous reporting periods in scope, boundary or measurement methods	8	■
3.12	GRI Content Index	95	■
3.13	External assurance	8	■
4. GOVERNANCE, COMMITMENTS AND ENGAGEMENT			
4.1	Governance structure	22 - 25	■
4.2	Chairman of the Board of Directors	25	■
4.3	Independent and/or non-executive members of the Board of Directors	22	■
4.4	Mechanisms to provide recommendations to the highest governance body	24	■
4.5	Linkage between compensation and the organization's performance	23	■
4.6	Process in place to ensure conflicts of interest are avoided	22, 24	■
4.7	Process for determining the qualification of members of the Board of Directors	22	■
4.8	Mission, Vision, Principles, Values and Code of Conduct	10, 18	■
4.9	Procedures for overseeing economic, social and environmental performance	23	■
4.10	Process for self-evaluation of Board of Directors	22	■

Legend

- Complete information
- Partial information
- ☒ Not informed
- NA - Not applicable

Essential indicators
 Additional indicators
 Supplementary indicators

Global Compact Correspondence

GRI Summary and Global Compact table of correspondence

COMMITMENTS TO EXTERNAL INITIATIVES		Page	Application Level
4.11 (GC7)	Precautionary approach	54, 80	■
4.12	Charters, principles or other external initiatives	21	■
4.12	Memberships in associations	69	■
STAKEHOLDER ENGAGEMENT			
4.14	List of stakeholder groups engaged by the organization	19	■
4.15	Basis for identification and selection	18	■
4.16	Approaches to engagement	20	■
4.17	Key topics and concerns	18	●
ECONOMIC PERFORMANCE			
Access Management			
Availability and reliability			
EU5	Planning to ensure short- and long-term electricity availability and reliability	54	■
Demand-side management			
EU6	Demand-side management programs	68, 84	■
Research and development			
EU7	Research and development activity	87	■
Decommissioning			
EU8	Provisions for decommissioning of nuclear power sites	-	NA
Economic performance			
EC1	Direct economic value generated and distributed	44	■
EC2	Risks and opportunities due to climate change	78, 79, 80	■
EC3	Coverage of defined benefit plan obligations	62	■
EC4	Government financial assistance	-	☒
Market presence			
EC5	Ratio of lowest salary to minimum salary	-	☒
EC6	Policies and spending on locally based suppliers	64	■
EC7	Procedures for local hiring	-	☒
Indirect economic impacts			
EC8	Development and impact of infrastructure investments	67	■
EC9	Significant indirect economic impacts	-	☒
Availability and reliability			
EU9	Planned capacity (MW) vs. projected demand	37	■
Demand-side management			
EU10	Estimated capacity (MW) saved through demand-side management programs	-	☒
EU11	Estimated energy (MWh) saved by residential, commercial and industrial customers	-	☒
System efficiency			
EU12	Average generation efficiency	40 - 42	■
EU13	Efficiency in transmission and distribution	37, 39	■

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Global Compact Correspondence

ENVIRONMENTAL PERFORMANCE		Page	Application Level
Materials			
EN1	Materials used	-	☒
EN2	Recycled materials used	-	☒
EN3	Direct energy consumption	-	☒
EN4	Indirect energy consumption	83	■
EN5 (GC8; GC9)	Energy saved	83	■
EN6 (GC8; GC9)	Initiatives to provide energy-efficient products or services	68, 84	■
EN7 (GC8; GC9)	Initiatives to reduce indirect energy consumption	83	■
Water			
EN8	Total water withdrawal by source	82	■
EN9	Water sources affected	82	■
EN10 (GC8; GC9)	Percentage of water recycled or reused	-	☒
Biodiversity			
EN11	Location and size of land owned	89	■
EU14	Growth of biodiversity in restored habitats	-	☒
EN12	Significant impacts on biodiversity	87	■
EN13 (GC8)	Habitats protected or restored	88	■
EN14 (GC8)	Biodiversity impact management	87 - 90	■
EN15	Number of threatened species	-	☒
Emissions, effluents and waste			
EN16	Total greenhouse gas emissions	79	■
EN17	Other relevant indirect greenhouse gas emissions	79	■
EN18 (GC8; GC9)	Initiatives to reduce greenhouse gas emissions	79, 80	■
EN19	Emissions of ozone-depleting substances	-	☒
EN20	NOx, SOx and other significant atmospheric emissions	79	■
EN21 (GC8)	Total water discharge	-	☒
EN22 (GC8)	Total weight of waste by type and disposal method	84, 85	■
EN23	Significant spills	86	■
EN24	Transported waste	85	■
EN25	Identity and protected status of water bodies	85	■
Products and services			
EN26 (GC8; GC9)	Initiatives to mitigate environmental impacts of products and services	87 - 90	■
EN27 (GC8; GC9)	Products and packaging reclaimed	86	■
Compliance			
EN28	Monetary value of significant fines	90, 91	■
Shipping			
EN29	Impact of shipping products and goods	79	■
General			
EN30 (GC8)	Total investment and expenses in environmental protection by type	78, 93	■

Legend

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Essential indicators
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Global Compact Correspondence

SOCIAL PERFORMANCE		Page	Application Level
Labor Practices and Decent Work			
Employment			
LA1	Total workforce by employment type and region	60, 61	■
EU15	Processes to ensure retention and renewal of skilled workforce	61	■
EU16	Total subcontracted workforce	61, 93	■
EU17	Percentage of contractors and subcontractors in health and safety	-	☒
LA2 (GC6)	Turnover	60	●
LA3	Employee benefits	62	■
Labor/Management relations			
LA4 (GC3)	Collective bargaining agreements	61	■
LA5 (GC3)	Minimum notice period regarding operational changes	-	☒
Health and safety			
LA6	Representation on health and safety committees	-	☒
LA7	Accidents and occupational diseases	63	●
LA8	Training and education	61	■
LA9	Health and safety topics covered in agreements with trade unions	-	☒
Training and education			
LA10 (GC6)	Hours of training	61	●
LA11	Programs for skills management and lifelong learning	61	■
LA12	Performance analysis	61	■
LA13 (GC6)	Composition of governance bodies	-	☒
LA14 (GC6)	Salary ratio of men to women	63	■
HUMAN RIGHTS		Page	Application Level
Investments and purchasing processes			
HR1 (GC1; GC2)	Investment agreements that include human rights clauses	-	☒
HR2 (GC1; GC2)	Supplier contracts that include human rights clauses	64	■
HR3 (GC1)	Training in Human Rights	-	☒
Non-discrimination			
HR4 (GC1; GC6)	Incidents of discrimination and measures taken	63	■
Freedom of association and collective bargaining			
HR5 (GC1; GC3)	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk	64	■
Child labor			
HR6 (GC1; GC5)	Operations identified as having significant risks for incidents of child labor	64	■
Forced or slave labor			
HR7 (GC1; GC4)	Operations identified as having significant risks for incidents of forced or compulsory labor	64	■
Safety practices			
HR8 (GC1; GC2)	Security personnel trained in human rights	-	☒
Indigenous rights			
HR9 (GC1)	Rights of indigenous peoples	-	☒

Legend

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SOCIETY		Page	Application Level
Community			
EU18	Participatory decision-making processes with stakeholders and outcomes	-	☒
EU19	Managing the impacts of involuntary displacement	81	■
EU20	Contingency planning measures and disaster/emergency plans	-	☒
SO1	Managing the impact of operations on communities	-	☒
EU21	Number of people displaced by new or expansion projects	81	■
Corruption			
SO2 (GC10)	Analysis of risk related to corruption	-	☒
SO3 (GC10)	Training in anti-corruption policies	69	■
SO4 (GC10)	Actions taken in response to incidents of corruption	-	☒
Public policies			
SO5	Participation in public policy making and lobbying	69	■
SO6	Contributions to political parties	69	■
Anti-competitive practices			
SO7	Legal action for anti-competitive behavior, anti-trust and monopoly practices	69	■
Compliance			
SO8	Fines and non-monetary sanctions for non-compliance with laws and regulations	-	☒
PRODUCT RESPONSIBILITY		Page	Application Level
Customer health and safety			
Access			
EU22	Programs to improve or maintain access to electricity services	70	■
Information provisions			
EU23	Practices to address barriers to accessing and safely using electricity	-	☒
PR1	Analysis of improvements over life cycle of products	70	■
PR2	Incidents of non-compliance with consumer health and safety regulations	70	■
Labeling of products and services			
PR3	Procedures for labeling of products and services	70	■
PR4	Non-compliance with labeling regulations	70	■
PR5	Practices and research regarding customer satisfaction	53, 73, 74	■
Marketing communications			
PR6	Compliance with laws, norms and voluntary marketing and communication codes	72	■
PR7	Non-compliance with voluntary marketing codes	73	■
Customer privacy			
PR8	Complaints regarding breaches of customer privacy	74	■
Compliance			
PR9	Fines for supply and use of products and services	-	☒
Public health and safety			
EU24	Number of injuries and fatalities to the public involving company assets	72	■
Access			
EU25	Percentage of public not served in urban and rural areas	-	☒
EU26	Number of residential disconnections for non-payment, broken down by duration of disconnection	-	☒
EU27	Power outage frequency	39	■
EU28	Average power outage duration	39	■
EU29	Average plant availability	41	■

Legend


- Complete information
- Partial information
- ☒ Not informed
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Essential indicators
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Global Compact Correspondence

GRI Application Levels

Energias do Brasil is self-declared to have achieved GRI/G3 application level B+, with economic and financial data audited by KPMG and social and environmental data audited by PricewaterhouseCoopers.

	C	C+	B	B+	A	A+
Self-declared				√		
Audited by third parties						
Audited by GRI						

To: Management of EDP - Energias do Brasil S.A

1. We were hired to provide assurance on non-financial social and environmental information published in the EDP - Energias do Brasil S.A. Annual Report for 2007, prepared under the responsibility of group management. This responsibility includes the design, introduction and maintenance of internal controls for the appropriate preparation and presentation of the Annual Report 2007 and the application of suitable criteria. Our responsibility is to issue a limited assurance report on the non-financial information published in the EDP - Energias do Brasil S.A. Annual Report for 2007.

2. The work of limited assurance was carried out in accordance with Assurance Procedures and Norms NPO-01 issued by IBRACON, the Institute of Independent Auditors of Brazil and, therefore, covered: (i) the planning of work considered relevant and the volume of information presented in the annual report for EDP - Energias do Brasil S.A.; (ii) the understanding of internal controls, (iii) finding, based on tests, evidence that supports the quantitative and qualitative data in the Annual Report; (iv) interviews with the managers responsible for compiling the information; and (v) crosschecking the financial information with accounting records. As such, the procedures applied above were considered sufficient to allow a limited level of assurance and, consequently, do not cover those required for the issue of a broader assurance of the report, as set down in Assurance Norms and Procedures NPO-01.

3. The objective of our work was to verify and evaluate whether the social and environmental performance indicators in the Group's Annual Report, with regard to obtaining quality information, measurements and calculations of quantitative information are in compliance with the following criteria: (i) Brazilian Accounting Norm NBC T 15 - Social and Environmental Information; and (ii) guidelines for sustainability reports from the Global Reporting Initiative (GRI G3).

The opinions, background information, descriptive information are subjective evaluations and do not fall within the scope of the work done.

4. Based on our review, we did not find any relevant change that should be made in the social and environmental indicators contained in the Annual Report for EDP - Energias do Brasil S.A. for the fiscal year ending December 31, 2007, so that these indicators could be presented appropriately, in all material aspects, with regard to the criteria used.

5. Financial statements for EDP - Energias do Brasil S.A., for the fiscal year ending December 31, 2007, were audited by independent auditors, who issued their opinion on February 25, 2008. The social and environmental performance indicators based on accounting information, presented in the Annual Report for EDP - Energias do Brasil S.A. were extracted from the accounting statements which were not subject to assurance for accounting purposes of this review.

São Paulo, April 4, 2008

PRICEWATERHOUSECOOPERS 

PricewaterhouseCoopers
International Services Ltda.
CRC 2SP009963/O-1

Manuel Luiz da Silva Araújo
Accountant CRC 1RJ039600/O-7

