

EDP – Energias do Brasil S.A.

Consolidated financial statement

December 31, 2010 and 2009

EDP - ENERGIAS DO BRASIL S.A.
BALANCE SHEETS AT
(In thousands of Reais)

	Note	Parent company			Consolidated		
		12/31/2010	12/31/2009	1/1/2009	12/31/2010	12/31/2009	1/1/2009
			Adjusted	Adjusted		Adjusted	Adjusted
Assets							
Current assets							
Cash and cash equivalents	6	285,812	233,440	79,443	1,126,449	1,102,022	499,882
Accounts receivable	8	1,121			8,659	5,999	
Indemnifiable financial assets	17				823	823	823
Consumers and concessionaires	7				888,806	901,781	725,432
Taxes and social contribution	10	85,966	75,036	78,403	540,314	419,305	373,673
Dividends receivable	29	169,312	136,108	150,109			
Inventories	2.2.c				28,112	13,199	10,098
Pledges and restricted deposits	13	222	2,168	2,080	62,898	69,587	76,936
Prepaid expenses	9	190	4	48	5,254	2,615	8,407
Assets available for sale	36	40,801	39,086	37,500	40,801	39,086	37,500
Other assets	15	1,512	1,450	3,165	172,561	159,148	142,411
		<u>584,936</u>	<u>487,292</u>	<u>350,748</u>	<u>2,874,677</u>	<u>2,713,565</u>	<u>1,875,162</u>
Noncurrent assets							
Accounts receivable	8	21,506	23,380	20,378	18,755	21,938	18
Indemnifiable financial assets	17				397,324	325,262	248,303
Consumers and concessionaires	7				63,733	64,862	107,981
Taxes and social contribution	10				35,933	31,078	31,084
Deferred income and social contribution taxes	11	9,784			778,680	748,285	654,103
Related parties	12	116,622	175,871	144,087			22,104
Advances for future capital increases	14	4,075	69,217	42,740	458		600
Pledges and restricted deposits	13	8,693	5,122	2,944	239,669	130,797	153,632
Prepaid expenses	9				937	1,064	2,608
Other assets	15	15,759	51,992	7,227	32,379	49,937	112,275
		<u>176,439</u>	<u>325,582</u>	<u>217,376</u>	<u>1,567,868</u>	<u>1,373,223</u>	<u>1,332,708</u>
Investments	16	3,771,044	3,455,750	2,949,106	37,271	30,935	10,391
Property, plant and equipment	18	1,894	2,038	1,993	5,303,587	4,803,780	4,523,469
Intangible assets	19	266,852	284,371	454,845	3,026,712	2,994,969	3,138,800
		<u>4,039,790</u>	<u>3,742,159</u>	<u>3,405,944</u>	<u>8,367,570</u>	<u>7,829,684</u>	<u>7,672,659</u>
Total assets		<u>4,801,165</u>	<u>4,555,033</u>	<u>3,974,068</u>	<u>12,810,115</u>	<u>11,916,472</u>	<u>10,880,529</u>

See the accompanying notes to the financial statements.

EDP - ENERGIAS DO BRASIL S.A.
BALANCE SHEETS AT
(In thousands of Reais)

	Note	Parent company			Consolidated		
		12/31/2010	12/31/2009 <i>Adjusted</i>	1/1/2009 <i>Adjusted</i>	12/31/2010	12/31/2009 <i>Adjusted</i>	1/1/2009 <i>Adjusted</i>
Liabilities and shareholders' equity							
Current liabilities							
Suppliers	20	3,370	10,416	13,093	626,381	508,056	456,679
Taxes and social contribution	10	51,659	31,106	15,612	609,891	454,459	369,229
Dividends	29	100,822	75,391	74,118	191,142	144,618	159,415
Debentures	21				231,730	210,029	218,842
Loans, financing and debt charges	22			257,700	375,701	572,662	869,785
Post-employment benefits		3			27,611	27,181	30,871
Estimated employee benefits and social charges	24	4,774	4,171	4,139	50,450	48,828	45,327
Regulatory and sector charges	25				225,380	156,561	157,672
Use of public property	26				19,440	17,280	17,105
Provisions	27	1,318	2,208		30,275	19,647	13,602
Other accounts payable	15	4,392		2,208	137,410	165,967	157,070
		<u>166,338</u>	<u>123,292</u>	<u>366,870</u>	<u>2,525,411</u>	<u>2,325,289</u>	<u>2,495,597</u>
Noncurrent liabilities							
Suppliers	20				915		-
Taxes and social contribution	10	32,295	34,146		137,853	142,163	34,451
Deferred income and social contribution taxes	11.1	1,122			289,003	261,020	248,444
Debentures	21				637,593	453,155	655,786
Loans, financing and debt charges	22				2,140,882	1,957,440	1,406,818
Post-employment benefits					189,228	130,788	140,636
Related parties	12	189	7,024	510			-
Regulatory and sector charges	25				12,913	14,939	2,847
Use of public property	26				215,764	205,564	207,677
Provisions	27	26,912	24,469	64,396	153,566	141,099	267,260
Provision for unsecured liability	16	19,784	8,452	54,172	12,847		51,383
Reserve for reversal and amortization	2.2.r				17,248	17,248	17,248
Other accounts payable	15	47	62	26	21,772	45,935	25,003
		<u>80,349</u>	<u>74,153</u>	<u>119,104</u>	<u>3,829,584</u>	<u>3,369,351</u>	<u>3,057,553</u>
Shareholders' equity							
Capital stock	28	3,182,716	3,182,716	3,182,716	3,182,716	3,182,716	3,182,716
Capital reserves		95,598	96,656	35,348	95,598	96,656	35,348
Profit reserves		1,386,620	1,243,047	842,632	1,386,620	1,243,047	842,632
Other comprehensive income		(103,842)	(50,095)	(21,472)	(103,842)	(50,095)	(21,472)
Treasury shares		(6,614)	(6,614)	(372,450)	(6,614)	(6,614)	(372,450)
Accumulated losses			(108,122)	(178,679)		(102,807)	(174,674)
		<u>4,554,478</u>	<u>4,357,588</u>	<u>3,488,095</u>	<u>4,554,478</u>	<u>4,362,903</u>	<u>3,492,100</u>
Non-controlling shareholders'					1,900,643	1,858,929	1,835,280
Total shareholders' equity and non-controlling shareholders'		<u>4,554,478</u>	<u>4,357,588</u>	<u>3,488,095</u>	<u>6,455,121</u>	<u>6,221,832</u>	<u>5,327,380</u>
Total liabilities and shareholders' equity		<u>4,801,165</u>	<u>4,555,033</u>	<u>3,974,068</u>	<u>12,810,115</u>	<u>11,916,472</u>	<u>10,880,529</u>

See the accompanying notes to the financial statements.

EDP - ENERGIAS DO BRASIL S.A.
STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31

(Amounts expressed in thousands of Reais, unless otherwise indicated)

	Note	Parent company		Consolidated	
		2010	2009	2010	2009
Net operating income	30	-	-	5,034,316	4,621,702
Electricity services cost					
Electricity cost					
Electricity purchased for resale				(2,096,794)	(1,866,655)
Electric power network use charges				(601,426)	(473,654)
	31	-	-	(2,698,220)	(2,340,309)
Operation Costs					
Personnel				(151,934)	(146,521)
Material and third-party services				(203,066)	(166,619)
Depreciation and amortization				(276,203)	(257,197)
Other operating costs				(30,093)	(28,123)
	31	-	-	(661,296)	(598,460)
		-	-	(3,359,516)	(2,938,769)
Cost of service rendered to third-parties	31			(6,050)	(2,918)
Gross operating income		-	-	1,668,750	1,680,015
Operating expenses					
Sales expenses		(2,132)		(80,252)	(41,986)
General and administrative expenses		(65,960)	(65,372)	(262,048)	(321,647)
Depreciation and amortization		(17,993)	(19,920)	(81,775)	(76,909)
Other operating expenses		609	(22,220)	(52,657)	(77,307)
	31	(85,476)	(107,512)	(476,732)	(517,849)
Income before financial income, equity interest and taxes		(85,476)	(107,512)	1,192,018	1,162,166
Income from equity interest	16	673,282	708,248	(1,837)	(407)
Financial revenues		26,428	94,324	337,972	296,558
Financial expenses		(26,760)	(48,048)	(514,985)	(378,570)
Financial result	32	(332)	46,276	(177,013)	(82,012)
Other revenue		6,903	52,345	12,474	55,449
Other expenses		(13,173)	(2,092)	(39,937)	(28,128)
Other results		(6,270)	50,253	(27,463)	27,321
Income before income and social contribution taxes	33	581,204	697,265	985,705	1,107,068
Income and social contribution taxes - current		(3,115)	(2,881)	(229,254)	(196,799)
Deferred income and social contribution taxes		9,784		(19,810)	(51,953)
	33	6,669	(2,881)	(249,064)	(248,752)
Net income before non-controlling shareholders' and beneficiaries		587,873	694,384	736,641	858,316
Non-controlling shareholders'				(136,926)	(146,850)
Founders' shares				(17,157)	(15,772)
Net income for the year		587,873	694,384	582,558	695,694
Basic and diluted net income per thousand shares - R\$		3,708.39	4,380.28	3,674.87	4,388.54
Number of shares		158,805	158,805	158,805	158,805

See the accompanying notes to the financial statements.

EDP - ENERGIAS DO BRASIL S.A.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In thousands of Reais)

	Capital	Capital	Profit	Treasuary	Equity evaluation	Retained	Total	Provision for	Non-controlling	Total
		reserves	reserves	shares	adjustment	earnings	Parent company	capital increase advances (Note 2.3)	shareholders	Consolidated
Balance at January 1, 2009 before adoption of new practices	3,182,716	35,348	693,299	(372,450)			3,538,913		1,835,280	5,378,198
Adjustment - adoption of new accounting practices					(21,472)	(178,679)	(200,151)	4,005		(200,151)
Additional dividends proposed			149,333				149,333			149,333
Balances at January 1, 2009 (Adjusted)	3,182,716	35,348	842,632	(372,450)	(21,472)	(178,679)	3,488,095	4,005	1,835,280	5,327,380
Sale of treasury shares		61,308		365,836			427,144			427,144
Additional dividends proposed on April 8, 2009			(149,333)				(149,333)			(149,333)
Net income for the year						694,384	694,384	1,310	146,850	842,544
Destination of net income										
Legal reserve			31,192			(31,192)	-			-
Profit retention reserve			296,318			(296,318)	-			-
Additional dividends proposed			222,238			(296,317)	(74,079)		(123,201)	(197,280)
Other comprehensive income										
Actuarial gains and losses - Post-employment benefits					2,357		2,357			2,357
Assets available for sale					1,585		1,585			1,585
Cash flow hedge					(48,126)		(48,126)			(48,126)
Deferred income and social contribution taxes					15,561		15,561			15,561
										-
Balances at December 31, 2009 (Adjusted)	3,182,716	96,656	1,243,047	(6,614)	(50,095)	(108,122)	4,357,588	5,315	1,858,929	6,221,832
Reversal of dividends		(1,058)					(1,058)			(1,058)
Additional dividends proposed on April 9, 2010			(222,238)				(222,238)			(222,238)
Net income for the year						587,873	587,873	(5,315)	136,926	719,484
Destination of net income										
Legal reserve			23,987			(23,987)	-			-
Profit retention reserve			341,824			(341,824)	-			-
Intermediary dividends JSCP (interest on own capital)						(106,000)	(106,000)			(106,000)
Dividends						(7,940)	(7,940)		(95,212)	(103,152)
Other comprehensive income										
Actuarial gains and losses - Post-employment benefits					(84,320)		(84,320)			(84,320)
Assets available for sale					1,716		1,716			1,716
Cash flow hedge					1,985		1,985			1,985
Deferred income and social contribution taxes					26,872		26,872			26,872
Balances at December 31, 2010	3,182,716	95,598	1,386,620	(6,614)	(103,842)	-	4,554,478	-	1,900,643	6,455,121

See the accompanying notes to the financial statements. □

EDP - ENERGIAS DO BRASIL S.A.
STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31
(In thousands of Reais)

	Parent company		Consolidated	
	2010	2009	2010	2009
Net income for the year	587,873	<i>Adjusted</i> 694,384	582,558	<i>Adjusted</i> 695,694
Other comprehensive income				
Actuarial gains and losses - Post-employment benefits	(84,320)	2,357	(84,320)	2,357
Assets available for sale	1,716	1,585	1,716	1,585
Cash flow hedge	1,985	(48,126)	1,985	(48,126)
Deferred income and social contribution taxes	26,872	15,561	26,872	15,561
Comprehensive income for the year	534,126	665,761	528,811	667,071

See the accompanying notes to the financial statements. □

EDP - ENERGIAS DO BRASIL S.A.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31
(In thousands of Reais)

	Parent company		Consolidated	
	2010	2009	2010	2009
	<i>Adjusted</i>		<i>Adjusted</i>	
Operational activities				
Net income for the year	587,873	694,384	582,558	695,694
Non-controlling shareholders'			136,926	146,850
Expenses (revenues) not affecting cash and cash equivalents				
Consumers and concessionaires			67,462	39,891
Indemnifiable financial assets			661	484
Deferred income and social contribution taxes, net	(9,784)		19,810	51,953
Income and social contribution taxes to offset			92	1,725
Depreciation and amortization	17,993	19,920	357,978	334,106
Residual value of permanent assets written-off	323	345	41,057	41,727
Prepaid expenses			(764)	1,542
Suppliers			15,382	31,916
Charges and monetary variations			18,303	
Loans, financing and debt charges		29,244	382,122	222,306
Use of public property			(6,406)	(909)
Post-employment benefits - CVM nº 371			(4,937)	(14,509)
Provisions for contingencies	9,221	26,361	30,709	65,193
Environmental licenses			3,109	
Monetary restatement - receivables	753	1,232	753	1,232
Beneficiaries			17,157	15,772
Ownership interests	(673,283)	(708,248)	1,837	407
Loss with investments	12,847		12,847	
Write-off/reserve for losses of non-monetary assets	(5,315)	(49,066)		(46,504)
Provision for unsecured liability		(1,512)		(1,512)
Regulatory and sector charges			47,837	44,545
Allowance for doubtful accounts on Other regulatory assets		(74,764)		(74,865)
Pledges and restricted deposits - monetary restatement			(30,509)	32,536
Income and social contribution taxes - monetary restatement			24,573	
Other			1,114	1,149
	(59,372)	(62,104)	1,719,671	1,590,727
Assets (increase) decrease				
Consumers and concessionaires			(27,175)	(222,689)
Income and social contribution taxes to offset	(10,930)	3,367	(122,457)	(35,975)
Deferred income and social contribution taxes				694
Inventories			(16,205)	(5,288)
Pledges and restricted deposits	(1,625)	(2,266)	(71,673)	(2,472)
Prepaid expenses	(186)	44	(1,748)	4,717
Other regulatory assets	11,340	(10,797)	(423)	(45,710)
Income receivable			4,040	
Sundry debtors			(1,244)	874
Order of expenses to be reimbursed				(21)
Other				560
	(1,401)	(9,652)	(236,885)	(305,310)
Liabilities increase (decrease)				
Suppliers	(7,046)	(2,676)	74,537	90,844
Current taxes and social contributions	19,824	(16,648)	98,442	(3,718)
Deferred income and social contribution taxes	(1,121)		(1,121)	
Tariff restitution			147	
Estimated personnel liabilities	603	26	812	3,174
Provisions for contingencies	(7,668)		(31,031)	(15,621)
Other liabilities	4,379	(6,206)	(29,078)	(19,981)
Regulatory and sector charges				(1,351)
	8,971	(25,504)	112,708	53,347
Net cash from (invested in) operational activities	(51,802)	(97,260)	1,595,494	1,338,765
Cash flow of investment activities				
Sale (purchase) of treasury shares	(1,058)	427,144	(1,058)	427,144
Write-offs (additions) in investments	(5,000)	(204,395)	(4,850)	(52,364)
Capital increase	(112,221)			
Additions in tangible and intangible fixed assets	(655)	(950)	(986,598)	(757,013)
Receivables in tangible and intangible fixed assets				2,984
Dividends received	456,738	490,342		
Sale of ESC 90		94,624		94,624
Net cash from (invested in) investment activities	337,804	806,765	(992,506)	(284,625)
Cash flow used in financing activities				
Related parties	77,117	(46,424)		
Capital increase advances				30,354
Capital reduction			(24,007)	
Dividends paid	(310,747)	(222,140)	(364,926)	(292,870)
Loans, financings and debentures - entries			812,468	1,156,644
Loans, financing and debt charges paid		(286,944)	(1,002,101)	(1,346,128)
Cash used in financing activities	(233,630)	(555,508)	(578,565)	(452,000)
Net increase in cash and cash equivalents	52,372	153,997	24,423	602,140
Cash and cash equivalents at the end of the year	285,812	233,440	1,126,445	1,102,022
Cash and cash equivalents at the beginning of the year	233,440	79,443	1,102,022	499,882
	52,372	153,997	24,423	602,140

See the accompanying notes to the financial statements.

EDP - ENERGIAS DO BRASIL S.A.
STATEMENTS OF ADDED VALUE
YEARS ENDED DECEMBER 31
(In thousands of Reais)

	Parent company		Consolidated	
	2010	2009	2010	2009
		<i>Adjusted</i>		<i>Adjusted</i>
Generation of added value	6,903	50,253	7,674,464	7,032,375
Net operating revenue			7,738,065	7,013,608
Allowance for doubtful accounts and net losses			(76,075)	(36,682)
Other revenue	6,903	50,253	12,474	55,449
(-) Acquisition from third parties	(56,048)	(63,529)	(3,430,691)	(3,052,660)
Costs of purchased energy			(2,286,978)	(2,038,331)
Distribution and transmission system use charges			(652,876)	(517,842)
Materials	(967)	(617)	(26,635)	(29,636)
Third-party services	(26,839)	(28,667)	(322,117)	(284,653)
Other operating costs	(28,242)	(34,245)	(142,085)	(182,198)
Gross value added	(49,145)	(13,276)	4,243,773	3,979,715
Retentions				
Depreciation and amortization	(17,993)	(19,920)	(357,978)	(334,106)
Net generated value added	(67,138)	(33,196)	3,885,795	3,645,609
Added value received as a transfer				
Financial revenues	26,428	94,324	337,972	270,927
Non-controlling shareholders'			(136,926)	(146,850)
Equity accounting result	673,282	708,248	(1,837)	(407)
Total value added to distribute	632,572	769,376	4,085,004	3,769,279
Distribution of value added				
Personnel				
Direct remuneration	14,070	12,437	154,514	157,759
Benefits	5,883	7,076	51,397	44,280
FGTS	1,674	1,770	18,026	20,961
Taxes, fees and contributions				
Federal	8,092	16,655	1,373,148	1,265,703
State			1,373,320	1,223,443
Municipal			5,697	4,687
Remuneration of third party capital				
Interest	11,999	34,275	495,632	332,149
Rents	2,981	2,779	13,555	8,831
Remuneration on own capital				
Dividends and interest on own capital	113,941	74,079	(135,577)	(210,580)
Beneficiaries			17,157	15,772
	158,640	149,071	3,366,869	2,863,005
Retained earnings	473,932	620,305	718,135	906,274
	632,572	769,376	4,085,004	3,769,279

See the accompanying notes to the financial statements.

Notes to the financial statements

Years ended December 31, 2010 and 2009

(Amounts expressed in thousands of Reais, unless otherwise indicated)

1 Operational context

EDP - Energias do Brasil S.A. ("Company" or "Energias do Brasil" or "Parent Company"), a public held company incorporated on July 24, 2000, headquartered in the State of São Paulo, has as its corporate purposes the participation in other corporations as a shareholder or quota holder, as well as in businesses and enterprises in the power industry in Brazil or overseas; to manage electric generation, transmission, distribution and trading assets in their various forms and types; to study, plan, develop and implement electric power generation, transmission, distribution and trading projects in their various forms and types.

Companies	Consolidation	% interest					
		12/31/2010		12/31/2009		1/1/2009	
		Direct	Indirect	Direct	Indirect	Direct	Indirect
Distribution							
Bandeirante Energia S.A. (Bandeirante)	full	100		100		100	
Espirito Santo Centrais Elétricas S.A. (Escelsa)	full	100		100		100	
Generation							
Energest S.A. (Energest)	full	100		100		100	
Castelo Energética S.A. (CESA)	full		100		100		100
Costa Rica Energética Ltda. (Costa Rica)	full		51		51		51
Pantanal Energética Ltda. (Pantanal)	full		100		100		100
Santa Fé Energia S.A. (Santa Fé)	full		100		100		100
EDP Lajeado Energia S.A. (EDP Lajeado)	full (*)					59.93	
Lajeado Energia S.A. (Lajeado)	full	55.86		55.86		47.23	53.69
Tocantins Energia S.A. (Tocantins)	full as of 09/01/2008 (*)					50.88	
Ipueiras Energia S.A. (Ipueiras)	full	100		100			50.88
Investco S.A. (Investco)	full		40.78		40.78	4.53	39.50
Enerpeixe S.A. (Enerpeixe)	full	60		60		60	
Enernova S.A. (Energova)	full			100		100	
Terra Verde Bioenergia Participações S.A. (Terra Verde)	full			92		92	
EDP Renováveis Brasil S.A. (EDP Renováveis)	by the equity method	45			45		45
Porto do Pecém Geração de Energia S.A. (Porto do Pecém)	proportional	50		50		50	
Central Nacional da Energia Eólica S.A. (Cenaeel)	by the equity method by EDP Renováveis		45		45		
Elebrás Projetos Ltda	by the equity method by EDP Renováveis		45		45		
Trading							
Enertrade Comercialização e Serviços de Energia S.A. (Enertrade)	full	100		100		100	
Transmission							
Evrecy Participações Ltda. (Evrecy)	full		100		100		100
Other							
Enercouth S.A. (Enercouth)	full	100		100		100	
Escelsa Participações S.A. (Escelsapar)	full	100		100		100	
Omega Engenharia e Assessoria Ltda (Omega)	full	100		100		100	

* Merger of companies EDP Lajeado and Tocantins in Lajeado Energia on 11/30/2009.

1.1 Concessions

The Company has the right to indirectly explore the following power generation, distribution and transmission concessions/licenses/permits:

Companies	State	Installed capacity (MWm) (*)	Assured energy (MWm) (*)	Concession/ Authorization / Record	
				Inception	End
				Energest	ES
CESA	ES	67.64	36.30	7/17/1995	5/19/2029
Pantanal	MS	52.76	35.55	12/4/1997	12/23/2029
Costa Rica	MS	16.00	12.28	11/5/2001	11/5/2031
Santa Fé	ES	29.00	26.10	11/13/2001	11/13/2031
Porto Pecém	CE	720.27	631.00	7/1/2008	7/1/2043
Enerpeixe	TO	452.00	271.00	11/7/2001	11/7/2036
Investco	TO	902.50	526.60	1/15/1998	1/15/2033
Terra Verde	SC	140.00		6/25/2009	6/25/2039
Evrecy	ES / MG			7/17/1995	7/17/2025
Bandeirante	SP			10/23/1998	10/23/2028
Escelsa	ES			7/17/1995	7/17/2025
Cenaeel	SC	13.80	2.97	8/12/2002	12/11/2032
Elebrás	RS	151.00	55.45	8/28/2010	8/28/2032

(*) Unaudited

1.2 Corporate restructuring

Transfer of EDP Renováveis investment held by Enernova for the Company.

On September 24, 2010, the Extraordinary Shareholders' Meeting approved the capital reduction of Enernova, in the amount of R\$19,446, through the cancellation of 538 common shares held by the Company. As reimbursement for the amount corresponding to the capital reduction of Enernova, the investment held by Enernova was transferred to the Company.

Merger of Enernova into Ipueiras

As of December 31, 2010, the Extraordinary Shareholders' Meeting was held and approved the merger of subsidiary Enernova into subsidiary Ipueiras.

2 Accounting policies

2.1 Basis of presentation

2.1.1 Consolidated financial statements

The consolidated financial statements of the Company for the years ended December 31, 2010 and 2009 were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and also in accordance with accounting practices adopted in Brazil in conformity with the pronouncements issued by the Accounting Pronouncement Committee (CPC).

The Company adopts all IFRS for the first time in its consolidated financial statements at January 1, 2009.

The note "Transition of accounting practices to IFRS", details the main effects of the transition to IFRS in view of the Brazilian accounting practices for the Company's consolidated financial statements for the year ended December 31, 2009 and the balance sheet on transition date of January 1, 2009.

The preparation of the consolidated financial statements in accordance with all IFRS requires the Company's Management to make some estimates. The areas that involve judgment or the use of estimates that are material for consolidated financial statements are shown in note 2.2.v. The consolidated financial statements were prepared using the historical cost as the basis of value, except for the valuation of certain financial instruments, which are measured at fair value and the revaluation of business combinations.

The Company adopted all standards and interpretations issued by IASB that are applicable to the financial statements as of December 31, 2010.

The Company's management authorized the conclusion of the preparation of financial statements on February 18, 2011; the amounts in the financial statements are expressed in thousands of Brazilian reais, rounded to nearest 1000, unless otherwise indicated.

The consolidated financial statements include financial statements of EDP - Energias do Brasil S.A., and companies which the Company has controlling interest, directly or indirectly, detailed in note 1, which years ended are consistent with those of the parent company and the accounting practices are uniform.

Direct subsidiaries are consolidated from acquisition date, which corresponds to the date in which the Company obtained control and continue to be consolidated to the date in which control ends.

2.1.2 Parent Company's Financial Statements

The financial statements of the parent company are being presented in accordance with accounting practices adopted in Brazil, in compliance with the provisions contained in the Corporation Law, and incorporates the changes introduced by Law nº 11638/07 and 11941/09, supplemented by the new pronouncements, interpretations and guidelines of CPC, approved by resolutions of CFC and CVM deliberations of 2009 and 2010, applicable as from January 1, 2010.

2.1.3 Financial statements of 2009

In 2009, the financial statements of the parent company and consolidated were prepared in accordance with the accounting practices adopted in Brazil, which embodied the changes introduced by Laws 11638/07 and 11941/09, complemented by the pronouncements of the Accounting Pronouncements Committee (CPC), approved by resolutions of the Federal Accounting Council (CFC) and deliberations of the Brazilian Securities Commission (CVM) issued up to December 31, 2008.

The financial statements of the parent company for 2009 are therefore being re-presented to reflect the accounting standards issued in 2009 and 2010 by CPC with the objective of permitting a comparison with 2010.

The 2009 consolidated financial statements, as established in CVM Resolution 609/09 (CPC 37 – Initial Adoption of IFRS), were adapted to the IFRS, retroactively as from on January 1, 2009. Accordingly, the consolidated financial statements, previously disclosed, were adjusted and are being re-presented in accordance with IFRS.

The parent company's financial statements are therefore being submitted in conformity with the accounting standards issued by CPC in 2009 and 2010 and the financial consolidated statements are being submitted in conformity with international financial reporting standards issued by IASB in 2009 and 2010. The application of this set of standards at the parent company level did not result in differences when compared with the consolidated position.

2.2 Summary of significant accounting policies

The accounting policies described below have been consistently applied to all the periods presented in these individual and consolidated financial statements and in the preparation of the opening balance sheet as at January 1, 2009, for the purpose of enabling the transition to IFRS and CPC standards.

The accounting policies have also been consistently applied by the Group entities.

a) Cash and cash equivalents (Note 6)

Cash and cash equivalents include cash, bank deposits, and other high-liquidity short-term investments, promptly convertible into a known sum of cash and subject to an insignificant risk of change of value, which are stated at cost, plus income accrued until the balance sheet date.

b) Accounts receivable**• Consumers and concessionaires (Note 7)**

Trade accounts receivable are recorded in the amount invoiced, adjusted to present value when applicable, including the respective direct taxes which include:

(i) The amounts billed to final consumers, distributor concessionaires and trading companies of free energy, as well as the revenue referring to energy consumed and not billed;

(ii) The calculation of the present value is performed for scheduled payments of debts of consumers of the Company, based on the capital remuneration rates, regulated by ANEEL and applied to the tariffs of electric power public utility service distributors (average remuneration rate of the investment). The contra entry of the adjustments to present value of accounts receivable is against net income for the year (Note 7.4);

(iii) The amounts receivable relating to the energy traded in the Electricity Trading Board - CCEE (Note 7.2);

(iv) Allowance for doubtful accounts - The amounts were allocated pursuant to Accounting Instruction 6.3.2, of the Accounting Manual of the Electricity Public Utility Service, which defines as a rule the following provisioning terms for overdue credits: Home - over 90 days, Business - over 180 days and other classes - over 360 days.

Furthermore, there was a careful analysis of the balance of consumers and concessionaires, and the amount recognized is considered sufficient to cover losses considered probable. The provision recognized is considered sufficient to cover eventual losses in the realization of these assets by management.

• Indemnifiable financial assets (Note 17)

Subsidiaries Bandeirante, Escelsa and Evercy recognize an amount receivable from the Concession Grantor due to the unconditional right of receiving cash at the end of the concession, as provided for in the contract, as indemnity for the construction services carried out and not received as service rendered related to the concession. These financial assets are recorded at the right's present value and are calculated based on the residual value of assets pertaining to the concession and that will be reversible at the end of concession. These assets are maintained at the amortizable cost and are remunerated by the tariff calculated as the average investment remuneration rate.

c) Inventories

The materials used in the construction of the concession infrastructure, operation and maintenance of services rendered are recorded at the average acquisition cost, not exceeding market value.

d) Investments (Note 16)

In the financial statements of the parent company, the investments in subsidiaries and associated companies with a percentage of the voting capital above 20% or with significant influence, and in other companies that are part of the same group or that are under common control, are valued by the equity method.

Other investments that do not fit in the above category are valued at cost, less provision for loss, when applicable.

For business combinations carried out beginning as from January 1, 2009, the Company's IFRS transition date, assets, liabilities, and contingent liabilities of a subsidiary are measured at the corresponding fair value on acquisition date. Any amount by which acquisition cost exceeds the fair value of identifiable net assets acquired is recorded as goodwill. When acquisition cost is lower than the fair value of identified net assets, the difference is recorded in income. Minority interest is presented as the corresponding proportion of identified assets and liabilities' fair value.

Investments in land and properties which are not part of the core operating activity of the subsidiaries are stated at acquisition cost.

e) Infrastructure assets managed on behalf of the Concession Grantor (Notes 17, 18 and 19)

Infrastructure assets managed on behalf of the Concession Grantor are being presented in the groups of Indemnifiable financial assets and intangible assets, due to the implementation of CPCs. They are as follows:

Assets related to the concession

According to Articles 63 and 64 of Decree 41,019 of February 26, 1957, the assets and properties used in generation, transmission, distribution, including trading of power, are related to these services and cannot be disposed, sold, assigned or mortgaged without prior and formal authorization of the Regulatory Agency.

ANEEL Resolution 20 of February 3, 1999, regulates the removal of fixed assets from the Electricity Public Utility Service concessions, granting prior authorization to separate fixed assets not of use to the concession, when available for sale, determining that the amount from the sale should be deposited in a specific bank account for reinvestment in the concession.

Liabilities related to the concession

Up to December 31, 2009, write-offs were made in Liabilities related to the concession in the proportion of disabled or disposed assets, and also based on the average depreciation rate of distribution assets, corresponding to ventures comprised totally or partially of third-party funds and subsequently assigned to the Company. As of January 1st, 2010, complying with the ANEEL Regulatory Resolution 396 provision, of February 23, 2010, the Company suspended the record of write-offs correspondent to the disabled assets.

f) Property, plant and equipment (Note 18)

All generating companies' tangible assets and only tangible assets not related to the distribution and transmission companies' infrastructure are recorded in Property, plant and equipment. Are accounted for at: i) acquisition costs plus nonrecoverable taxes on purchase; ii) any costs directly attributable to the placement of the asset in the location and required operating conditions, including financial charges; iii) in thermal and wind power plants, at the initial estimate of costs for disassembling and removing the item and restoring the location; iv) less accumulated depreciation and impairment losses.

The depreciation calculation basis is the asset's depreciable amount (acquisition cost less residual value) recognized in income at the straight line method according to the estimated useful lives of each component of a property, plant and equipment item, as this method is the one that best reflects the consumption standard of future economic benefits incorporated to the asset.

The residual value is the asset's remaining balance at the end of the concession, considering ANEEL's depreciation rate, since, as established in the agreement entered into by the Company and the Grantor, at the end of the concession, the assets will be transferred to the Grantor, which will indemnify the Company for the assets not fully depreciated. When the indemnity at the end of the concession is not possible, thermal and wind generation, no residual value is recognized and depreciation rates are adjusted so that all assets are depreciated within the concession.

Depreciation methods and residual values are reviewed at end of year, possible adjustments are recognized as a change in accounting estimates and useful lives are those defined by ANEEL.

On account of the provisions of the Accounting Instructions of the Accounting Manual of the Electricity Public Utility Service and in CVM Resolution 577, of June 5, 2009, which approves the technical pronouncement CPC 20, the financial charges relating to the financing obtained from third parties, effectively invested in construction in progress, are recorded in this subgroup as cost of the respective constructions.

The Company and its generating and trading subsidiaries opted not to value their fixed assets at deemed cost, as there is an understanding that the accounting policy of valuating fixed assets at the historic cost less the best estimate of depreciation and allowance for impairment, when required, is the one that best represents its fixed assets. To adequate the property, plant and equipment basis to the recognition requirements of an asset, as determined in CPC 27 (IAS 16), and eliminate costs that were previously recognized, the basis was reviewed to identify costs, such as administrative costs and foreign exchange fluctuation, which were excluded.

g) Intangible assets (Note 19)

Intangible assets include:

- Concession rights: The right of concessionaires of charging users for the power distribution system construction is recorded as intangible assets. Amortization is recorded according to the concession remaining period.
- Software: these are measured by the total cost of purchase, less amortization expenses.
- Intangible assets acquired from third parties: these are measured by the total cost of purchase, less amortization expenses.
- Project developments: are recognized as assets only in the development stage, provided that they comply with the requirements defined in CPC 04.
- The permanent easement of way: are recorded at cost.
- Concession right - use of the public property: refer to the right to explore joint hydropower plants and transmission systems of Enerpeixe and Investco, compensated by monthly payments to the Federal Government, as agreement entered into by the parties. It is recognized at the total fair value of the right to use the public property until the end of the concession agreement and amortized over the concession agreement.
- Incorporated goodwill – refers to the spun-off portion of Incorporated goodwill in the subsidiaries Bandeirante, Escelsa and Lajeado Energia, resulting from the acquisition of shares of the abovementioned companies, which was accounted for in accordance with CVM Instructions nº 319/99 and nº 349/99 and, pursuant to the determination of ANEEL, is being amortized by the curve between the expectation of future results and the concession period of the Companies.
- Goodwill generated in a business combination: is recorded as the difference between the amount paid for the business acquired and the fair value of the business.

Amortization is calculated on the asset amortizable amount (cost or other amount that replaces cost less residual value) and is recognized in income at the straight-line method in relation to the estimated useful lives of intangible assets other than goodwill, beginning as of the date in which they are available for use, as this method is the one that best reflects the consumption standard of future economic benefits incorporated to the asset.

h) Environmental licenses

Licenses required to initiate development projects, such as pre-installation and installation licenses, obtained during planning and installation are recognized as plant costs, more specifically as dam costs, according to ANEEL accounting guide, and therefore are depreciated over the useful lives of dams. Operating licenses, required to operate the assets, obtained or renewed after the beginning of operations, when verified the existence of environmental costs associated to the issue of that license and the disbursements are made in advance, that advance is registered as an intangible asset – operating licenses, and is amortized over the license period.

If the license is obtained before disbursements, at the start of the license period, the estimated disbursements are provisioned and registered as intangible asset - operation licenses – and are amortized over the license period.

i) Reduction to the recoverable value**Financial assets**

Evaluated at the end of the year regarding recoverability. Considered as nonrecoverable assets when there are evidences that one or more events occurred after the initial recognition of the financial asset and resulted in adverse effects on the estimated future cash flow of the investment.

Non-financial assets

The Company's Management reviews the net book value of property, plant and equipment and other non-current assets, including goodwill and intangible assets, on an annual basis to identify whether there was any evidence of unrecoverable losses of the occurrence of events or alterations in the circumstances indicating that the book value might not be recoverable.

When such evidence is identified, and the net book value exceeds the recoverable value, a provision is recognized adjusting the net book value to the recoverable value.

Goodwill and intangible assets with undefined useful life have the recovery of their value tested annually regardless of the presence of indicators of loss of value.

j) Other current and non-current assets

These are shown at cost or realizable value, including, when applicable, income accrued up to the balance sheet date.

k) Suppliers (Note 20)

Mainly includes balances payable to suppliers of electric energy and of charges on the use of the electricity network.

l) Loans and financing, debt charges and debentures (Notes 21 and 22)

Loans, financing and debentures are stated at the net amount of transaction costs incurred and subsequently measured at the amortized cost using the effective interest rate method.

Loans and financing in foreign currency that have *swap* operations were recognized at fair value through net income for the year.

m) Provisions

Contingencies (Note 27.1)

These are recognized in the balance sheet as a result of a past event, and when is probable that an economic resource will be required to settle the obligation. Provisions are recorded considering the best estimates of the risk specific to the liability.

Dismantling (Note 27)

Recognized when there is a legal or contract obligation at the end of the assets' useful lives. Accordingly, these type of provisions are recognized for power plants to cover responsibilities related to location and land replacement expenses. These provisions are calculated based on the current value of corresponding future responsibilities and are recorded as a contra entry to an increase to respective property, plant and equipment, and amortized on a straight-line basis over the expected average useful lives of the assets.

Provisions are subject to annual review, in accordance with estimated future responsibilities. The provision is adjusted at the end of the year and recognized in the statement of income.

(n) Use of public property (Note 26)

It is a financial instrument maintained to maturity and stated at the amortized cost adjusted by IGP-M incurred through balance sheet date.

Current and non-current liabilities balances are recognized at present value at the rate implicit in the project.

o) Other current and non-current liabilities

Stated at the known or estimated amounts, plus, when applicable, the corresponding charges, monetary and exchange variations incurred up to the balance sheet date.

p) Income and social contribution taxes (Notes 10, 11 and 33)

Current income and social contribution taxes recorded in income are calculated, at the subsidiaries CESA, Costa Rica, Pantanal, Santa Fé and Evrecy with a basis on the deemed taxable income, at the rates applicable according to the legislation in force, and at the parent company and other subsidiaries, current income tax is calculated with a basis on the taxable income (adjusted income), at the rates applicable according to the legislation in force 15%, plus 10% on the taxable income that exceeds R\$240 per annum, and current social contribution is calculated with a basis on taxable income before income tax, through the application of the rate of 9%, both considering the offsetting of tax loss carryforward and negative social contribution basis, respectively, limited to 30% of the taxable income.

Deferred income and social contribution tax assets were recorded under the heading of deferred income and social contribution taxes, as of the tax loss carryforward, negative social contribution basis and temporary differences, considering the rates in force of the aforementioned taxes, in accordance with the provisions of CVM Resolution 273, of August 20, 1998 and CVM Instruction 371, of June 27, 2002 and CVM Resolution 599, of September 15, 2009, and consider past profitability record and expectations of future taxable income based on a technical viability study.

For purposes of calculating the taxable income and its effects on the financial statements, the Company considered the adoption of the Transitory Tax Regime - RTT, as determined in MP n° 449/08 (converted into Law no. 11,941/09).

q) Post-employment benefits (Note 23)

The Company has employee benefit plans including pension and retirement plans. The main benefit plans granted to the Company's employees are described in notes 23.1, 23.2, 23.3 and 23.4.

The amounts are recorded in accordance with the terms of CVM Resolution 600, of October 7, 2009. Costs, contributions and actuarial liabilities are determined annually, with a basis on an appraisal carried out by independent actuaries, the last of which was executed for the base date of December 31, 2010.

Actuarial gains and losses generated by adjustments and changes to actuarial assumptions of pension and retirement plans are directly recognized in Shareholders' equity under equity evaluation adjustment.

r) Reserve for reversal and amortization

Refers to resources derived from the Reserve for reversal and amortization, set up until December 31, 1971 under the terms of the regulation of SPEE (Federal Decree 41,019/57), applied by the subsidiary Bandeirante in the expansion of the Electricity Public Utility Service, and interest of 5% per annum is charged on the Fund for reversal, and paid per month. Its potential settlement will occur in accordance with determinations of the Granting Power.

s) Capital (Note 28)

Common shares are classified as shareholders' equity and any cost attributable to the issuance of shares and stock options are recognized as a deduction from shareholders' equity.

Preferred shares are classified as shareholders' equity in case they are not redeemable, or only redeemable at the Company's discretion. Are not entitled to vote and have preemptive rights in the settlement of its portion of capital.

Repurchased options classified as treasury shares and recognized as a deduction from shareholders' equity, including acquisition costs. When these shares are again made available to the market, the associated cost is deducted from shareholders' equity and excess or deficit is transferred to retained earnings.

t) Dividends and interest on own capital credited (Note 29)

The distribution of dividends and interest on capital are recognized as a liability in the Company's financial statements at the end of year, based on the by-laws. However, any amount above the mandatory minimum is only provisioned on the date in which they are approved by a Shareholders' Meeting. The tax benefit of interest on capital is recognized in the statement of income.

u) Income statement

Income and expenses are recognized on the accrual basis.

Revenue is recognized in the statement of income when all the inherent risks and benefits are transferred to the buyer. Revenue from electric energy operations and services rendered is recognized in the statement of income in relation to its realization. Revenue is not recognized if there are significant uncertainties as to its realization.

The billing of electric energy to all the consumers and concessionaires is executed monthly, in accordance with the reading calendar and supply agreements, respectively.

The energy supplied and not billed, corresponding to the period lapsed between the date of the last reading and the balance sheet date, is estimated and recognized as unbilled revenue.

The power supply is billed on a monthly basis for all concessionaires.

Financial income comprises interest earned in short-term investments, gains on *hedge*, when applicable, arrears charges on power sold, which are recognized in income.

Financial expenses include interest, foreign exchange fluctuation and mark-to-market loans and financing and operating results *swap* and *hedge*, which are recognized in income.

v) Accounting estimates

In the preparation of individual and consolidated financial statements in accordance with Brazilian accounting practices based on the provisions of the Brazilian Corporate Law, the Company's and its subsidiaries' management are required to make estimates to record certain transactions that affect assets, liabilities, income and expenses.

The final results of these transactions and information, at the time of their effective realization in subsequent periods, may differ from these estimates, due to the lack of precision inherent to the process of their determination. The Company reviews the estimates and assumptions at least quarterly, except for the Post-employment benefit plans, as mentioned in note 2.2q.

The main estimates related to the financial statements refer to the recognition of impacts resulting from: Provision for allowance for doubtful accounts; Unbilled supply revenue; Transactions carried out in the sphere of the Electric Energy Trading Chamber - CCEE; Loss or gain of revenue – low income; Recovery of deferred income and social contribution taxes on tax loss carryforward, negative bases and temporary differences; Measurement of financial instruments; Provisions for contingencies; Post-employment benefit plans; and Impairment test.

w) Financial instruments (Note 34)

Financial instruments are defined as any contract that originates a financial asset to the entity and a financial liability or equity instrument to another entity.

Non-derivative financial instruments include cash and cash equivalents, collaterals and restricted deposits, trade accounts receivable and other receivables, investments in debt and equity instruments, loans, financing, debentures and trade accounts payable, as well as accounts payable and other obligations. These financial instruments are immediately recognized on negotiation date, that is, when the obligation or right is formalized, and are initially recorded at fair value plus or less any directly attributable transaction costs. Subsequent to the initial recognition, they are measured as described below:

Instruments held to maturity

If the Company and/or its subsidiaries have the intention and capacity to hold to maturity their financial assets, these are classified as held to maturity. Investments held to maturity are measured by the amortized cost using the effective interest rate method, less any reductions in their recoverable value.

Instruments available for sale

The investments of the Company and/or its subsidiaries in equity instruments and instruments of certain assets relating to debt instruments are classified as available for sale. Subsequent to initial recognition, they are valued at their fair value and their fluctuations, excepting reductions in their recoverable value, and the differences in foreign currency of these instruments, are recognized directly in shareholders' equity, net of tax impacts. When an investment fails to be recognized, the gain or loss accumulated in shareholders' equity is transferred to net income.

Financial instruments at fair value through the profit and loss

An instrument is classified at fair value through the profit and loss if it is held for trading, that is, designated as such upon initial recognition. Financial instruments are recorded at fair value through profit and loss if the Company and/or its subsidiaries manages these investments and decides on purchases and sale based in their fair value according to the investment risk management strategy documented by the Company and/or its subsidiaries. After initial recognition, attributable transaction costs are recognized in net income when incurred.

Loans and receivables

Only non-derivative assets with fixed or determined payments that are not quoted in an active market are allocated to this category and are recognized at the amortized cost method or effective interest rate method.

Derivative financial instruments

Derivative financial instruments are contracts with the following characteristics:

- a) their value changes as market changes affecting interest rates, foreign exchange rates, *commodities* prices, etc.;
- b) No initial investment is required or the initial investment is much lower than the investment required for similar contracts in the market;
- c) They will always be settled in a future date.

Derivative financial instruments are recognized on their trade date at their fair value. Subsequently, the fair value of the derivative financial instruments is reevaluated on a regular basis, while the gains and losses resulting from this revaluation are recorded in net income for the period, excepting as refers to the cash flow hedge derivatives, where the accounting treatment depends on the transaction's effectiveness.

Hedge accounting

The Company and its subsidiaries, in addition to the procedures adopted in the financial statements of December 31, 2008, started to qualify certain financial instruments for hedge accounting instruments. The hedge derivatives are recorded at fair value and gains or losses are recognized according to the hedge accounting model adopted, and for such the following requirements were met:

- i) there is formal documentation of the hedge for the start date of the relationship;
- ii) the hedge is expected to be highly effective;
- iii) the hedge effectiveness can be measured reliably;
- iv) the hedge is evaluated on a continual basis and effectively determined as being highly effective throughout the useful life of the hedge accounting structure period; and

v) in relation to the hedge of an anticipated transaction, this must be highly probable and must present exposure to cash flow variations that could ultimately affect the result.

The Company and its subsidiaries use financial instruments of hedge of the interest rate, foreign exchange variation and financing risk. The derivatives that do not qualify as hedge derivatives are recorded as trading derivatives.

Cash flow hedge

The effective part of the variations of the fair value of designated derivatives that qualify as cash flow hedge is recognized in shareholders' equity – equity evaluation adjustment. The gains or losses of the ineffective portion of the hedge relation are recognized by counter entry in net income for the period, at the time the ineffectiveness occurs.

Amounts accumulated in shareholders' equity are recorded in income in the periods in which the item affects results; however, when the covered transaction results in the recognition of a non-financial asset or liability, gains and losses recorded in shareholders' equity are recognized as a contra entry to the initial cost of the asset or liability.

When a hedge instrument expires or is sold, or when the hedge relation fails to fulfill the criteria for hedge accounting, any accumulated gain or loss recorded in shareholders' equity on the date is kept in shareholders' equity until the foreseen transaction is recognized in net income. When the transaction is not expected to take place, the accumulated gains or losses recorded by counter entry of shareholders' equity are immediately recognized in net income for the year.

Effectiveness

For a hedge relation to be classified as such, its effectiveness should be demonstrated. Hence the Company and its subsidiaries carry out prospective tests on the start date of the hedge relation and on each balance sheet date, perform tests prospectively and retroactively in order to demonstrate its effectiveness and showing that alterations in the fair value of the hedged item are offset by alterations in the fair value of the hedge instrument, with respect to the hedged risk. Any ineffectiveness determined is recognized in results as soon as it occurs.

Derecognition

Financial instruments are derecognized provided that contract rights to cash flows expire, that is, the end of the right or obligation of receiving or delivering cash or membership certificate is certain. For this situation, Management, based on consistent information, records the settlement.

Derecognition may occur due to cancellation, payment, receipt or when the certificates expire.

x) Functional currency

The functional currency of the Company and its subsidiaries is the Real, according to the rules described in CPC 02 (R2) - Impacts on the Changes in Exchange Rates and Translation of Financial Statements, approved by CVM Resolution nº 640/10.

y) Foreign currency

Transactions in foreign currency, that is, all those that are not performed in the functional currency, are translated by the exchange rate of the dates of each transaction. Monetary assets and liabilities in foreign currency are translated into the functional currency at the foreign exchange rate of the closing date. Gains and losses of variations in the exchange rates on monetary assets and liabilities are recognized in the statement of income. Non-monetary assets and liabilities acquired or contracted in foreign currency are translated with a basis on the exchange rates of the dates of the transactions or on the dates of valuation at the fair value when this is used.

z) Business combination and goodwill (Note 4)

Business combinations are accounted for under the acquisition method. The acquisition cost is measured at the fair value of assets, equity instruments and liabilities incurred or assumed on exchange date. Acquired identifiable assets and liabilities and contingencies assumed on business combination are initially measured at fair value on acquisition date, regardless of Goodwill is the value exceeding the business combination cost regarding the interest of the acquiring company on the fair value of the acquired company's assets and liabilities, that is, the exceeding amounts is the portion overpaid by the acquiring company due to expected future earnings of the acquired company.

The goodwill should not be amortized and will be subject to annual impairment analysis.

The negative goodwill is directly recognized in income by the acquiring company, when total fair value is higher than the amount paid for the business.

aa) Commercial leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made for operating leases (net of any incentive received from the lessor) are charged to the statement of income at the straight-line basis over the lease period.

ab) Concession contracts

The Committee of Accounting Pronouncements issued in 2009, the Technical interpretation ICPC 01 – Concession contracts. This Interpretation was approved by CVM Resolution nº 611 of December 22, 2009, with the application as from January 1, 2010 and financial 2009 statements to be disclosed together with 2010 financial statements for comparative purposes.

ICPC 01 is applicable to the public-private concession agreements in which the public entity controls or regulates the services rendered, with which infrastructure, at which price and to whom the service should be rendered, and is also has possession of this infrastructure.

As concession agreements of the distributing companies and transmission company of the group EDP Energias do Brasil have these characteristics, this interpretation is applicable. But the agreements of the group's power plants have different characteristics, therefore, this interpretation is not applicable.

According to ICPC 01, the infrastructure classified in this interpretation cannot be recognized as property, plant and equipment because the concessionaire does not control the underlying assets, and it is recognized in accordance with one of the accounting models provided for in the interpretation, depending on the type of remuneration agreed on between the concessionaire and the concession grantor, according to the agreement entered into by the parties, which are the financial asset model, intangible asset model and the bifurcated model.

For transmission companies, the financial model is applied because they are remunerated by the Concession Grantor through power distribution companies, both for infrastructure construction and the transmission system made available to be used by the basic network.

For distribution companies, the bifurcated model is applied as the companies of this sector are remunerated [i] by the Concession Grantor, regarding the infrastructure residual value at the end of the concession agreement and (ii) by users, regarding their portion of the construction work and power supply.

ac) Earnings per share

The basic earnings per share is calculated based on result for the period attributable to the Company's shareholders and the weighted average value of common shares outstanding in the respective period. Diluted earnings per share is calculated by the same indicators, and the average of outstanding shares adjusted by instruments potentially convertible into share, with diluting effect, in accordance with CPC 41 (IAS 33).

2.3 Consolidated financial statements

The consolidated financial statements were prepared in accordance with the standards established by CPC 36 (R1) - Consolidated statements and by the CVM Instruction 247, of March 27, 1996 and subsequent amendments, covering Energias do Brasil and its subsidiaries (as described in Note 1).

The accounting criteria in the preparation of the financial statements were applied uniformly among the various companies of the group .

The main consolidation policies adopted were as follows:

- Elimination of the investment of the parent company in the subsidiary companies;
- Elimination of the balances of accounts between the parent company and the subsidiary companies and of the accounts maintained among these subsidiary companies;
- Highlighting of non-controlling shareholders in the balance sheets and in the statements of income;
- Business combinations have been considered since September 2008, determining acquisition cost, recognizing and measuring all assumed assets and liabilities, as well as minority interest, recognizing and measuring goodwill for expected future earnings, all measured on acquisition date. If the excess is negative, a gain is recognized in results for the period.
- The subsidiary under joint control Porto do Pecém is being consolidated by the proportional method as from October 14, 2008.

The reconciliation of the results for the year and shareholders' equity is shown below:

	12/31/2010	
	Shareholders' equity	Net income
Parent company	4,554,478	587,873
AFAC Enercouto provision (*)		(5,315)
Consolidated	4,554,478	582,558

(*) Refers to the reversal of allowance for loss of the future advance for capital increase at Enercouto.

2.4 Presentation of information by segment

Information per operating segment is presented consistently with the internal report provided for the operating decision maker. The main operating decision maker, in charge of allocating funds and evaluating performance of operating segments is the Company's Executive Board, in charge of the Group's strategic decision making (Note 38).

2.5 New IFRS and IFRIC (IASB's International Financial Reporting Interpretations Committee) interpretations

Some of the standards and amendments to standards and interpretations issued by IASB have not yet become effective for the year ended December 31, 2010, therefore, they have not been applied in the preparation of these financial statements..

The Company's management does not expect that the adoption of these new pronouncements and interpretations will have a material impact on the Company's financial statements in the period they are adopted.

The Company's evaluation of the impacts of these new procedures and interpretations are as follows:

Rules and interpretations of rules that are not yet applicable

IAS 24 State-Owned Companies Disclosure and Related Party Definition (Reviewed)

The reviewed version of IAS 24 simplifies disclosure requirements for state-owned companies and clarifies the related-party definition. The reviewed standard addresses aspects that, according to prior disclosure requirements and the definition of "related party" were extremely complex and difficult to apply, mainly in environments with wide government control. It offers partial exemption to state-owned entities and a revised definition of related party. This change was issued in November 2009, and is effective for years starting as from January 1, 2011. This change will not impact the Company's consolidated financial statements.

IFRS 9 - Financial instruments – Classification and measurement

IFRS 9 Financial Instruments completes the first part of the project for the replacement of IAS 39 Financial Instruments: Recognition and measurement. IFRS 9 uses a simple approach to determine if a financial asset is measured at amortized cost or fair value. The new approach is based on the manner in which the entity manages its financial instruments [its business model] and the contract cash flow typical of financial assets. The standard also requires the adoption of only one method to determine the assets' impairment losses. This standard is effective for years starting as from January 1, 2013. The Company has not concluded its evaluation on the effect of adopting this interpretation.

IFRIC 14 - Advance Payments of Minimum Financing Requirement

These changes correct an unintended consequence of IFRIC 14. The change is applied only to those situations in which the entity is subject to minimum financing requirements and anticipates contributions to comply with those requirements. The change allows that this entity calculate the benefit of such advance payment as an asset. This change is effective for years starting as of January 1, 2011. This change will not impact the Company's consolidated financial statements.

2.6 Investments in subsidiary under joint control – Porto do Pecém

The balance sheet as of December 31, 2010, of the subsidiary under joint control in pre-operating phase Porto do Pecém, is presented below:

Balance sheet on 12/31/2010 - Summarized			Statement of income on 12/31/2010 - Summarized		
Assets		Liabilities			
Current assets	138,976	Current liabilities	227,232	Operating expenses	(13,292)
Long-term assets	232,800	Noncurrent liabilities	1,929,800	Net financial result	(111,381)
Property, plant and equipment	2,257,506	Shareholders' equity	472,250	Other results	(1,195)
				IRPJ & CSLL	42,806
Total	2,629,282	Total	2,629,282	social	(83,062)

3 Transition to IFRS

3.1 Transition to IFRS

3.1.1 Application of CPC 37

The consolidated financial statements were prepared in accordance with CPC 37, as described in Note 2. Financial statements presented until December 31, 2009 were prepared in accordance with Brazilian accounting practices, CVM (Brazilian Securities and Exchange Commission) supplementary standards, technical pronouncements of the Accounting Pronouncements Committee effective on that date, and provisions of the Brazilian Corporate Law.

The Company prepared its opening balance sheet as of the transition date January 1, 2009.

In the preparation of consolidated financial statements on transition date in accordance with CPC 37, the Company applied mandatory exemptions and some optional exemptions for full IFRS retrospective application.

3.1.2 Exemptions of the full retrospective application chosen by the Company

In its consolidated financial statements, the Company adopted the following optional exemption for full retrospective application:

- In business combination, the Company used the exemption of CPC 37 and applied CPC 15 / IFRS 3 (R) for acquisitions as from September 2008, date in which Enersul shareholding control was swapped by Lajeado.
- Property, plant and equipment maintained at historical cost (note 2.2.f).

3.2 Explanation on the transition to CPC (parent company) and IFRS (consolidated)

3.2.1 Reconciliation of the parent company's balance sheet (CPC) and consolidated balance sheet (IFRS) as of January 1, 2009

Assets	Parent company			Consolidated		
	Previously disclosed	Adjustments	Adjusted to CPC	Previously disclosed	Adjustments	Adjusted to IFRS
Current assets						
Cash and cash equivalents	79,443		79,443	499,882		499,882
Indemnifiable financial assets			-		823	823
Consumers and concessionaires			-	756,801	(31,369)	725,432
Taxes and social contribution	78,403		78,403	360,918	12,755	373,673
Deferred income and social contribution taxes			-	126,221	(126,221)	-
Dividends receivable	476,553	(326,444)	150,109			-
Inventories			-	10,098		10,098
Pledges and restricted deposits	2,080		2,080	76,936		76,936
Prepaid expenses	48		48	8,407		8,407
Account for variation compensation of Installment "A" costs			-	116,596	(116,596)	-
Income receivable			-	22,500	(22,500)	-
Assets available for sale		37,500	37,500		37,500	37,500
Other assets	3,244	(79)	3,165	144,645	(2,234)	142,411
	<u>639,771</u>	<u>(289,023)</u>	<u>350,748</u>	<u>2,123,004</u>	<u>(247,842)</u>	<u>1,875,162</u>
Noncurrent assets						
Accounts receivable		20,378	20,378	18		18
Indemnifiable financial assets			-		248,303	248,303
Consumers and concessionaires			-	123,226	(15,245)	107,981
Taxes and social contribution			-	31,084		31,084
Deferred income and social contribution taxes			-	412,374	241,729	654,103
Related parties	144,087		144,087	22,104		22,104
Advances for future capital increases	42,740		42,740	600		600
Pledges and restricted deposits	2,944		2,944	153,632		153,632
Prepaid expenses			-	2,608		2,608
Account for variation compensation of Installment "A" costs			-	94,563	(94,563)	-
Other assets	7,227		7,227	112,275		112,275
	<u>196,998</u>	<u>20,378</u>	<u>217,376</u>	<u>952,484</u>	<u>380,224</u>	<u>1,332,708</u>
Investments						
Property, plant and equipment	2,845,078	104,028	2,949,106	42,103	(31,712)	10,391
Intangible assets	1,993		1,993	6,003,885	(1,480,416)	4,523,469
	<u>490,458</u>	<u>(35,613)</u>	<u>454,845</u>	<u>1,348,455</u>	<u>1,790,345</u>	<u>3,138,800</u>
	<u>3,337,529</u>	<u>68,415</u>	<u>3,405,944</u>	<u>7,394,443</u>	<u>278,216</u>	<u>7,672,659</u>
Total assets	4,174,298	(200,230)	3,974,068	10,469,931	410,598	10,880,529

Liabilities and shareholders' equity	Parent company			Consolidated		
	Previously disclosed	Adjustments	Adjusted to CPC	Previously disclosed	Adjustments	Adjusted to IFRS
Current liabilities						
Suppliers	13,093		13,093	456,679		456,679
Debt charges			-			-
Taxes and social contribution	15,612		15,612	401,968	(32,739)	369,229
Deferred income and social contribution taxes			-	1,969	(1,969)	-
Dividends	223,451	(149,333)	74,118	313,118	(153,703)	159,415
Debentures			-	218,504	338	218,842
Loans, financing and debt charges	257,700		257,700	869,785		869,785
Post-employment benefits			-	30,871		30,871
Account for variation compensation of Installment "A" costs			-	64,693	(64,693)	-
Estimated employee benefits and social charges	4,218	(79)	4,139	47,562	(2,235)	45,327
Regulatory and sector charges			-	157,672		157,672
Use of public property			-		17,105	17,105
Provisions			-	5,255		8,347
Other accounts payable	2,208		2,208	169,426	(12,356)	157,070
	516,282	(149,412)	366,870	2,737,502	(241,905)	2,495,597
Noncurrent liabilities						
Taxes and social contribution			-	34,451		34,451
Deferred income and social contribution taxes			-		248,444	248,444
Debentures			-	654,180	1,606	655,786
Loans, financing and debt charges			-	1,355,008	51,810	1,406,818
Post-employment benefits			-	108,102	32,534	140,636
Account for variation compensation of Installment "A" costs			-	18,430	(18,430)	-
Related parties	510		510			-
Regulatory and sector charges			-	2,847		2,847
Use of public property			-		207,677	207,677
Provisions	64,396		64,396	263,295	3,965	267,260
Provision for unsecured liability	54,172		54,172	51,383		51,383
Reserve for reversal and amortization			-	17,248		17,248
Other accounts payable	25	1	26	71,317	(46,314)	25,003
	119,103	1	119,104	2,576,261	481,292	3,057,553
Shareholders' equity						
Capital stock	3,182,716		3,182,716	3,182,716		3,182,716
Capital reserves	35,348		35,348	35,348		35,348
Profit reserves	693,299	149,333	842,632	693,299	149,333	842,632
Other comprehensive income		(21,472)	(21,472)		(21,472)	(21,472)
Treasury shares	(372,450)		(372,450)	(372,450)		(372,450)
Accumulated losses		(178,679)	(178,679)	4,005	(178,679)	(174,674)
	3,538,913	(50,818)	3,488,095	3,542,918	(50,818)	3,492,100
Non-controlling shareholders'			-	1,613,250	222,030	1,835,280
Total liabilities and shareholders' equity	4,174,298	(200,230)	3,974,068	10,469,931	410,598	10,880,529

3.2.2 Reconciliation of the parent company's balance sheet (CPC) and consolidated balance sheet (IFRS) as of December 31, 2009

	Parent company			Consolidated		
	Previously disclosed	Adjustments	Adjusted to CPC	Previously disclosed	Adjustments	Adjusted to IFRS
Assets						
Current assets						
Cash and cash equivalents	233,440		233,440	1,102,022		1,102,022
Accounts receivable					5,999	5,999
Indemnifiable financial assets			-		823	823
Consumers and concessionaires				988,505	(86,724)	901,781
Taxes and social contribution	75,036		75,036	413,567	5,738	419,305
Deferred income and social contribution taxes				128,495	(128,495)	-
Dividends receivable	459,317	(323,208)	136,108			-
Inventories				13,199		13,199
Pledges and restricted deposits	2,168		2,168	69,587		69,587
Prepaid expenses	4		4	2,615		2,615
Account for variation compensation of Installment "A" costs				113,722	(113,722)	-
Financial assets available for sale	39,086		39,086	39,086		39,086
Other assets	883	566	1,450	166,891	(7,743)	159,148
	809,934	(322,642)	487,292	3,037,689	(324,124)	2,713,565
Noncurrent assets						
Accounts receivable		23,380	23,380		21,938	21,938
Indemnifiable financial assets					325,262	325,262
Consumers and concessionaires				94,431	(29,569)	64,862
Taxes and social contribution				31,078		31,078
Deferred income and social contribution taxes				507,351	240,934	748,285
Related parties	175,871		175,871			-
Advances for future capital increases	69,217		69,217			-
Pledges and restricted deposits	5,122		5,122	130,797		130,797
Prepaid expenses				1,064		1,064
Account for variation compensation of Installment "A" costs				43,608	(43,608)	-
Other assets	51,993		51,993	71,875	(21,938)	49,937
	302,203	23,380	325,583	880,204	493,019	1,373,223
Investments	3,251,806	203,944	3,455,750	24,032	6,903	30,935
Property, plant and equipment	2,038		2,038	6,416,645	(1,612,865)	4,803,780
Intangible assets	318,500	(34,129)	284,371	1,168,909	1,826,060	2,994,969
Deferred charges				126	(126)	-
	3,572,344	169,815	3,742,159	7,609,712	219,972	7,829,684
Total assets	4,684,481	(129,448)	4,555,033	11,527,605	388,867	11,916,472
Liabilities and shareholders' equity						
Current liabilities						
Suppliers	10,416		10,416	530,414	(22,358)	508,056
Debt charges				24,522	(24,522)	-
Taxes and social contribution	31,106		31,106	464,470	(10,011)	454,459
Dividends	297,629	(222,238)	75,391	391,888	(247,270)	144,618
Debentures				209,331	698	210,029
Loans, financing and debt charges				548,140	24,522	572,662
Post-employment benefits				27,181		27,181
Account for variation compensation of Installment "A" costs				47,592	(47,592)	-
Tariff restitution				37,186	(37,186)	-
Estimated employee benefits and social charges	4,245	(74)	4,171	51,211	(2,383)	48,828
Regulatory and sector charges				156,882	(321)	156,561
Use of public property					17,280	17,280
Provisions	2,208		2,208	7,627	12,020	19,647
Other accounts payable				174,438	(8,471)	165,967
	345,604	(222,312)	123,292	2,670,882	(345,594)	2,325,288
Noncurrent liabilities						
Debt charges				1,329	(1,329)	-
Taxes and social contribution	34,146		34,146	142,163		142,163
Deferred income and social contribution taxes				15,546	245,474	261,020
Debentures				451,929	1,226	453,155
Loans, financing and debt charges				1,903,076	54,364	1,957,440
Post-employment benefits				104,017	26,771	130,788
Account for variation compensation of Installment "A" costs				58,384	(58,384)	-
Related parties	7,024		7,024			-
Regulatory and sector charges				14,939		14,939
Use of public property					205,564	205,564
Provisions	24,469		24,469	136,899	4,200	141,099
Provision for unsecured liability	9,787	(1,335)	8,452			-
Reserve for reversal and amortization				17,248		17,248
Other accounts payable	62		62	101,398	(55,463)	45,935
	75,488	(1,335)	74,153	2,946,928	422,423	3,369,351
Shareholders' equity						
Capital stock	3,182,716		3,182,716	3,182,716		3,182,716
Capital reserves	96,656		96,656	96,656		96,656
Profit reserves	1,020,809	222,238	1,243,047	1,020,809	222,238	1,243,047
Other comprehensive income	(30,178)	(19,917)	(50,095)	(30,178)	(19,917)	(50,095)
Treasury shares	(6,614)		(6,614)	(6,614)		(6,614)
Retained earnings (losses)		(108,122)	(108,122)	5,315	(108,122)	(102,807)
	4,263,389	94,199	4,357,588	4,268,704	94,199	4,362,903
Non-controlling shareholders'					217,839	1,858,930
Total liabilities and shareholders' equity	4,684,481	(129,448)	4,555,033	11,527,605	388,867	11,916,472
		(0)	(0)		(0)	(0)

3.2.3 Reconciliation of the parent company's statement of income (CPC) and consolidated statement of income (IFRS) as of December 31, 2009

	Parent company			Consolidated		
	Previously disclosed	Adjustments	Adjusted to CPC	Previously disclosed	Adjustments	Adjusted to IFRS
INCOME						
Net operating income			-	4,648,348	26,645	4,621,702
Electricity services cost						
Electricity cost						
Electricity purchased for resale			-	(1,924,113)	(57,458)	(1,866,655)
Electric power network use charges			-	(511,641)	(37,987)	(473,654)
	-	-	-	(2,435,754)	(95,445)	(2,340,309)
Cost of operation						
Personnel			-	(146,210)	311	(146,521)
Material and third-party services			-	(166,608)	11	(166,619)
Depreciation and amortization			-	(251,507)	5,690	(257,197)
Other operating costs			-	(28,112)	11	(28,123)
	-	-	-	(592,437)	6,023	(598,460)
	-	-	-	(3,028,191)	(89,422)	(2,938,769)
				(2,918)		(2,918)
Cost of service rendered to third-parties						
Gross operating income	-	-	-	1,617,239	(62,777)	1,680,015
Operating expenses						
Sales expenses				(41,986)		(41,986)
General and administrative expenses	(65,372)		(65,372)	(322,028)	(381)	(321,647)
Depreciation and amortization	(21,770)	1,850	(19,920)	(52,453)	24,456	(76,909)
Other operating expenses	(22,220)		(22,220)	(85,814)	(8,507)	(77,307)
	(109,362)	1,850	(107,512)	(502,281)	15,568	(517,849)
Service result	(109,362)	1,850	(107,512)	1,114,958	(47,209)	1,162,166
Income from equity interest	638,309	69,939	708,248	(1,742)	(1,335)	(407)
Financial revenues	244,465	(150,141)	94,324	279,275	(17,283)	296,558
Financial expenses	(196,957)	148,909	(48,048)	(394,195)	(15,625)	(378,570)
Financial result	47,508	(1,232)	46,276	(114,920)	(32,908)	(82,012)
Other revenue	52,345		52,345	55,449	(0)	55,449
Other expenses	(2,092)		(2,092)	(28,127)	(0)	(28,127)
Other results	50,253	-	50,253	27,322	(0)	27,322
Income before income and social contribution taxes	626,708	70,557	697,265	1,025,617	(81,452)	1,107,069
Income and social contribution taxes - current	(2,881)		(2,881)	(163,928)	32,871	(196,799)
Deferred income and social contribution taxes			-	(60,514)	(8,560)	(51,953)
	(2,881)	-	(2,881)	(224,441)	24,311	(248,752)
Net income before non-controlling interests and beneficiaries	623,827	70,557	694,384	801,176	(57,141)	858,317
Non-controlling shareholders'			-	(160,267)	(13,417)	(146,850)
Founders' shares			-	(15,772)	0	(15,772)
Net income for the year	623,827	70,557	694,384	625,137	(70,558)	695,695
Basic and diluted net income per thousand shares - R\$	3,935.20		4,380.28	3,943.46		4,388.55

Description of the main differences in the adoption of IFRS and CPCs that affect the parent company and consolidated financial statements:

Assets

Current and non-current assets

Consumers and concessionaires: Write-off of amounts referring to regulatory assets, which are not recognized because they do not comply with the conceptual framework of CPC.

Taxes and social contribution taxes: Adjustments arising from CPCs adoption impacts.

Income receivable: reclassification to the consumers and concessionaires.

Assets available for sale: recognition of the shares of Denerge, as CPC 39 / IAS 32.

Deferred income and social contribution taxes: Adjustment of short-term balance to long-term balance due to the adoption of CPC 32 / IAS 12.

Account for variation compensation of Installment "A" costs: Write-off of amounts referring to regulatory assets as they cannot be recognized because they do not comply with the basic requirements for asset recognition according to CPCs conceptual structure / Framework IFRS.

Indemnifiable financial asset: (i) reclassification at cost of the portion of the distribution companies concession infrastructure assets whose value will be recovered at the end of the concession period as the Concession Grantor will reimburse it as a result of ICPC 01 / IFRIC 12 adoption; (ii) interest capitalization referring to the application of CPC 20/ IAS 23

Other assets: Reclassification of 13th salary and vacation advances account balances to the respective provisions as a result of CPC 33 / IAS 19 adoption.

Investments: (i) write-off of the negative goodwill Energias do Brasil had recorded at acquisition of Escelsa and the negative goodwill referring to the acquisition of Investco by EDP Lajeado (EDP Lajeado was merged into Lajeado in September 2009) as a result of the adoption of CPC 18 / IAS 28, which determines that negative goodwill be directly recognized in income when incurred, (ii) reclassification of some property, plant and equipment items that qualify for the definition of investment property in accordance with CPC 28 / IAS 40 and (iii) adjustment of the equity in Lajeado and Energias do Brasil as a result of the change in investment amounts due to the adoption of CPC 15 / IFRS 3

Property, plant and equipment: adjustments referring to: (i) write-off of capitalized administrative expenses in power generating companies' assets and capitalization of asset disassembling and removal costs of non-hydropower generating companies as a result of CPC 27 / IAS 16 application; (ii) reclassification of power distribution and transmission companies' assets from intangible assets to financial assets as a result of ICPC 01 / IFRIC 12 adoption; (iii) reclassification of some items that qualify for the definition of investment property in accordance with CPC 28 / IAS 40 to the caption investments, (iv) reclassification of items that qualify for the definition of CPC 31 and (v) allocation of goodwill as property, plant and equipment appreciation as a result of the application of CPC 15 / IFRS 3 in the acquisition of Lajeado and Investco.

Intangible assets: adjustments referring to: (i) recognition of operation permits as a contra entry to CPC 25 / IAS 37 adoption; (ii) recognition of a concession right due to concession agreements for the use of the public properties of Enerpeixe SA and Investco SA as a contra entry to the CPC 38 / IAS 39, adoption; (iii) reclassification of the portion of distribution companies' infrastructure assets whose amount will be recovered through the collection of tariff, as a result of ICPC 01 / IFRIC 12 adoption; (iv) capitalization of interest referring to CPC 20 / IAS 23 application; (v) allocation of goodwill as a concession right (exploration of the concession area to sell power) as a result of CPC 15 / IFRS 3 application, in the acquisition of Lajeado and Investco; and (vi) recognition of goodwill due to expected future earnings in the acquisition of Lajeado and Investco, after the fair values of property, plant and equipment and intangible assets of these companies are recorded, as a result of CPC 15 / IFRS 3 application.

Deferred charges: write-off of pre-operating expenses.

Liabilities

Current and non-current liabilities

Taxes and social contribution: Adjustments arising from CPCs adoption impacts.

Deferred income tax and social contribution : (i) recalculation of balance as a result of the implementation of CPCs applicable to years ending beginning as from January 1, 2010, for comparison with 2009 and (ii) adjustment of short-term balance to long-term balance as a result of CPC 32 / IAS 12 adoption.

Off-balance account for cost variation of portion "A" and other accounts payable: write-off of amounts referring to regulatory liabilities as they cannot be recognized due to noncompliance with basic liability recognition concepts according to CPCs conceptual Framework IFRS.

Estimated employee benefits and social charges: Reclassification of 13th salary and vacation advances account balances to the respective provisions as a result of CPC 33 / IAS 19 adoption.

Dividends: Reclassification of the portion referring to excess mandatory minimum dividend to shareholders' equity as a result of ICPC 08 adoption.

Loans, financing and debt charges: adjustment to fair value of short-term interest of redeemable and cumulative preferred shares issued by Investco SA as they do not qualify for the definition of equity instrument and qualify for the definition of financial liability as a result of CPC 39 / IAS 32 application.

Provisions: recognition of liabilities related to operation permits as they qualify for the definitions of CPC 25 / IAS 37.

Usage of Public Property: recognition of payments due to the agreements for the concession of public properties to Enerpeixe and Investco as they qualify for recognition definitions of CPC 38 / IAS 39.

Post-employment benefits: Actuarial gains and losses that were previously recognized in income are now fully recognized in shareholders' equity, under valuation adjustments to equity in the year they occur, according to the alternative method provided for in CPC 33 / IAS 19.

Shareholders' equity

Capital: adjustment to fair value of redeemable and cumulative preferred shares issued by Investco as they do not qualify for the definition of equity instrument and qualify for the definition of financial liability as a result of CPC 39 / IAS 32. application.

Profit reserves: Reclassification to this caption of the portion referring to excess mandatory minimum dividend as a result of ICPC 08 adoption.

Retained Earnings and Accumulated Losses: the adjustments made refer mainly to: (i) recognition of long-term remuneration of redeemable and cumulative preferred shares issued by Investco as they do not qualify for the definition of equity instrument and qualify for the definition of financial liability as a result of CPC 39 / IFRS 7 application; (ii) includes write-off of amounts referring to regulatory assets and liabilities not recognized due to non-compliance with CPCs conceptual structure; (iii) capitalization of interest referring to CPC 20 / IAS 23 application, (iv) reversal of foreign exchange change and administrative expenses referring to the CPC 27 / IAS 16 application; (v) effect of inflation adjustment of the provision referring to UBP (use of public property) and amortization of the associated intangible assets as a result of CPC 25 / IAS 37 application; and (vi) recognition of deferred income tax assets and liabilities as a contra entry to said adjustments.

Other comprehensive income: Actuarial gains and losses previously recognized in income for the year at the corridor method are now fully recognized in this caption at the alternative method provided for in CPC 33 / IAS 19.

Income

Impacts due to the adoption of the following CPCs: (i) capitalization of intangible assets interest and amortization due to CPC 20 / IAS 23 application; (ii) recognition of monetary adjustment to permissions due to CPC 25 / IAS 37 adoption; and (iii) write-off of amounts referring to regulatory assets and liabilities that were not recognized due to non-compliance with CPCs conceptual structure; (iv) adjustments referring to the write-off of administrative expenses capitalized in power generation assets as a result of CPC 27 / IAS 16 application; (v) Reclassification of Depreciation/Amortization balance to the caption Transmission system revenue as a result of ICPC 01 / IFRIC 12 adoption; (vi) recognition of intangible assets amortization referring to the concession right for the use of public property as a contra entry to CPC 38 / IAS 39 adoption; (vii) recognition of preferred shares remuneration and adjustment to present value; (viii) reclassification of actuarial gains and losses to shareholders' equity as a result of CPC 33 / IAS 19 adoption; (ix) recognition per the equity method of adjustments recognized by EDP Renovaveis.

4 Business combination

In September 2008, the Company exchanged the shareholding interest held in Enersul for shareholding interest held by Rede Energia S.A. in its subsidiaries Lajeado and Investco, and by shareholding interest held by Rede Power do Brasil S.A. in Lajeado and Tocantins.

After this transaction, Energias do Brasil controls Investco, Lajeado and Tocantins, in compliance with the Company's strategic guideline to grow in the power generation segment, guaranteeing the position of controlling shareholder and manager of Investco, company that explores AHE Luis Eduardo Magalhães, with installed capacity of 902.5 MW. Lajeado holds 73% of the voting capital of Investco.

In accordance with IFRS 3, this transaction was recognized at the acquisition method. The acquired entity's cost is due to net assets, including identifiable intangible assets, liabilities and contingent liabilities assumed based in their estimated fair value on acquisition date.

	Investco	Lajeado Energia	Tocantins	Total
Current assets	73,651	86,173	27,451	187,275
Non-current assets	17,603	48,216	20,243	86,062
Property, plant and equipment	1,920,993			1,920,993
Intangible assets	26,994	987,588		1,014,582
Investments		554,810	131,388	686,198
Total assets acquired	2,039,241	1,676,787	179,082	3,895,110
Current liabilities	172,305	106,762	6,429	285,496
Noncurrent liabilities	643,656	52,060		695,716
Assumed liabilities	815,961	158,822	6,429	981,212
Net assets (liabilities)	1,223,280	1,517,965	172,653	2,913,898
Exclusions				
Beneficiaries		(266,798)		(266,798)
Elimination of investments		(554,758)	(131,388)	(686,146)
Total exclusions		(821,556)	(131,388)	(952,944)
Net assets	1,223,280	696,409	41,265	1,960,954
Acquired interest	24.35%	53.69%	50.88%	
Net assets acquired	297,859	373,914	20,996	692,769
Acquisition cost				737,215
Other acquisition costs				6,547
Price of preferred shares of Investco (financial instrument)				(8,700)
Total acquisition cost				735,062
Goodwill				42,283

Goodwill due to expected future earnings, without defined useful life, subject to annual recovery analysis and having no tax effects.

5 Periodic tariff review and Tariff readjustment

First periodic tariff review - Evrecy

Transmission Concession Agreement n° 20/2008-ANEEL (resulting from the segregation of the transmission activities of Escelsa), executed on November 14, 2008 with CESA establishes the date of July 1, 2009 for the First Periodic Tariff Review of the transmission company and review cycle of 4 years. The entire base of assets was revalued in this First Periodic Tariff Review, under the terms of Normative Resolution ANEEL 338/2008.

The First Amendment of Transmission Concession Agreement n° 20/2008-ANEEL, executed on October 13, 2009, formalizes the transfer of the Transmission Concession from CESA to Evrecy.

At the 21st Ordinary Public Meeting of the Executive Board of ANEEL on June 8, 2010, the participants approved the final result of the First Periodic Tariff Review of EVRECY, retroactive to July 1, 2009, contained in Technical Note n° 181/2010-SRE/ANEEL.

The tariff repositioning index was -10.32%, reducing the Allowed Annual Revenue - RAP from R\$7,848 to R\$7,039 for the tariff year of July 1, 2009 to June 30, 2010.

The final adjustment installment of Evrecy for the cycle of July/2010 to June/2011, already considering the adjustments of the financial components outside the review as mentioned in item 57 of Technical Note 181/2010-SRE/ANEEL, was R\$ 294 recorded in current liabilities which is being amortized in 12 installments as of July 2010.

The factor that contributed most to the reduction of Evrecy's was the recalculation of the average remuneration rate of investment that was reduced by ANEEL from 9.18% p.a. to 7.24% p.a. The reduction of the investment average remuneration rate was applied to all transmission companies that underwent a tax review process in 2010.

Periodic tariff review of 2010 - Escelsa

At a Public Board Meeting held on August 4, 2010, the Brazilian Electricity Regulatory Agency - ANEEL approved the report that authorized the average readjustment of the tariffs of the Company in 7.19% for the period beginning August 7, 2010 to August 6, 2011, including all consumer classes. Considering the financial adjustments already included in the Company's tariffs, related to the recovery of prior periods, the average tariff readjustment in electric energy bills will be 0.21%.

The main changes introduced: (i) Company of Reference goes from R\$209,800 million to R\$269,300; (ii) X_e Component of X Factor, goes from 0.00% to 0.95% to be used in the tariff readjustment of August/2011 and August/2012 ; and (iii) Net Regulatory Remuneration Basis from R\$952,500 to R\$1,297,100.

Periodic Tariff Revisions are foreseen in the Concession Agreement and consider changes in the concessionaire's cost structure and market, the tariff levels observed in similar companies, in the national and international context, and incentives for efficiency and keeping tariffs affordable.

The tariff revision process comprises two steps. In the first step, called tariff repositioning, tariffs are set at levels covering efficient operating costs for a given level of service quality, with a fair and adequate remuneration of prudent investments. The second step is the calculation of the X Factor, which refers to productivity targets for the next tariff period.

The new tariffs to be charged by Escelsa already include the effects of the new methods proposed in the Addendum approved by ANEEL at the Public Board Meeting held on February 2, 2010.

Tariff readjustment of 2010 - Bandeirante

The Brazilian Electricity Regulatory Agency - ANEEL, in a public meeting of the Board of Executive Officers that took place on October 5, 2010, approved the average annual tariff readjustment of 10.70%, to be applied to the Company's tariffs, as from October 23, 2010 to October 22, 2011, with 10.25% relating to the annual economic tariff readjustment and 0.45% referring to the pertinent financial components 7.91%.

Periodic Tariff Revisions are foreseen in the Concession Agreement and consider changes in the concessionaire's cost structure and market, the tariff levels observed in similar companies, in the national and international context, and incentives for efficiency and keeping tariffs affordable.

The tariff revision process comprises two steps. Periodic Tariff Revisions are foreseen in the Concession Agreement and consider changes in the concessionaire's cost structure and market, the tariff levels observed in similar companies, in the national and international context, and incentives for efficiency and keeping tariffs affordable. The second step is the calculation of the X Factor, which refers to productivity targets for the next tariff period.

The new tariffs to be charged by the Company already include the effects of the new methods proposed in the Addendum approved by ANEEL at the Public Board Meeting held on February 2, 2010.

6 Cash and cash equivalents

	Parent company		Consolidated	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Banks checking account	59,450	29,595	265,231	292,711
Financial investments - fixed income	226,362	203,845	861,218	809,311
Total	285,812	233,440	1,126,449	1,102,022

Highly liquid short-term interest earning bank deposits are promptly convertible into a known sum of cash.

These financial investments refer substantially to bank deposit certificates and fixed income funds, remunerated at rates that range between 98.5% and 104.0% of the Interbank Deposit Certificate (CDI).

The Group's exposure to interest rate risks and a sensitivity analysis of financial assets and liabilities are disclosed in note 34.

7 Consumers and concessionaires

	Consolidated						
	Balances to become overdue	Overdue up to 90 days	Overdue longer than 90 days	Total	Allowance for doubtful accounts	Balance balance at 12/31/2010	Balance balance at 12/31/2009
Current							<i>Adjusted</i>
Consumers							
Supply to final consumers							
Billed supply							
Residential	98,858	95,867	25,270	219,995	(35,071)	184,924	182,322
Industrial	28,054	22,560	13,365	63,979	(13,718)	50,261	67,629
Commerce, services and other	39,823	23,588	15,249	78,660	(16,374)	62,286	67,353
Rural	8,839	7,039	3,650	19,528	(1,332)	18,196	21,655
Public power							
Federal	4,597	234	83	4,914	(13)	4,901	5,142
State	5,565	413	434	6,412	(343)	6,069	6,185
Municipal	6,126	2,760	5,137	14,023	(684)	13,339	12,238
Public lighting	7,547	4,741	9,183	21,471	(1,000)	20,471	15,530
Public utility service	8,489	1,617	16,058	26,164	(64)	26,100	26,332
Free clients	29,219	773		29,992		29,992	7,554
Unbilled supply	249,377			249,377		249,377	245,852
Debt paid in installments	40,644	8,042	42,666	91,352	(41,133)	50,219	55,088
(+) Adjustment to present value	1,285			1,285		1,285	1,881
Other regulatory assets	28,578			28,578		28,578	28,615
	557,001	167,634	131,095	855,730	(109,732)	745,998	743,376
Concessionaires							
Supply - Conventional	95,318	9	36,443	131,770	(36,537)	95,233	159,429
Short-term energy	27,646			27,646		27,646	5,271
Electric power network use charges	8,229			8,229		8,229	10,671
Other	11,700			11,700		11,700	(16,966)
	142,893	9	36,443	179,345	(36,537)	142,808	158,405
Total current	699,894	167,643	167,538	1,035,075	(146,269)	888,806	901,781
Noncurrent							
Consumers							
Billed supply							
Industrial	6,418			6,418		6,418	6,929
Commerce, services and other	54			54		54	54
Municipal	3			3		3	3
Debt paid in installments	50,544			50,544		50,544	55,470
(-) Adjustment to present value	(13,455)			(13,455)		(13,455)	(17,763)
	43,564	-	-	43,564	-	43,564	44,693
Concessionaires							
Supply of electric energy	5			5	(5)		
Short-term energy	12,754		836	13,590	(13,590)		
Piratininga	20,169			20,169		20,169	20,169
	32,928		836	33,764	(13,595)	20,169	20,169
Total noncurrent	76,492	-	836	77,328	(13,595)	63,733	64,862

7.1 Short-term energy

Refers mainly to the transactions of sale of energy, realized in the in the sphere of the Electric Energy Trading Chamber - CCEE.

Part of the values of the assets of the distributor subsidiaries is subject to modification depending on the decision of lawsuits in progress, filed by companies from the sector, relating to the interpretation of rules of the market in force.

7.2 Concessionaire- Piratininga

The amounts of R\$20,169 (R\$20,169 in 2009) in non-current assets and of R\$19,335 (R\$19,335 in 2009) in Current and non-current liabilities (Note 15), refer to sums receivable and payable, respectively, with Companhia Piratininga de Força e Luz - Piratininga, as a result of the partial spin-off of Bandeirante carried out on October 1, 2001, pursuant to the terms established in the spin-off protocol.

There are no disagreements between the parties regarding the balances currently recorded, receivable and payable, which should be settled in a timely manner.

7.3 Concessionaires - Conventional supply

The balance of Supply of energy includes amounts billed against Ampla Energia e Serviços S.A. - "AMPLA" (previously called Companhia de Eletricidade do Rio de Janeiro - CERJ), both past due and falling due, totaling R\$ 39,266 on December 31, 2010 (R\$57,258 in 2010), whereas of this sum R\$35,923 (R\$27,684 in 2009) refers to a right obtained by an arbitral award of March 19, 2009 in response to proceedings n° 03/2005 and 04/2006, issued by Câmara FGV de Conciliação e Arbitragem. This arbitral award recognized that in the contract of sale of energy made by and between the parties, for the period from November 15, 2003 to August 28, 2006.

With AMPLA not having recognized the effects of the arbitral award, the subsidiary Enertrade decided to maintain the allowance for doubtful accounts corresponding to the amount of R\$ 35,923, under discussion.

7.4 Adjustment to present value

The adjustment to present value, regulated by CPC 12, was calculated with a basis on the average remuneration of investment rate, applied by ANEEL in the tariff reviews of the distributors. This rate is compatible with the nature, term and risks of similar transactions under market conditions. On December 31, 2010 and December 31, 2009 is 15.07% per annum, having a positive impact on the result for the year of R\$3,713 (having a negative impact of R\$1,119 in 2009).

8 Accounts receivable

Parent company

The amount of R\$22,627 (R\$23,380 in 2009) refers to preferred shares of classes "A", "B" and "C" issued by subsidiary Investco, which, according to Article 8 of said subsidiary's by-laws, are entitled to the right of receiving a cumulative fixed annual dividend of 3% on their respective interest in capital. Due to this characteristic, these shares were classified as receivable financial instruments as they meet the definition of financial assets, since the subsidiary does not have the right to avoid the remittance of cash or other financial asset to another entity, as determined in paragraph 19 of CPC 39.

The estimate of fair value considered the conditions above for the payment of dividends. Annual dividend payment was considered until 2032 (end of the concession) and discounted to present value at the rate of 8.70% p.a.

Consolidated

The amount of R\$19,500 (R\$8,576 in 2009) refers to the renegotiation balance of the agreement for Credit Concession entered into by subsidiary Lajeado Energia S.A. and Tangará Energia S.A. as of August 31, 2004, approved by ANEEL through Official Letters 467/2000-SFF/ANEEL.

The amount of R\$7,914 (R\$19,361 in 2009) refers to the consolidation and renegotiation of the Credit Concession agreement entered into by subsidiary Lajeado Energia S.A. and Caiuá Distribuição de Energia S.A., as of December 31, 2006, approved through SFF/ANEEL Decision 181 of January 29, 2007.

9 Prepaid expenses

	Parent company		Consolidated			
	Current		Current		Noncurrent	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Insurance premium	31	4	4,548	2,615	937	1,064
Other	159		706			
Total	190	4	5,254	2,615	937	1,064

10 Taxes and social contribution

	Parent company				Consolidated			
	Current		Noncurrent		Current		Noncurrent	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Assets - to offset								
Income and social contribution taxes	58,553	43,791			330,787	225,152		
ICMS	5	132			35,241	36,827	29,679	28,383
PIS & COFINS	235	235			50,145	43,238		
PIS & COFINS - COSIT 27					91,481	75,730		
Withholding tax on interest on own capital	25,138	23,630			25,138	23,630		
Other	2,035	7,248			7,522	14,728	6,254	2,695
Total	85,966	75,036	-	-	540,314	419,305	35,933	31,078
Payable - Liabilities								
Income and social contribution taxes	69	2,987			207,222	134,231		
ICMS on rate differential	5	5			40	415		
ICMS					174,371	142,927		
PIS & COFINS	14,761	12,776			89,336	82,637		
ISS					840	662		
PIS, COFINS and Social Contribution - On services rendered by third-parties					205	18		
Withholding tax on services rendered by third-parties					73	38		
Withholding tax on interest on own capital	14,576				47,160	31,104		
Tax installment payment - Law No. 11,941/09	21,530	14,634	32,295	34,146	72,285	45,910	108,425	107,124
Tax installment payment - PAEX					6,127	5,326	29,428	35,039
Other	718	704			12,232	11,191		
Total	51,659	31,106	32,295	34,146	609,891	454,459	137,853	142,163

10.1 Taxation of operations in the Electric Energy Trading Chamber - CCEE

As a result of the terms of article 32 of Provisional Measure n.º 66, of August 29, 2002, converted into Law n.º 10,637, of December 30, 2002 and of Normative Instruction n.º 199, of September 12, 2002, electric energy distributors, as agents members of the Electric Energy Trading Chamber ("CCEE"), exercised the option for the special taxation regime of PIS and of COFINS on income earned in operations carried out within the sphere of that Institution.

The main effects refer to the calculation basis levied on the net positive results and on the continuity of the application of the rate of 0.65% and 3% for PIS and COFINS, respectively.

10.2 PIS & COFINS - COSIT 27

Distributors

The balance of R\$ 78,055 (R\$ 75,730 in 2009) refers to the record of extempore PIS and COFINS credits resulting from the interpretation provided by the Internal Revenue Service in Answer to Inquiry COSIT 27/2008, corresponding to the credits calculated on expenditures with materials applied or consumed in the electricity supply activity and in the activity of depreciation charges of machinery, equipment and other fixed assets, to be offset with debits of these contributions. In accordance with ANEEL Technical Note 115/2005, the Company recognized initially in current liabilities in Other liabilities, an equal sum to be returned to the consumers, since said credits will influence the effective rate for PIS/COFINS to be charged in the future (Note 15).

In 2011, this credit will be offset with the Brazilian Federal Revenue Service. Subsidiary Bandeirante started to refund consumers in November 2010 and subsidiary Escelsa started to refund consumers in December 2010, through the reduction of the effective PIS/COFINS rate, amounting to R\$10,217.

Generators

On March 15, 2004, SRF Regulatory Instruction 404, based on Law 10,833/03, provides on the possibility of discount of PIS and COFINS credits calculated on the depreciation of assets incorporated to property, plant and equipment, to be used in the production of assets intended for sale and provision of service, later amended by SRF Regulatory Instruction 457/07, which maintained the credit discount through depreciation calculated according to criteria established by SRF Regulatory Instruction 162/98 and SRF Regulatory Instruction 130/99 and introduced the option of discount through the asset acquisition value over 4 years for machinery and equipment in property, plant and equipment and 2 years for assets and provisions of decrees 4,955/2004, 5,173/2004, 5,222/2004, acquired beginning as of October 2004 and complying with the provisions of Article 31 of Law 10,865, of April 30, 2004. Based on this instruction, direct subsidiary Energest and indirect subsidiaries CESA and Investco recorded the amount of R\$13,426 as of December 31, 2010.

10.3 IRRF - interest on own capital

Refers to the Withholding Tax, at the rates of 15% and 25%, levied on the amounts proposed to the shareholders as Interest on Shareholders' Equity, excepting for the shareholders provenly immune or exempt, in conformity with the legislation.

10.4 Installment payment of taxes - Law 11941/09 and PAEX

In 2009, the adhesion to the reduction and tax installment payment program was formalized with the Federal Revenue Service - SRF, under Law No. 11,941/09, such as of the subsidiaries Bandeirante, Escelsa, Energest and Enertrade, which generated a reduction of contingent liabilities (Note 27), relative to tax proceedings within the federal sphere.

Exceptional Installment Payment - PAEX - In September 2006, subsidiary Lajeado joined the Exceptional Installment Payment (PAEX) established by Provisional Act 303, of June 29, 2006, which addresses the payment in installments of legal entities' debts with the Federal Revenue Service (SRF), the National Treasury Attorney General (PGFN) and the National Institute of Social Security (INSS), in 130 monthly and successive installments (SRF/PGFN), adjusted to inflation at the long-term interest rate (TJLP) for debts maturing until February 28, 2003, and in 120 monthly and successive installments (IRPJ, CSLL, COFINS, PIS, CPMF, INSS and fine), adjusted to inflation at the SELIC rate for debts maturing from March 1, 2003 to December 31, 2005, recognized or not, enrolled or not in the Government or INSS Debt Register, even if they are challenged in a lawsuit proposed by the taxpayer or under the tax foreclosure stage, or under a previous installment plan, not fully paid, even if cancelled for nonpayment.

The debt to be paid in 130 monthly installments, in accordance with the provisions of Article 1 of Provisional Act 303 of June 29, 2006 is being paid since September 2006. The debt balance bears monthly interest equivalent to TJLP variation.

In 2009, PAEX formally joined the program for the reduction and installment payment of taxes according to Law 11,941/09 of the Federal Revenue Service.

The balance on December 31, 2010 and 2009 is comprised as follows:

	Parent company		Consolidated	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Liabilities				
Income and social contribution taxes			67,443	53,942
PIS/COFINS	49,146	45,362	115,735	111,443
INSS			26,006	21,926
Other	4,679	3,418	7,081	6,088
Total	53,825	48,780	216,265	193,399

Of the total tax amount to be paid in installments according to Law 11,941/09, R\$73,332 (R\$73,332 in 2009) will be offset against escrow deposits and R\$44,309 (R\$44,309 in 2009) will be offset against tax credits from tax loss carryforwards, and the remaining amount will be settled in 30 installments.

11 **Deferred income and social contribution taxes**
 11.1 **Assets**

The tax credits detailed below, calculated on tax losses carry-forward, negative social contribution basis and other amounts constituting temporary differences used for reducing the future tax burden, were recognized based on historical taxable profits and on budgets for generating taxable profits for the next fiscal periods at the subsidiaries Bandeirante, Escelsa, Enertrade, Energest, and Lajeado, within a maximum period of 10 years.

	Parent company		Consolidated	
	Noncurrent		Noncurrent	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
				<i>Adjusted</i>
IRPJ on tax losses			100,447	134,365
Negative bases of social contribution	2,590		46,627	58,852
IRPJ & CSLL on other temporary additions			153	60
IRPJ & CSLL on other temporary differences			112,471	107,792
IRPJ & CSLL on provision for pension deficit - PSAP			22,277	22,956
IRPJ & CSLL on incorporated tax credit - Goodwill			249,136	265,997
IRPJ & CSLL on other temporary differences - RTT			247,569	158,263
Total	2,590		778,680	748,285

Nature of credits	Parent company			
	12/31/2010			
	Calculation basis	IRPJ	CSLL	Total
Tax losses	28,777	7,194		7,194
Negative social contribution basis	28,777		2,590	2,590
Total deferred charges		7,194	2,590	9,784

Nature of credits	Consolidated					
	12/31/2010					12/31/2009
	Calculation basis	IRPJ	CSLL	Total	Total	
Tax losses	485,777	121,444		121,444	141,854	
Negative social contribution basis	602,060		54,186	54,186	61,548	
		121,444	54,186	175,630	203,402	
Temporary differences						
Provision for allowance for doubtful accounts	145,009	36,252	13,051	49,303	38,522	
Post-employment benefits	30,742	7,686	2,767	10,453	14,558	
Provision for tax, civil and labor risks	138,721	34,680	12,481	47,161	45,990	
Provision for SWAP results	191,102	47,776	17,199	64,975	39,396	
Provision for inventory losses	53,224	13,306	4,791	18,097	17,633	
Provision for bonus - employees	(38)	(10)	(3)	(13)	552	
Total temporary differences		139,690	50,286	189,975	156,650	
Post-employment benefits - PSAP	65,522	16,380	5,897	22,277	22,956	
Goodwill absorbed	732,753	183,189	65,948	249,137	265,997	
Temporary differences - RTT						
Consumers - adjustment to present value	12,169	3,042	1,097	4,139	5,400	
Financial charges - Recouping	2,225	556	200	756	1,434	
Loans and financing in foreign currency - MTM	20	5	2	7	(139)	
Fixed assets in service - Intangible assets	34	9	3	12	67	
Goodwill amortization/depreciation - CPC 15	66,954	16,738	6,026	22,764	12,790	
Environmental licenses - CPC 25	1,157	290	104	394	299	
Use of public property - CPC 25	202,641	50,660	18,237	68,897	70,591	
Financial instruments - CPC 39	16,955	4,239	1,526	5,765	(1,830)	
Employee benefits - CPC 33	114,497	28,624	10,303	38,927	10,668	
Total temporary differences - RTT		104,163	37,498	141,661	99,280	
Total deferred assets		564,866	213,815	778,680	748,285	

Based on technical studies of taxable income projections calculated according to CVM Instruction 273, of August 20, 1998, the recovery of the non-current tax credits for the following fiscal periods is estimated at:

2011	2012	2013	2014	2015	2016 to 2018	2019 a 2020	Noncurrent
114,634	254,323	150,767	72,826	94,620	34,580	56,930	778,680

The Managements of the Company and its subsidiaries prepared a projection of future taxable income on December 31, 2010, also considering its discounts at present value, demonstrating the capacity to realize these tax credits in the periods indicated and, for the subsidiaries Bandeirante, Escelsa and Enerpeixe, as required by CVM Instruction nº 371, of June 27, 2002. aforesaid studies were approved by the respective Boards of Directors on February 14, 2011 and February 16, 2011 for the subsidiary Investco. These estimates are periodically reviewed in order to allow the Company to record in its financial statements an eventual alteration in the budget for recovery of these credits on a timely basis. Consequently, the estimates may not be realized in the future, in view of the uncertainties inherent in these forecasts.

Under the tax legislation in force, the tax loss and the negative basis of social contribution can be offset with future income, up to the limit of 30% of the taxable income, and are not subject to a statutory limitation period.

11.1.1 **Forecasted future taxable income**

The forecasted future taxable income indicates that the subsidiaries Bandeirante and Escelsa have a calculation base sufficient to recover the full balance of tax credits in the period as demonstrated. However, the credits up to December 31, 2010 related to PSAP and goodwill, mentioned in Explanatory Notes 11.1.2 and 11.1.3, will be realized financially up to 2017 and 2032, respectively, according to the amortization rules of the amounts related to them.

11.1.2 **The taxable credit arising from the Provision for the Pension Plan Deficit - PSAP, refers to the portion of liabilities related to benefits exceeding assets relative to the defined benefit pension plans at the Bandeirante subsidiary, the provision for which was effected on December 31, 2001 with a counterparty in Shareholders' Equity, deductible on the occasion of the monthly payments, expected to be terminated in 2017.**

11.1.3 The goodwill fiscal credit derives from:

- a) during 2002, at the subsidiary Bandeirante, as a result of the incorporation of the portion spun off from the former controlling company Enerpaulo - Energia Paulista Ltda., represented by the goodwill paid by Enerpaulo on the acquisition of shares issued by Bandeirante.
- b) at the subsidiary Escelsa, from the merger that occurred in April 2005, of the spun-off portion of the parent company Energias do Brasil, represented by the goodwill paid by the merged companies EDP 2000 Participações Ltda. and EDP Investimentos Ltda. upon the acquisition of shares issued by IVEN, which was parent company of Escelsa at the time.
- c) at the subsidiary Lajeado, from the takeover of the subsidiaries EDP Lajeado and Tocantins, which occurred in November 2009, represented by the goodwill paid by the Company

The amounts were accounted for according to CVM Instructions 319/99 and 349/99, and in accordance with ANEEL's instructions, and amortized according to the curve between the expectation of future results and the term of the companies' concession. This translates into a future average annual tax credit realization of R\$6,034 to subsidiary Bandeirante up to 2027, R\$1,974 to subsidiary Escelsa up to 2025, and R\$ 5,316 to subsidiary Lajeado up to 2032.

11.2 Liabilities

	Parent company	Consolidated	
	12/31/2010	12/31/2010	12/31/2009
Income tax	825	212,502	191,926
Social contribution	297	76,501	69,094
Total	1,122	289,003	261,020
Noncurrent	1,122	289,003	261,020
Total	1,122	289,003	261,020

Nature of credits	Parent company				
	Calculation basis	12/31/2010			12/31/2009
		IRPJ	CSLL	Total	Total
Temporary differences					
MTM DENERGE Shares	(3,300)	(825)	(297)	(1,122)	-
Total temporary differences		(825)	(297)	(1,122)	-
Total liabilities - deferred		(825)	(297)	(1,122)	-
Nature of credits	Consolidated				
	Calculation basis	12/31/2010			12/31/2009
		IRPJ	CSLL	Total	Total
Temporary differences					-
MTM DENERGE Shares	(3,300)	(825)	(297)	(1,122)	-
Total temporary differences		(825)	(297)	(1,122)	-
Temporary differences - RTT					-
Goodwill - CPC 15	(586,117)	(146,529)	(52,751)	(199,280)	(199,280)
Environmental licenses - CPC 25	(233)	(58)	(21)	(79)	(65)
Use of public property - CPC 25	(128,668)	(32,167)	(11,580)	(43,747)	(45,435)
Financial instruments - CPC 39	(131,690)	(32,923)	(11,852)	(44,775)	(15,546)
Employee benefits - CPC 33				-	(694)
Total temporary differences - RTT		(211,677)	(76,204)	(287,881)	(261,020)
Total liabilities - deferred		(212,502)	(76,501)	(289,003)	(261,020)

The change in deferred income tax and social contribution for the year was recorded as a credit to shareholders' equity in the amount of R\$22,881 and as a charge to net income for the year, in the amount of R\$19,230, respectively.

12 Related parties

Parent company									
Agreement's purpose	Counterpart	Transaction date	Validity period	Assets		Liabilities		Income (expenses) for the year	
				12/31/2010	12/31/2009	12/31/2010	12/31/2009	2010	2009
Related parties									
Total disposal of the Company's quotas	ESC90	6/30/09	6/30/09						79,780
Sharing of expenses with personnel, material and outsourced services, approved by ANEEL, through Order 2194/97 and Regulatory Resolutions 334/08 and 423/10.	Bandeirante	10/19/07	10/19/2007 to 12/7/2011	1	243	177	399		
	Energest	10/19/07	10/19/2007 to 12/07/2011				3		
	Enertrade	10/19/07	10/19/2007 to 12/07/2011			12			
	Escelsa	10/19/07	10/19/2007 to 12/07/2011		351		28		
Debt assumption agreement on the sale of assets of the subsidiary Tocantins Energia to Eletronorte.	Lajeado Energia	5/28/09	5/28/2009 to 2/26/2010				6,594	(9)	
Loan agreement - 100% of CDI	Bandeirante	6/15/09	6/15/2009 to 9/15/2009						10
Loan agreement - 100% of CDI	CESA	5/15/03	5/15/2003 to 12/29/2011	95,676	87,440			4,912	4,592
Loan agreement - 100% of CDI	Energest	12/29/06	12/29/2006 to 12/29/2011	2	59,989			2,342	1,650
Loan agreement - 100% of CDI	Enertrade	11/9/09	11/09/2009 to 11/09/2010		20,588			195	199
Loan agreement - 100% of CDI	Investco	12/10/09	12/10/2009 to 11/08/2012	4,895	4,355			389	
Loan agreement - 100% of CDI	Terra Verde Bioenergia	1/1/10	1/1/2010 to 12/25/2012	5,637					
Loan agreement - 100% of CDI	Escelsapar	6/27/05	6/27/2005 to 11/30/2012	3,713	2,900				165
Loan agreement - 100% of CDI	Ipeiras	8/10/09	8/10/2009 to 4/8/2011	51	5				
Selling of assets	Terra Verde Bioenergia	1/15/10	1/15/2010 to 1/15/2014	6,647					
			Total	<u>116,622</u>	<u>175,871</u>	<u>189</u>	<u>7,024</u>	<u>7,829</u>	<u>86,396</u>
Consolidated									
Agreement's purpose	Counterpart	Transaction date	Validity period	Income (expenses) for the year					
				2009					
Related parties									
Total disposal of the Company's	ESC90	06/30/09	06/30/09	79,780					
			Total	<u>79,780</u>					

12.1 Directors' Fees

12.1.1 Compensation policy or practice of the Board of Directors, Board of Executive Officers, Fiscal Council and Committees

(i) - Proportion of each item in total compensation, referring to the year of 2010

Board of Directors

Fixed Compensation: 100%

Board of Executive Officers

Fixed Compensation: 80%

Variable Compensation: 20%

Fiscal Council

Not applicable

12.1.2 Compensation of the Board of Directors, Fiscal Council and Board of Executive Officers payable by the Company in the year of 2010

2010	Parent company		
	Board of Directors	Statutory Board	Total
Number of members	8	4	12
Annual fixed remuneration (in Reais)	550,000	1,721,519	2,271,519
Salary or director compensation	550,000	1,721,519	2,271,519
Direct and indirect benefits	n/a	n/a	n/a
Remuneration for participation in Committees	n/a	n/a	n/a
Other	n/a	n/a	n/a
Variable Compensation (in Reais)	n/a	585,000	585,000
Bonus	n/a	585,000	585,000
Profit sharing	n/a	n/a	n/a
Remuneration for participation in meetings	n/a	n/a	n/a
Retribution	n/a	n/a	n/a
Other	n/a	n/a	n/a
Post-employment benefits	n/a	n/a	n/a
Benefits motivated by the cessation of the performance of the job	n/a	n/a	n/a
Remuneration based on shares	n/a	n/a	n/a
Total amount of the remuneration, by body	550,000	2,306,519	2,856,519

(n/a) = Not applicable

12.1.3 Average Compensation of the Board of Directors, Board of Executive Officers and Fiscal Council in the first year of 2010

2010	Parent company	
	Board of Directors	Statutory Board
Number of members	8	4
Amount of the highest individual remuneration (in R\$)	135,000	1,063,333
Amount of the lowest individual remuneration (in R\$)	90,000	197,426
Average amount of individual remuneration (in R\$)	103,750	576,630

Of the eight Company's Board members, only four are remunerated.

Those present at the Ordinary General Meeting held on April 9, 2010 approved the annual and overall remuneration of the members of the Board of Directors, of its Committees and of the Senior Management of up to R\$3,860, for April 2010 to March 2011.

13 Pledges and restricted deposits

	Note	Parent company				Consolidated			
		Current		Noncurrent		Current		Noncurrent	
		12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Judicial deposits	27		2,168	8,693	5,122	35	2,203	230,337	117,735
Pledges and restricted deposits	34.2	222				62,863	67,384	9,332	13,062
Total		222	2,168	8,693	5,122	62,898	69,587	239,669	130,797

The balance of the account collaterals and escrow deposits refer basically to a portion of short-term investments of Enerpeixe, R\$47,575 (2009 - R\$54,070), maintained in a reserve account in compliance with the financing agreements entered into on May 21, 2004 with BNDES and a bank consortium, recognized as part of the agreements' guarantees, as specified in item (iii) of note 22.3, and the short-term power transactions in CCEE.

The amount of R\$230,337 referring to consolidated escrow deposits is related to the following notes 10.4, 27.1.1, 27.2, 27.3.

14 Advances for future capital increases

	Parent company		Consolidated	
	Assets		Assets	
	Noncurrent		Noncurrent	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Energest		35,040		
Enercouth	500			
Enernova		31,077		
Ipueiras	17			
Terra Verde	3,100	3,100		
EDP Renováveis	458		458	
Total	4,075	69,217	458	458

15 Other receivables - Assets and Other accounts payable - Liabilities

	Note	Parent company				Consolidated			
		Current		Noncurrent		Current		Noncurrent	
		12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009
		Adjusted		Adjusted		Adjusted		Adjusted	
Other credits - Assets									
Advances to employees		15	24		766	760			
Advances to suppliers			53		844	1,248		13,350	
Credits receivable - clients					167	167			
Tariff modicity - low income	15.1				43,872	61,791			
Expenses to be reimbursed		42	34		11,080	10,402			
Energy Efficiency Program					420	3,568	857	1,520	
RGR to offset						777			
Assets for sale							15	15	
Deactivations in progress			16			110			
Services in progress	15.2	3	683		79,279	47,741			
Services rendered to third parties		62			8,948	5,394	11,149	14,449	
Tax and consignments on payroll						1,809			
Deactivations and disposals in progress		8			19,596	14,094		69	
Infrastructure sharing					1,126	1,138			
Derivative financial instruments					400				
Advance - UTE Resende e Norte Capixaba			7,158	6,844			7,158	6,844	
Capital decrease				24,887					
Other	15.3	1,382	640	8,601	6,911	10,149	13,200	13,690	
Total		1,512	1,450	15,759	51,992	172,561	159,148	32,379	49,937
Other - Liabilities									
Advances received - disposal of assets and rights					11,004	10,037			
Public lighting contribution					13,593	11,798			
Amounts payable to Piratininga					382	382	18,953	18,953	
Sundry creditors - consumers					13,532	14,636			
Sundry creditors - concessionaires					4,161	4,161			
Payroll		422			4,743	4,702			
Tariff modicity - low income					15,200	22,804			
ICMS credit assignments					1,267	2,390			
Interest on compulsory loan					358	373			
Third party collection to be transferred					3,811	7,676			
Amounts payable - Cable TV and Telephony					2,985	2,398			
Tariff restitution - COSIT 27	10.2				56,878	75,730			
Capital decrease								24,007	
Other		3,970		47	62	9,496	8,880	2,819	2,975
Total		4,392	-	47	62	137,410	165,967	21,772	45,935

15.1 Tariff modicity – low income

Law 10,438, of April 26, 2002, as amended by Law 12,212, of January 20, 2010, provides on the Electric Power Social Tariff for low income consumers, which consists of tariff discounts on the residential tariff.

In compliance with Notification 1,091, of November 18, 2005, of the São Paulo State Sanitation and Power Regulatory Agency (ARSESP), through which the Regulatory Agency determined the review of the criteria for the register of low income customers, the Company recorded, in 2008, the amount of R\$47,640 referring to amounts to be returned to consumers.

Considering that the legislation and regulation of this matter provides for the refunding of these amounts through economic subsidy, at the same time an equal amount was recorded in receivables, both as a contra entry to operating income.

The total amount returned to consumers up to December 31, 2010 is R\$27,277 (R\$24,836 in 2009).

The Company reviewed the classification basis and the initial position is now R\$29,698. The amount of R\$12,779 was recorded as a charge to Operating expenses.

For inactive customers, measures are being taken to locate them and make the reimbursement.

The balance on December 31, 2010, of the subsidiary Escelsa, in the amount of R\$ 12,780, corresponds to estimates for the period from March to April 2010 and from August to December 2010.

15.2 Services in progress

Refer to cost of services rendered by subsidiaries to third parties and related parties, including personnel, material and service expenses during the provision of services by the Company, directly related to the concession and that are calculated and recorded at the orders in progress method.

15.3 Other regulatory assets - non-current assets

Refers to amounts receivable for the exchange of Enersul shares with Investco shares which previously belonged to Grupo Rede Energia S.A., in the amount of R\$7,591

16 Investments

16.1 Movement of investments in the period

	Parent company						% Direct interest			
	Balances on 12/31/2009	Additions/ Mergers	Equity accounting	Dividends / JSCP (interest on own capital)	Equity valuation adjustment	Provision for losses	Transfer for unsecured liability	Balances on 12/31/2010	12/31/2009	12/31/2010
<i>Adjusted</i>										
Investments										
Bandeirante	815,089		278,238	(239,688)	(33,367)			820,272	100	100
Escelsa	774,465		178,567	(120,665)	(22,284)			810,083	100	100
Lajeado	643,789		78,010	(75,426)				646,373	56	56
Enercouto		5,315	(74)				(497)	4,744		100
Enerpeixe	662,548		70,982	(12,000)				721,530	60	60
Energest	283,935	95,331	96,204	(19,197)				456,273	100	100
Enertrade	50,698		16,734	(22,965)				44,467	100	100
Ipeiras	1		(48)				47	-		100
Porto do Pecém (Note 2.6)	224,906	51,440	(41,531)		1,310			236,125	50	50
EDP Renováveis		25,188	(769)				1,335	25,754		45
Omega		130	(26)					104		100
Other	320	4,999						5,319		
Total	3,455,751	182,403	676,287	(489,941)	(54,341)	-	885	3,771,044		
Unsecured liability										
Enemova (*)	4,194	(5,404)	1,095				115	-	100	
Escelsapar	2,382		(1,597)					785	100	100
Enercouto	470		27				(497)	-	100	100
Ipeiras							1,267	1,267		100
Terra Verde	1,406		3,479			12,847		17,732	92	92
Total	8,452	(5,404)	3,004	-	-	12,847	885	19,784		

(*) Enemova was merged into Ipeiras as of December 31, 2010.

The amount of R\$2,418 recorded as Other refer to investment property assets.

Escelsapar

Escelsapar has a provision for unsecured liability in the amount of R\$ 785 (R\$ 2,382 in 2009).

Terra Verde

Terra Verde has provision for unsecured liability in the amount of R\$ 4,885 (R\$1,406 in 2009), R\$131 of which refers to unrealized income.

On September 14, 2010, via Extraordinary General Meeting, the Company manifested its interest in permanently withdrawing its participation in the Terra Verde project, with the subsequent dissolution of the corporate alliance with the shareholder Investimento Verde, the proposal for which was not accepted. Given the fact mentioned, the Company filed law suit nº 5830020101846178 at the 3rd Civil Court for the City of São Paulo on September 20, 2010 soliciting the total dissolution of the corporation. To prepare for any eventual expenditures with the dissolution of the corporation a provision was made for investment losses, at a total of R\$12,847, registered as a liability.

Ipeiras

Ipeiras has provision for unsecured liability in the amount of R\$ 1,267.

	Consolidated					Balances on 12/31/2010
	Balances on 12/31/2009	Additions	Write-offs	Equity accounting	Merger	
Adjusted						
Energias do Brasil						-
EDP Renováveis		5,742		(769)	20,781	25,754
Other	320	5,000				5,320
Lajeado						
Other	205		(150)			55
Omega						
Other		520				520
Energova						
EDP Renováveis	21,849			(1,068)	(20,781)	-
Other investments						
Enercoutho	1,271					1,271
Bandeirante	3,262		(207)			3,055
Escelsa	4,028		(2,732)			1,296
Total	30,935	11,262	(3,089)	(1,837)	-	37,271

16.2 Direct interest on investments

Company	Shares / Quotas owned by the Company (In thousand)		% Company's ownership interest				Shareholders' equity of the subsidiaries		Subsidiaries' net income	
	12/31/2010	12/31/2009	12/31/2010		12/31/2009		12/31/2010	12/31/2009	12/31/2010	12/31/2009
	Common / Quotas	Common / Quotas	Paid-up capital stock	Voting capital	Paid-up capital stock	Voting capital				
Energias do Brasil										
Bandeirante	39,091,735	39,091,735	100	100	100	100	820,271	815,089	278,238	279,828
EDP Lajeado (i)										(202,509)
Enercoutho	1	1	100	100	100	100	4,745	(469)	(101)	(52)
Energest	1,000,572	1,000,572	100	100	100	100	456,272	283,934	96,203	70,928
Energova	1	1	100	100	100	100	474	(5,529)	599	(3,765)
Enerpeixe	465,165	465,165	60	60	60	60	1,202,549	1,104,247	118,302	121,464
Enertrade	26,217	26,217	100	100	100	100	44,466	50,698	16,734	25,043
Escelsa	5,876	5,876	100	100	100	100	810,083	774,465	178,567	155,223
Escelsapar	10	10	100	100	100	100	(785)	(2,382)	1,597	(440)
Ipueiras	14,722	14,722	100	100	100	100	(47)	1	(48)	(4)
Lajeado	113,690	113,690	56	100	56	100	1,522,223	1,502,833	154,412	109,054
Porto do Pécem	99,856	99,856	50	50	50	50	236,125	224,905	(41,531)	36,794
Terra Verde (ii)			92	92	92	92	(5,167)	(1,528)	(3,639)	(1,518)
EDP Renováveis	50,281		45	45			65,398		4,082	

(i) The subsidiaries EDP Lajeado and Tocantins were merged to Lajeado on November 30, 2009.

(ii) The total is 100 shares.

17 Indemnifiable financial assets

Direct subsidiaries Bandeirante, Escelsa and indirect subsidiary Evreco have the receivable balance of R\$397,324 (R\$325,262 in 2009) from the Concession Grantor due to the unconditional right of receiving cash at the end of concession, as indemnity for investments made and not recovered in the rendering of concession services. These financial assets reflect the remaining balance of the intangible asset not amortizable after the end of the concession period, and are calculated based on the cost of assets in the concession service that are reversible at the end of the concession period. This financial asset was recorded as contra entry to noncurrent assets, under intangible assets.

	Parent company				Consolidated					
		12/31/2010		12/31/2009		12/31/2010			12/31/2009	
	Average amortization rate %	Historical cost	Accumulated amortization	Net amount	Net amount	Average amortization rate %	Historical cost	Accumulated amortization	Net amount	Adjusted net amount
Intangible in service										<i>Adjusted</i>
Distribution										
Software				-		20.00	5	(1)	4	
Concession right - Infrastructure				-			3,885,287	(2,144,330)	1,740,957	1,712,633
		-	-	-	-		3,885,292	(2,144,331)	1,740,961	1,712,633
Generation										
Software				-		13.96	3,845	(1,836)	2,009	2,192
Permanent easement				-			487		487	310
Concession right - Environmental licenses				-			3,855	(1,069)	2,786	562
Concession right - Use of Public Property (UBP)				-			171,561	(28,641)	142,920	148,534
Concession right - Other (Note 19.1)				-			561,100	(39,727)	521,373	561,975
		-	-	-	-		740,848	(71,273)	669,575	713,573
Administration										
Software	4.35	2,161	(1,911)	250	190	11.68	4,575	(3,362)	1,213	616
Other				-						
Concession right - Other (Note 19.1)		303,563	(37,391)	266,172	283,775		303,563	(37,391)	266,172	283,775
		305,724	(39,302)	266,422	283,965		308,138	(40,783)	267,385	284,391
Total Intangible in service	4.35	305,724	(39,302)	266,422	283,965		4,934,276	(2,256,357)	2,677,921	2,710,597
Intangible in progress										
Distribution				-			274,556		274,556	213,365
Generation		430		430	406		30,667		30,667	27,318
Administration				-			1,275		1,275	1,396
Total Intangible in service		430	-	430	406		306,498	-	306,498	242,079
Goodwill										
Lajeado Energia e Investco				-			42,293		42,293	42,293
		-	-	-	-		42,293	-	42,293	42,293
Total Intangible		306,154	(39,302)	266,852	284,371		5,283,069	(2,256,357)	3,026,712	2,994,969

The movement of intangible in the year is as follows:

	Parent company						
	Net amount at	Entries	Transfer to intangible in service	Amortization	Reclassification	Net amount at	
	12/31/2009					12/31/2010	
Intangible in service							
Concession right - Environmental licenses	190		151	(91)		250	
Concession right - Other	283,775			(17,574)	(29)	266,172	
Intangible in progress	406	146	(151)		29	430	
	284,371	146	-	(17,665)	-	266,852	
	Consolidated						
	Net amount at	Entries	Transfer to intangible in service	Amortization	Write-offs	Reclassification	Net amount at
	12/31/2009						12/31/2010
Intangible in service							
Software	2,618	2	1,261	(743)	(1)	(161)	2,976
Permanent easement	310		16			161	487
Concession right - Environmental licenses	752	166	2,898	(780)			3,036
Concession right - Infrastructure	1,712,633	2,311	231,846	(187,421)	(29,794)	11,382	1,740,957
Concession right - Use of Public Property (UBP)	148,534			(5,613)	(1)		142,920
Concession right - Other	845,750			(58,176)		(29)	787,545
Intangible in progress	242,079	385,296	(317,800)		(1,624)	(1,453)	306,498
Goodwill	42,293						42,293
Total Intangible	2,994,969	387,775	(81,779)	(252,733)	(31,420)	9,900	3,026,712

Reclassifications amounting to R\$9,900 of the chart above are impacted by the transfer of intangible assets as a contra entry to indemnifiable financial assets, in accordance with ICPC01, in the amount of R\$14,277, and refunding referring to the assets acquisition of SPE Couto Magalhães, in the amount of R\$900, totaling a credit of R\$3,477, which was transferred from intangible assets to tangible assets.

The Company evaluated the recovery of the carrying amount of goodwill and intangible assets with indefinite useful lives based on their value in use, at the discounted cash flow model using the individual cash generating unit, which represents total tangible and intangible assets.

The recoverable amount of subsidiaries' goodwill is evaluated on an annual basis, regardless of impairment indicators. Possible impairment losses are recognized in income. The recoverable amount is determined based on the assets value in use and are calculated using evaluation methodologies, backed by discounted cash flow techniques, considering market conditions, time value, and business risks.

A set of premises was defined to determine the recoverable amount of the main investments:

Cash generating units: Bandeirante, Escelsa, Energest, Enertrade, Enerpeixe, Lajeado and Investco.

Basis to determine recoverable amount: value in use - equity value;

Determination of cash flows: Production and consumption volume and estimated tariffs and residual value at the end of the concession;

Cash flow period: until the end of the concession;

Cash flow growth rate: Generation - price evolution; Distribution - 4.2% to 4.5%;

Discount rate used (net of taxes): average remuneration of investment rate - Generation 8.1%, Distribution 9.2% and Commercialization 9.4%.

The Company's and its subsidiaries' recovery test of goodwill and intangible assets with indefinite useful lives did not result in the recognition of losses in intangible assets.

19.1 Concession right - Other

	12/31/2010					
	Parent company			Consolidated		
	Cost	Amortization	Total	Cost	Amortization	Total
Bandeirante	38,143	(12,269)	25,874	38,143	(12,269)	25,874
Lajeado	244,620	(20,793)	223,827	538,082	(31,027)	507,055
Enerpeixe	3,837	(838)	2,999	3,837	(838)	2,999
Porto do Pecém	3,590		3,590	3,590		3,590
Pantanal	13,373	(3,491)	9,882	13,373	(3,491)	9,882
Energias do Brasil			-	256,408	(28,422)	227,986
Investco			-	11,230	(1,071)	10,159
Total	303,563	(37,391)	266,172	864,663	(77,118)	787,545

19.2 Capitalization of debt charges

Subsidiaries Bandeirante and Escelsa capitalized financial charges amounting to R\$29,558, retroactive to January 1, 2009, and R\$16,231 was recorded in shareholders' equity under Retained earnings in 2009 and R\$13,327 was recorded as Financial expenses in 2010. The annual average capitalization rate for the charges was 9.81%.

20 Suppliers

	Note	Parent company		Consolidated		Noncurrent
		Current		Current		
		12/31/2010	12/31/2009	12/31/2010	12/31/2009	
Supply of electric energy				264,695	236,391	
Free energy	20.1			52,798	37,416	
CCCE (short term electric energy purchase)				21,250	2,690	
Electric power network use charges				59,160	55,871	
Charges for services systems				9,546	587	
Materials and services		3,370	10,416	218,932	175,101	915
Total		3,370	10,416	626,381	508,056	915

20.1 Free energy

The Brazilian Electricity Regulatory Agency (ANEEL), by means of Regulatory Resolution No. 387 of December 15, 2009, changed the method for amortizing the balances of Loss of Revenue and Free Energy, in effect since January 2002 and limited to period established in ANEEL Resolution No. 1 of January 12, 2004.

ANEEL Dispatch No. 2517 of August 26, 2010 disclosed the amount to be settled between generation and distribution agents by September 30, 2010, with restatement by the monthly Selic Rate.

The payment by the Company is currently suspended by a determination by the Regional Federal Court of the First Region until a petition for a preliminary order included in the records of the injunction No. 91.2010.4.01.3400, sought by the Brazilian Association of Electric Energy Distribution Companies (ABRADEE) is examined by the judge of the 15th Federal Court in the Federal District.

Liabilities are being monthly adjusted to inflation at the SELIC rate variation, and R\$15,381 was recorded as a contra entry to financial expenses. The balance on December 31, 2010 is R\$52,798 (R\$37,416 in 2009).

21 Debentures

Issuer	Date			Characteristics of the issuances			
	Issuance	Settlement	Frequency	Series	Quantity of securities	Remuneration	Amount
Bandeirante	3/1/2006	3/1/2011	3rd	Single	25,000	104.4% of CDI + 100% of the CDI	250,000
Bandeirante	1/7/2010	6/30/2016	4th	Single	39,000	1.5%	390,000
Escelsa	6/1/2006	6/1/2011	1st	Single	26,400	104.4% of CDI	264,000
Escelsa	7/2/2007	7/2/2014	2nd	Single	25,000	105.0% of CDI	250,000
Investco	11/1/2001	11/1/2011	1st	Single	25,000	10.50% of the IGPM	264,791

21.1 Issuer Bandeirante

3rd debentures issuing

On March 1, 2006 the third debentures issuing was promoted. Those debentures are simple, book-entry nominative type, in a single series, for public subscription, with no guarantees (unsecured), non-convertible, with no roll-over clause option.

The debentures issued totaled 25 thousand, with a nominal unit value is R\$ 10,000.00, integrally subscribed in a total amount of R\$250,000, effective for 5 (five) years, semi-annual payments of interest and a grace period of 3 (three) years for the amortization of principal. Final maturity date is on March 1, 2011, being the first amortization, of 1/3, on March 1, 2009, the second amortization, of 1/3, on March 1, 2010 and the third, of 1/3, on March 1, 2011. The issuing was concluded on April 7, 2006.

As remuneration on the par value of the debentures, compensation interest will be levied and will correspond to 104.4% of the accumulation of the daily average rates of the overnight Interbank Deposits - DIs, "over extra group", expressed in the form of a percentage per year, base 252 business days, calculated and divulged on a daily basis by the Clearing House for the Custody and Financial Settlement of Securities - CETIP (DI rates) calculated exponentially and cumulatively *pro rata* by business days lapsed. The remuneration corresponding to the capitalization periods will be due and paid semi-annually, with the first maturity on September 1, 2006 and the last on March 1, 2011.

The resources were aimed at the extension of the debt, reduction of financial costs and diversification of the financing sources.

The contract contains clauses establishing termination in the following conditions:

- (i) non-compliance by the Issuer with any monetary obligation in the Indenture, not remedied in 1 (one) business day as from the date of non-performance;
- (ii) non-compliance by the issuer with the Covenants (Gross debt in relation to EBITDA and EBITDA of the period (+) cash in the beginning of the period (+) credit lines contracted but not utilized at the end of the period (+) increase in the debt amount which has been released during the period in relation to gross financing expenses of the period (+) debt amount settled/to be settled during the period (-) financing income related to monetary restatement and monetary increase of the energy sold during the period (-) financing income related to *hedge* and *swap* operations of the period, which have been complied with to date);

- (iii) petition for bankruptcy by third parties against the issuer and not duly remedied within the legal term;
- (vi) petition for self-bankruptcy on the part of the issuer;
- (v) settlement, dissolution or bankruptcy of the Issuer or its direct controlling company;
- (vi) if the issuer proposes an extra-judicial recovery plan to any creditor or creditor class, irrespective of having been requested or judicial ratification obtained; or if the issuer files a request for judicial recovery irrespective of the approval of the recovery processing or its concession by the appropriate judge; and
- (vii) cancellation of the electricity distribution concession.

On December 31, 2010 the Company is in full compliance with all the restrictive clauses of the *Covenants* provided in the debenture contracts.

4th debentures issuing.

On July 1, 2010 the fourth debentures issuing was promoted. Those debentures are simple, book-entry nominative type, in a single series, for public subscription, subordinated type, non-convertible, with no roll-over clause option.

The debentures issued totaled 39 thousand, with a nominal unit value is R\$ 10,000.00, integrally subscribed in a total amount of R\$390,000, effective for 6 (six) years, semi-annual payments of interest and a grace period of 4 (four) years for the amortization of principal. Final maturity date is on July 1, 2016, being the first amortization on July 1, 2014.

As remuneration on debentures' nominal value, compensatory interest is calculated based on the accumulated variation of average daily rates for DIs - overnight deposits in unrelated financial institutions as calculated and disclosed by CETIP ("interbank deposit rate"), with the addition of a 1.50% (one and a half percent) *spread* or surtax per year, based on 252 business days ("Addition to the interbank deposit rate"), as described in the *Bookbuilding* Procedure, calculated on the Nominal Unit Value and immediately after the first debenture amortization date, on the Nominal Unit Value Balance, and paid at the end of each capitalization period, under the formula established in the Debenture Deed. The Remuneration payment will be made semiannually after the issue date, and thus the first payment will be due January 1, 2011 and the other payments on the first day of January and July every year until the maturity date.

The resources were aimed at the extension of the debt, reduction of financial costs and diversification of the financing sources.

The contract contains clauses establishing termination in the following conditions:

- (i) non-compliance by the Issuer with any monetary obligation in the Indenture, except those provided for in items "a" to "g" of subitem "Accelerated Maturity Assumptions" of item "Accelerated Maturity" above, not remedied in 30 (thirty) business days as from the date of non-performance;
- (ii) accelerated maturity or payment default of any monetary obligation the issuer may be subject to, either in the local or the international market, in a unit amount or accumulated amount exceeding forty million Brazilian reais (R\$40,000,000.00) that may be proven to impair the faithful fulfillment of obligations assumed by the Company in the Debenture Deed;

(iii) spin-off, merger, takeover, or any relevant form of corporate reorganization entailing a transfer of the Issuer's share control, as defined in article 116 of Corporate Law, except (i) if said transfer is to another company of the same economic group as the Issuer; or (ii) a prior consent has been obtained from debenture holders holding at least two thirds (2/3) of the debentures outstanding or (iii) in the cases of spin-off, merger or acquisition there is assurance of the right foreseen in Law No. 6404/76, article 231, paragraph 1;

(iv) distribution of dividends above the mandatory minimum, whenever the Issuer is in default of any monetary obligation foreseen in the Debenture Deed, the Distribution Agreement and/or the other Offering documents; and

(v) the Issuer's failure to maintain a Gross Debt/EBITDA financial ratio of no more than 3.5 on the calculation dates, which shall be June 30 and December 31 of each year.

21.2 Issuer Escelsa

1st debentures issuing

On June 1, 2006 the first debentures issuing was promoted. Those debentures are simple, book-entry nominative type, in a single series, for public subscription, with no guarantees (unsecured), non-convertible, with no roll-over clause option.

The debentures issued totaled 26,400, with a nominal unit value is R\$ 10,000.00, integrally subscribed in a total amount of R\$264,000, effective for 5 (five) years, semi-annual payments of interest and a grace period of 3 (three) years for the amortization of principal. Final maturity date is on June 1, 2011, being the first amortization, of 1/3, on June 1, 2009, the second amortization, of 1/3, on June 1, 2010 and the third, of 1/3, on June 1, 2011. The issuing was concluded on July 5, 2006.

As remuneration on the par value of the debentures, compensation interest will be levied and will correspond to 104.4% of the accumulation of the daily average rates of the overnight Interbank Deposits - DIs, "over extra group", expressed in the form of a percentage per year, base 252 business days, calculated and divulged on a daily basis by the Clearing House for the Custody and Financial Settlement of Securities - CETIP (DI rates) calculated exponentially and cumulatively *pro rata* by business days lapsed. The remuneration corresponding to the capitalization periods will be due and paid semi-annually, with the first maturity on November 2, 2006 and the last on June 1, 2011.

The resources were aimed at the extension of the debt, reduction of financial costs, diversification of the financing sources, investments for 2006 and cash adjustment for working capital.

The contract contains clauses establishing termination in the following conditions:

- (i) non-compliance by the Issuer with any monetary obligation in the Indenture, not remedied in 1 (one) business day as from the date of non-performance;
- (ii) non-compliance by the issuer with the Covenants (Gross debt in relation to EBITDA and EBITDA of the period (+) cash in the beginning of the period (+) credit lines contracted but not utilized at the end of the period (+) increase in the debt amount which has been released during the period in relation to gross financing expenses of the period (+) debt amount settled/to be settled during the period (-) financing income related to monetary restatement and monetary increase of the energy sold during the period (-) financing income related to *hedge* and *swap* operations of the period, which have been complied with to date);
- (iii) petition for bankruptcy by third parties against the issuer and not duly remedied within the legal term;
- (iv) self-bankruptcy on the part of the Issuer;
- (v) settlement, dissolution or bankruptcy of the Issuer or its direct controlling company;
- (vi) if the issuer proposes an extra-judicial recovery plan to any creditor or creditor class, irrespective of having been requested or judicial ratification obtained; or if the issuer files a request for judicial recovery irrespective of the approval of the recovery processing or its concession by the appropriate judge; and
- (vii) cancellation of the electricity distribution concession.

2nd debentures issuing

On July 2, 2007 the second debentures issuing was promoted. Those debentures are simple, book-entry nominative type, in a single series, for public subscription, subordinated type, non-convertible. The debentures of this issue are not subject to scheduled repricing.

The debentures issued totaled 25,000, with a nominal unit value is R\$ 10,000.00, integrally subscribed in a total amount of R\$250,000, effective for 7 (seven) years, semi-annual payments of interest and a grace period of 5 (five) years for the amortization of principal. Final maturity date is on July 2, 2014, being the first amortization of 1/3 on July 2, 2012, the second amortization of 1/3 on July 2, 2013 and the third, of 1/3 on July 2, 2014. The issuing was concluded on July 10, 2007.

As remuneration on the par value of the debentures, compensation interest will be levied and will correspond to 105.0% of the accumulation of the daily average rates of the overnight Interbank Deposits - DIs, "over extra group", expressed in the form of a percentage per year, base 252 business days, calculated and divulged on a daily basis by the Clearing House for the Custody and Financial Settlement of Securities - CETIP (DI rates) calculated exponentially and cumulatively *pro rata* by business days lapsed. The remuneration corresponding to the capitalization periods will be due and paid semi-annually, with the first maturity on January 2, 2008 and the last on July 2, 2014.

The funds obtained in the distribution were set aside in full for the payment of Senior Notes issued by the issuer on July 15, 1997, with final maturity on July 15, 2007.

The contract contains clauses establishing termination in the same situations already described above for the first issue.

21.3 Issuer - Investco

In October 2001, Brazilian Securities Commission - CVM registered the first issue of 25,000 non-convertible debentures at a nominal unit value of R\$10,000.00 with a maturity of 120 months as from the issuing date (November 1st, 2001), restated as from the issuing date at the IGP-M. The annual pre-fixed rate of remuneration is 12.8% p.a. applied on the outstanding balance of the restated nominal unit value. These funds were invested in fixed assets and working capital for completing the construction of the UHE Luis Eduardo Magalhães - UHE Lajeado.

The renegotiation conditions will be communicated by Investco and must be disclosed in the form of notices, in a newspaper of widespread circulation in the period of up to ten (10) business days prior to the conclusion of each Remuneration Validity Period, and must contain terms and conditions of the next remuneration period.

If the debenture holders do not agree with the established conditions or if publication does not occur in conformity with the contract, the debenture holders may exercise the right to sell their debentures to Investco without prejudice of the possibility of accelerated maturity requirement. Investco agrees to acquire the debentures at their restated unit value, plus remuneration calculated *pro rata* defined for the overdue period when necessary.

The 4th Addendum to the Indenture of these debentures was prepared on October 31, 2006, contemplating the amendment of item 4.5.1 of Clause IV of the Indenture, deciding on the use of the IGP-M - General Market Price Index for the restatement of the debentures that will be entitled to the payment of remunerative interest prefixed at the rate of 10.5% per annum, to take effect in the validity period of the remuneration, as from November 1, 2006.

These debentures carried a joint guarantee from EEVP - Empresa de Eletricidade Vale Paranapanema S.A. and EDP - Energias de Portugal. The 5th Addendum to the Indenture of these debentures was prepared in November 2009, releasing the intervening guarantor Empresa de Eletricidade Vale Paranapanema S.A., with EDP - Energias de Portugal thus remaining as sole guarantor of the debentures.

The contract contains clauses establishing accelerated maturity in the following conditions:

- a) Non-payment of the principal or interest due on account of the debentures on the respective maturity and/or amortization dates;
- b) legitimate and repeated protest against the Issuer, the defaulted value added of which is higher than R\$5,000, unless the protest has been executed due to an error or mala fide of a third party, provided that it is validly proven by the Issuer, or if it is cancelled or if guarantees are provided in court, in any case, within the maximum period of three business days after its occurrence;
- c) filing for preventative composition with creditors formulated by the Issuer or by any one of the Interveners (including any equivalent proceeding existing in accordance with the Portuguese legislation, with respect to EDP);
- d) dissolution or adjudication of bankruptcy of the Issuer, or by any one of the Interveners (including any equivalent proceeding existing in accordance with the Portuguese legislation, with respect to EDP);
- e) non-performance by the Issuer or by the Interveners of any obligation provided for in the Indenture, not remedied in thirty days after written notice sent by the Fiduciary Agent, with the exception of non-payment of principal, interest and/or any other amount due under the terms of the indenture;

- f) accelerated maturity of any debt of the Issuer or of its subsidiaries in an amount above R\$5,000;
- g) statutory change of the Issuer, as well as corporate reorganization involving the Issuer and/or its assets that might, in any way, directly or indirectly affect the full performance of the obligations of the Issuer established in the indenture;
- h) start of enforcement of guarantee provided by the Issuer in favor of third parties, in an amount above R\$5,000, unless the enforcement has been proposed by proven error or mala fide, or if it is suspended or annulled in up to ten business days after the service of process against the Issuer;
- i) alteration of the controlling interest of the Issuer, unless: (i) against authorization from debenture holders representing two thirds of the debentures outstanding, assembled at a Meeting of debenture holders especially convened by the Issuer for this purpose;(ii) there is no modification or alteration of the obligations of the Interveners, under the terms of clause VII- Surety. In case of approval by the debenture holders, the Issuer shall redeem within ten business days after the date of the Meeting of debenture holders, the debentures of the debenture holders that did not agree with the alteration of the controlling interest of the Issuer, at their par value plus the remuneration calculated pro rata. For the intents and purposes of this sub-item, a "Change of Controlling Interest", will occur if the Interveners, individually or jointly, cease their direct or indirect ownership of at least 51% of the voting capital of the Issuer; and
- j) the concession contract of the Issuer is revoked, suspended, dissolved, terminated or loses its effectiveness and validity, except when replaced by another grant document under the terms of the legislation in force.

21.4 On December 31, 2010, the subsidiaries are in full compliance with all the restrictive clauses of the *covenants* provided in the debenture contracts.

21.5 Changes in debentures for the year are shown as follow:

	Net amount at							Monetary and exchange variation	Net amount at 12/31/2010
	12/31/2009	Entries	Principal payments	Payments of interest	Interest provided	Transfers	Transaction costs		
Current									
Debentures	210,029		(208,671)	(56,935)	77,358	202,801	1,012	6,136	231,730
	<u>210,029</u>	<u>-</u>	<u>(208,671)</u>	<u>(56,935)</u>	<u>77,358</u>	<u>202,801</u>	<u>1,012</u>	<u>6,136</u>	<u>231,730</u>
Noncurrent									
Debentures	453,155	387,186				(202,801)	(274)	327	637,593
	<u>453,155</u>	<u>387,186</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(202,801)</u>	<u>(274)</u>	<u>327</u>	<u>637,593</u>

21.6 Maturity of non-current installments:

Year	Amount
2012	83,098
2013	83,189
2014	160,698
2015	155,197
2016	155,411
Total	<u>637,593</u>

22 Loans, financing and debt charges

			Consolidated							
			12/31/2010				12/31/2009			
Company	debt cost		Charges		Principal		Charges		Principal	
			Current	Noncurrent	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent
Foreign currency										
IDB - Banco Interamericano de Desenvolvimento	Bandeirante	Libor + 4.375%p.a. + exchange variation	84		10,801	2,711	154		11,287	14,120
Amortization of transaction cost	Bandeirante	Libor + 4.375%p.a. + exchange variation			(1,438)	(240)			(1,438)	(1,678)
Banco Santander Brasil S.A	Energest	4.81% +exchange variation						2	292	
BNDES	Energest	UMBNDDES + 3.50% p.a.								
Banco Santander Brasil S.A	Cesa	4.81% +exchange variation						2	311	493
BNDES	Pantanal	UMBNDDES + 4.50% p.a.	2		299	174			281	445
BNDES	Pantanal	UMBNDDES + 4.50% p.a.	2		270	158	3			
BID - Banco Interamericano de Desenvolvimento	Porto do Pecém	Libor + 3%p.a. to 3.50% p.a.	1,213			258,917		1,063		213,204
Fund raising cost	Porto do Pecém					(7,294)				
			1,301	-	9,932	254,426	1,224	-	10,733	226,584
Local currency										
Eletrobrás	Bandeirante	5% p.a. + 1% to 1.5% p.a. (mgt. fee)			4,775	17,252			2,571	12,327
Bank credit bill	Bandeirante	105% of CDI	492		20,400	40,800	482		20,400	61,200
Interest on reversal fund	Bandeirante	5% p.a.					73			
BNDES FINAME	Bandeirante	from 4% p.a. to 5% p.a. above TJLP					5		1,015	
BNDES - Banco do Brasil	Bandeirante	3.3% p.a. above TJLP	82		5,937	14,842	106		5,936	20,778
BNDES - Banco Santander	Bandeirante	3.3% p.a. above TJLP	82		5,937	14,842	106		5,937	20,778
BNDES - BB/CALC	Bandeirante	From 2.32% to 4.5% p.a. above TJLP	725		8,396	77,968	170			86,364
BNDES - BB/CALC	Escelsa	from 2.32% to 3.32% p.a. above TJLP and 4.5% p.a. fixedo	937		10,090	93,700	199			103,790
H5BC - Promissory notes	Bandeirante	CDI + 1.3% p.a.					13,178		230,000	
(-) BNDES -CALC - Transaction costs	Escelsa				(44)	(112)			(29)	(183)
Eletrobrás	Escelsa	5%p.a.+1%p.a.(mgt. fee)			10,800	88,286	110		11,242	96,112
Bank credit bill	Escelsa	105% of CDI	1,390		8,080	24,240	1,402		8,080	32,320
Commercial credit note	Escelsa	100% of CDI	372	6,621	7,000	124,500				
(-) Commercial credit note - Transaction costs	Escelsa				(437)	(1,323)				
BNDES	Escelsa	4.8% p.a. above TJLP					21		3,280	
BNDES - Banco do Brasil	Escelsa	3.3% p.a. above TJLP	77		5,545	13,862	99		5,545	19,407
BNDES - Banco Santander	Escelsa	3.3% p.a. above TJLP	77		5,545	13,862	99		5,545	19,407
Bank credit bill	Energest	106.6% of CDI	1,904		10,666	37,333	1,552			48,000
BNDES	Energest	3.50% p.a. above TJLP					30		3,294	
Santander - CDI	Energest	113.50% of CDI	1,982		21,355		669		21,354	
BNDES	CESA	4.50% p.a. above TJLP	80		6,692	18,156	47		4,189	6,284
Santander - CDI	CESA	113.50% of CDI	1,101		11,864		371		11,864	
BNDES	Pantanal	4.50% p.a. above TJLP	25		3,788	1,893	42		3,788	5,681
Eletrobrás	Costa Rica	5.00% + 1.50% p.a. (mgt. fee)			584	1,129			535	1,641
BNDES	Enerpeixe	4.5% p.a. above TJLP	1,276		56,454	230,518	1,528		56,454	286,971
Banco Itau	Enerpeixe	4.5% p.a. above TJLP	389		17,220	70,316	466		17,220	87,536
Bradesco	Enerpeixe	4.5% p.a. above TJLP	325		14,350	58,596	388		14,350	72,947
Unibanco	Enerpeixe	4.5% p.a. above TJLP	260		11,480	46,877	311		11,480	58,357
Banco do Brasil	Enerpeixe	4.5% p.a. above TJLP	324		14,350	58,595	388		14,350	72,945
BNDES	Porto do Pecém	2.77% p.a. above TJLP		2,105		581,081		1,329		346,810
Fund raising cost	Porto do Pecém					(13,987)				
BNDES - Banco do Brasil	Santa Fé	1.90% p.a. above TJLP	253		5,679	69,091	634		4,032	62,380
Cumulative receivable shares	Investco	3.0% p.a.			4,014	76,861				83,567
Bank credit bill	Investco	106% of CDI	9		10,000					
Banco da Amazônia	Investco	11.5% p.a.	4		637		247		7,632	636
BNDES	Investco	4.00% p.a. above TJLP	390		51,082	18,654	575		46,745	67,643
Leasing - Safra S.A.	Investco	CDI + 1.45% p.a.			17				69	17
			12,556	8,726	332,256	1,777,832	23,298	1,329	516,878	1,673,715
Result of the Swaps										
BID - Banco Interamericano de Desenvolvimento	Bandeirante	from 97.94% to 118.94% of CDI			10,946	2,345			10,610	10,994
Citibank	Porto do Pecém	USD 1.8138			8,350	97,523			8,383	44,703
Pactual	Porto do Pecém	EUR/USD 1.4040; EUR/R\$ 2.73; USD/R\$ 1.9678			360	30			1,536	116
			-	-	19,656	99,898	-	-	20,529	55,813
Total			13,857	8,726	361,844	2,132,156	24,522	1,329	548,140	1,956,112

22.1 Additional information on debt service of Bandeirante

IDB - Interamerican Development Bank – External loan contract with the participation of Brazilian, Portuguese and Spanish banks, signed on March 5, 2004, amounting to US\$100 million, drawn during the fiscal year 2004 with a two years' grace period before amortizations of principal and with final maturity in up to 8 years, being:

(i) Tranche "A" - US\$38.9 million, with principal due quarterly from May 15, 2006 to February 15, 2012, remunerated at interest calculated at annual Libor plus 4.38% annually, maturing quarterly as from May 15, 2004; and

(ii) Tranche "B" - US\$61.1 million with principal due quarterly from May 15, 2006 to February 15, 2009, remunerated at interest calculated at annual Libor plus 4%p.a., maturing quarterly as from May 15, 2004. Transaction settled on February 15, 2009.

This financing is allocated to investment projects and is guaranteed by the Company's electricity supply receivables, with the establishment of covenants (total debt in relation to total debt plus shareholders' equity, total debt in relation to EBITDA and debt service coverage index, among other non-financial covenants), fully complied with to the present time. Eventual non-compliance may result in anticipation of settlement of the contract, either partially or in full.

Exchange swap operations with *hedge* characteristic were executed for this loan with Banco JP Morgan S.A., on March 15, 2004 and Banco Citibank S.A., on November 13, 2003, for exchange of original charges of the financing at BID, for remuneration based on the interval of 98% to 109.7% of the CDI and 97.94% to 118.94% of the CDI, respectively, maturing on the same dates of the financing agreement. This financial operation is valued at fair value, as described in Note 35 (Financial instruments).

Eletróbrás

Reluz Program

(i) Contract ECF-2617/07 executed on April 9, 2007. Line of credit amounting to R\$ 608, in the form of finance. Funds released in the amount of R\$61 and R\$547, on June 11, 2007 and August 29, 2007, respectively. The restated debt balance carried an interest rate of 5% annually and a management fee of 1.5% annually, both maturing monthly as from July 30, 2007. The outstanding debt balance shall be paid in 60 equal monthly and consecutive installments, the first maturing on May 30, 2008 and the last one on April 30, 2013. The loan is guaranteed by promissory notes and an assignment on company revenues.

(ii) Contract ECF-2656/07 executed on December 12, 2007. Line of credit amounting to R\$ 3,911, in the form of finance. Funds released in the amount of R\$391 and R\$3,203, on June 18, 2008 and February 17, 2009, respectively. The debt balance carries an interest rate of 5% annually, which was capitalized up to February 28, 2009 at a rate of 1.5% annually and a management fee of 1.5% annually, paid monthly. The outstanding debt balance shall be paid in 60 equal monthly and consecutive installments, the first maturing on March 30, 2009 and the last one on February 28, 2014. On the non-disbursed balance there is a credit reserve commission of 1% p.a., maturing on the 30th of each month, up to the termination of the credit. The loan is guaranteed by promissory notes and an assignment on company revenues.

(iii) Contract ECF-2657/07 executed on December 12, 2007. Line of credit amounting to R\$ 10,036, in the form of finance. Funds released in the amount of R\$1,004 and R\$8,915, on February 17, 2009 and April 16, 2010, respectively. The debt balance carries an interest rate of 5% annually, which was capitalized up to April 30, 2010 and a management fee of 1.5% annually, paid monthly. The outstanding debt balance shall be paid in 60 equal monthly and consecutive installments, the first maturing on May 30, 2010 and the last one on April 30, 2015. On the non-disbursed balance there is a credit reserve commission of 1% p.a., maturing on the 30th of each month, up to the termination of the credit. The loan is guaranteed by promissory notes and an assignment on company revenues.

(iv) Contract ECF-2658/07 executed on December 12, 2007. Line of credit amounting to R\$ 2,946, in the form of finance. Funds released in the amount of R\$295 and R\$2,154, on June 18, 2008 and February 17, 2009, respectively. The debt balance carries an interest rate of 5% annually, which was capitalized up to February 28, 2009 at a rate of 1.5% annually and a management fee of 1.5% annually, paid monthly. The outstanding debt balance shall be paid in 60 equal monthly and consecutive installments, the first maturing on March 30, 2009 and the last one on February 28, 2014. On the non-disbursed balance there is a credit reserve commission of 1% p.a., maturing on the 30th of each month, up to the termination of the credit. The loan is guaranteed by promissory notes and an assignment on company revenues.

Luz para Todos (Light for All) Program

(i) 1st stage - Contract ECFS-019/04 - Line of credit amounting to R\$ 11,523, as financing (RGR) and R\$1,773 in the form of a subsidy. Contract signed on May 28, 2004, whereas funds in the amount of R\$1,152 were released in 2004, R\$2,305 in 2005, R\$ 3,623 in 2006, R\$ 2,262 in 2010, totaling R\$ 9,342 and were released in the form of a subsidy in the amount of R\$ 177 in 2004, R\$ 355 in 2005, R\$ 557 in 2006, totaling R\$ 1,089. The principal amount carries an interest rate of 5% annually and a management fee of 1% annually, both maturing monthly as from July 30, 2004. The outstanding debt balance shall be paid in 120 equal monthly and consecutive installments, the first maturing on August 30, 2006 and the last one on July 30, 2016. On the non-disbursed balance there is a credit reserve commission of 1% p.a., maturing on the 30th of each month, up to the termination of the credit. The loan is guaranteed by promissory notes and an assignment on company revenues.

(ii) 2nd stage - Contract ECFS 184/07 - Facility in the amount of R\$12,359, as financing (RGR), there are no amounts in the form of a subsidy. Contract signed on June 25, 2007. Resources released in the amount of R\$3,708 in 2007. The principal amount carries an interest rate of 5% annually and a management fee of 1% annually, both maturing monthly as from October 30, 2007. The outstanding debt balance shall be paid in 120 equal monthly and consecutive installments, the first maturing on November 30, 2009 and the last one on October 30, 2019. On the non-disbursed balance there is a credit reserve commission of 1% p.a., maturing on the 30th of each month, up to the termination of the credit. The loan is guaranteed by promissory notes and an assignment on company revenues.

Bank Credit Certificates – Agreements signed on December 5, 2006 worth a total of R\$102,000, being R\$ 51,000 signed with the Banco do Brasil S.A. and R\$ 51,000 with Banco Santander Banespa S.A. The principal value of the loan carries an interest rate of 105% of CDI, capitalized daily. Principal payable in five annual installments, the first due on December 5, 2009 and the last on December 5, 2013 with semi-annual payments of interest as from June 5, 2007 to December 5, 2013. This operation carries a *covenant* of gross debt/ EBITDA at a ratio not exceeding 3.5. The company is in compliance to the present time. Contractual conditions are identical in the case of both institutions.

BNDES agreement n° 88,425 / Agent Banco do Brasil - Signed in December 2007, for the deployment of an Investment Program from May 2006 to December 2007, being the first release in February 2008, in the amount of R\$16,146 and the second release on May 2008, in the amount of R\$19,367, with funds from BNDES (Finem/Finame) through Banco do Brasil, amortizable in 72 monthly installments, with the first falling due on July 15, 2008 and the last one on June 15, 2014 with interest of 3.3% per annum, indexed to TJLP. Guarantee, assignment of revenues equivalent to 130% of the amount of the highest financing installment. This operation establishes *covenant* of the Gross Financial Debt / EBITDA relation, at a rate no higher than 3.5, fulfilled up to now.

BNDES agreement n° 88,425 / Agent Banco Santander - Signed in December 2007, for the deployment of an Investment Program from May 2006 to December 2007, being the first release in February 2008, in the amount of R\$16,146 and the second release on May 2008, in the amount of R\$19,367, with funds from BNDES (Finem/Finame) through Banco Santander, amortizable in 72 monthly installments, with the first falling due on July 15, 2008 and the last one on June 15, 2014 with interest of 3.3% per annum, indexed to TJLP. Guarantee, assignment of revenues equivalent to 130% of the amount of the highest financing installment. This operation establishes *covenant* of the Gross Financial Debt / EBITDA relation, at a rate no higher than 3.5, fulfilled up to now.

BNDES BB/CALC - Opening of revolving credit in the Credit Limit Opening Contract ("CALC") category was approved in December 2008, in the amount of R\$153,283, for deployment of the 2008 to 2010 Program of Investments in expansion, modernization and improvements in the electric energy distribution system. The funds approved are available for draft for a period of 60 months. It is a type of direct financing (without the intervention of a financial agent), created by the BNDES in 2005, aimed to simplify the procedures of access to facilities for large groups that represent low credit risk and favorable operating history with BNDES. The first release to Company of R\$86,364 was made on December 23, 2009, and may be amortized in 72 months with grace period up to May 15, 2011. The first installment matures on June 15, 2011 and the last installment on May 15, 2017, with interest ranging from 2.32% to 3.32% per year above the TJLP and interest rate of 4.50% per year, payable as of February 17, 2010 on a quarterly basis during the grace period and on a monthly basis after the grace period. Guarantee, assignment of revenues equivalent to 130% of the amount of the highest financing installment.

HIBC - Promissory Notes - On May 7, 2009, the Board of Directors of Bandeirante approved the contracting of a short-term facility, materialized by the issuance of a Promissory Note. The promissory notes were issued in certificated form and will be deposited at Banco Bradesco S/A. The remuneration corresponds to the accumulated variation of the average daily rates of the overnight interbank deposits (DI), calculated and published daily by CETIP, capitalized from a *spread* corresponding to 1.30% per annum. The value of each Note corresponds to R\$1,000, and 230 notes were issued in the total amount of R\$230,000. The remuneration plus the amount of principal was settled on May 31, 2010 in a single installment.

22.2 Additional information on debt service of Escelsa

BNDES

(i) Agreement signed in August 2006 with onlending of funds through Banco Alfa for the investment program in substations and electricity transmission and distribution. In fiscal year 2006, funds amounting to R\$17,320 were obtained. The principal amount carries an annual interest rate of 4.8% + TJLP (the long term interest rate), payable monthly as from October 15, 2006, jointly with principal payments and a final maturity on September 15, 2010. The agreed guarantee represents a percentage of the monthly receivables from power services corresponding to the minimum amount of 130% of the principal installments and debt charges. The remuneration plus the amount of principal was settled on September 15, 2010.

(ii) BNDES agreement n° 88,426 / Agent Banco do Brasil - Signed in December 2007, loan intended for the deployment of a Program for Investments in expansion, modernization and improvement of the performance of the electricity distribution network, being the first release of money in January 2008, in the amount of R\$27,054, and the second release in May 2008, in the amount of R\$6,106, with funds from BNDES (Finem/Finame) through Banco do Brasil, amortizable in 72 monthly installments, with the first falling due on July 15, 2008 and the last on June 15, 2014 and interest of 3.3% per annum, indexed to TJLP. Guarantee, assignment of revenues equivalent to 130% of the amount of the highest financing installment. This operation carries a *covenant* of gross debt/EBITDA at a ratio not exceeding 3.5. The company is in compliance to the present time.

(iii) BNDES agreement n° 88,426 / Agent Banco Santander - Signed in December 2007, loan intended for the deployment of a Program for Investments in expansion, modernization and improvement of the performance of the electricity distribution network, being the first release of money in January 2008, in the amount of R\$27,054, and the second release in May 2008, in the amount of R\$6,106, with funds from BNDES (Finem/Finame) through Banco Santander, amortizable in 72 monthly installments, with the first falling due on July 15, 2008 and the last on June 15, 2014 and interest of 3.3% per annum, indexed to TJLP. Guarantee, assignment of revenues equivalent to 130% of the amount of the highest financing installment. This operation carries a *covenant* of gross debt/EBITDA at a ratio not exceeding 3.5. The company is in compliance to the present time.

(iv) BNDES /CALC - Opening of revolving credit in the Credit Limit Opening Contract ("CALC") category was approved in December 2008, in the amount of R\$164,091, for deployment of the 2008 to 2010 Program of Investments in expansion, modernization and improvements in the electric energy distribution system. The funds approved are available for draft for a period of 60 months. It is a type of direct financing (without the intervention of a financial agent), created by the BNDES in 2005, aimed to simplify the procedures of access to facilities for large groups that represent low credit risk and favorable operating history with BNDES. The 1st release to Escelsa of R\$ 103.8 million took place on December 23, 2009 amortizable in 72 months and with a grace period up to May 15, 2011, with the first installment falling due on June 15, 2011 and the last on May 15, 2017, with interest ranging between 2.32% and 3.32% per annum above the TJLP, and fixed interest of 4.50% per annum, falling due as of February 17, 2010, quarterly during the grace period and monthly after this period. Guarantee, assignment of revenues equivalent to 130% of the amount of the highest financing installment.

Bank Credit Certificates - Agreements signed in February 2007 worth a total of R\$40,400, being R\$ 20,200 signed with the Banco do Brasil S.A. and R\$ 20,200 with Banco Santander S.A. The principal value of the loan carries an interest rate of 105% of CDI, capitalized daily. Principal payable in five annual installments, the first due on February 9, 2010 and the last on February 10, 2014 with semi-annual payments of interest as from August 9, 2007 to February 10, 2014. This operation carries a *covenant* of gross debt/EBITDA at a ratio not exceeding 3.5. The company is in compliance to the present time. Conditions are identical in the case of both institutions.

Banco do Brasil - Commercial Credit Note - Agreement signed on June 24, 2010, in the amount of R\$ 135,000 in the Agroindustrial Credit category, released in full on June 28, 2010. The principal value of the loan carries an interest rate of 100% of CDI. Principal and interest maturing in 10 semi-annual installments, with the first on November 29, 2010 and the last on May 29, 2015. This operation carries a *covenant* of gross debt/EBITDA at a ratio not exceeding 3.5, semi-annually calculated.

Eletróbrás

Luz para Todos (Light for All) Program

(i) 1st stage - Contract ECFS 031/04 - Facility in the amount of R\$30,968, as financing (RGR) R\$4,764, as economic subsidy granted by Eletróbrás and R\$4,764 in the form of economic subsidy granted by the State Government of Espírito Santo—Program created by Decree nº 4,873, of November 11, 2003, coordinated by the Ministry of Mines and Energy and commissioned by Eletróbrás. Contract signed on May 21, 2004, whereas funds were released in the form of financing in the amount of R\$9,290 in 2004, R\$6,194 in 2005, R\$ 4,150 in 2006, R\$ 3,095 in 2008, totaling R\$ 22,729 and were released in the form of a subsidy in the amount of R\$ 2,230 in 2004, R\$ 4,417 in 2005, R\$638 in 2006, R\$169 in 2008, totaling R\$ 7,454. The principal amount carries an interest rate of 5% annually and a management fee of 1% annually, both maturing monthly as from October 30, 2004. The principal is payable monthly as from August 30, 2006 to July 30, 2016. The loan is guaranteed by promissory notes and an assignment on company revenues. On the non-disbursed balance there is a credit reserve commission of 1% p.a., maturing on the 30th of each month, up to the termination of the credit.

(ii) 2nd stage - Contract ECFS 106/05 - Facility in the amount of R\$50,304, as financing (RGR) R\$7,739, as economic subsidy granted by Eletróbrás and R\$7,739 in the form of economic subsidy granted by the State Government of Espírito Santo—Program created by Decree nº 4,873, of November 11, 2003, coordinated by the Ministry of Mines and Energy and commissioned by Eletróbrás. Contract signed on November 20, 2005, whereas funds were released in the form of financing in the amount of R\$15,091 in 2006, R\$ 20,122 in 2007 and R\$1,900 in 2010 totaling R\$ 37,113 and were released in the form of a subsidy in the amount of R\$ 5,522 in 2006, R\$ 6,096 in 2007 and R\$415 in 2008 totaling R\$12,033. The principal amount carries an interest rate of 5% annually and a management fee of 1% annually, both maturing monthly as from April 30, 2006. The principal is payable monthly as from May 30, 2008 to April 30, 2018. The loan is guaranteed by promissory notes and an assignment on company revenues. On the non-disbursed balance there is a credit reserve commission of 1% p.a., maturing on the 30th of each month, up to the termination of the credit.

(iii) 3rd stage - Contract ECFS 181/07 - Facility in the amount of R\$75,764, as financing (RGR) and R\$10,102, as economic subsidy granted by Eletróbrás - Program created by Decree nº 4873, of November 11, 2003, coordinated by the Ministry of Mines and Energy and commissioned by Eletróbrás. Contract signed on June 25, 2007. Resources released in the form of financing in the amount of R\$42,933 in 2008. The principal amount carries an interest rate of 5% annually and a management fee of 1% annually, both maturing monthly as from April 30, 2008. The principal is payable monthly as from April 30, 2010 to March 30, 2020. The loan is guaranteed by promissory notes and an assignment on company revenues. On the non-disbursed balance there is a credit reserve commission of 1% p.a., maturing on the 30th of each month, up to the termination of the credit.

(iv) 4th stage - Contract ECFS 258/09 - Facility in the amount of R\$56,737 as financing (RGR) and R\$7,565, as economic subsidy granted by Eletróbrás - Program created by Decree 4873, of November 11, 2003, coordinated by the Ministry of Mines and Energy and commissioned by Eletróbrás. Contract signed on August 28, 2009, whereas funds were released in the form of financing in the amount of R\$17,021 in 2009 and were released in the form of a subsidy in the amount of R\$ 2,270 in 2009. The principal amount carries an interest rate of 5% annually and a management fee of 1% annually, both maturing monthly as from January 30, 2010. The principal is payable monthly as from January 30, 2012 to December 30, 2021. The loan is guaranteed by promissory notes and an assignment on company revenues. On the non-disbursed balance there is a credit reserve commission of 1% p.a., maturing on the 30th of each month, up to the termination of the credit.

Reluz Program

(i) Contract ECF-2313/04 executed on July 6, 2004. Line of credit amounting to R\$ 2,647, in the form of finance. Funds were released in the amount of R\$ 265, R\$ 476, R\$ 529 and R\$ 838, on October 14, 2004; May 24, 2005; September 8, 2005 and September 4, 2008, respectively. The restated debt balance carried an interest rate of 5% annually and a management fee of 1.5% annually, both maturing monthly as from October 30, 2004. The outstanding debt balance shall be paid in 48 equal monthly and consecutive installments, the first maturing on February 28, 2006 and the last one on February 28, 2010. The loan is guaranteed by promissory notes and an assignment on company revenues. The remuneration plus the amount of principal was settled on February 28, 2010.

(ii) Contract ECF-2314/04 executed on July 6, 2004. Line of credit amounting to R\$ 8,823, in the form of finance. Funds were released in the amount of R\$ 882, R\$ 2,972, R\$ 1,323 and R\$ 2,175, on October 14, 2004; May 24, 2005; September 8, 2005 and September 4, 2008, respectively. The debt balance carries an interest rate of 5% annually, which was capitalized up to January 30, 2005 at a rate of 1.5% annually and a management fee of 1.5% annually, paid monthly. The outstanding debt balance shall be paid in 60 equal monthly and consecutive installments, the first maturing on February 28, 2005 and the last one on January 30, 2011. The loan is guaranteed by promissory notes and an assignment on company revenues.

(iii) Contract ECF-2472/05 executed on July 12, 2007. Line of credit amounting to R\$ 306, in the form of finance. Funds were released in the amount of R\$ 31 on October 11, 2007. The debt balance carries an interest rate of 5% annually, which was capitalized up to July 30, 2008 at a rate of 1.5% annually and a management fee of 1.5% annually, paid monthly. The outstanding debt balance shall be paid in 36 equal monthly and consecutive installments, the first maturing on October 30, 2008 and the last one on October 30, 2011. The loan is guaranteed by promissory notes and an assignment on company revenues.

(iv) Contract ECF-2488/05 executed on July 12, 2007. Line of credit amounting to R\$ 261, in the form of finance. Funds were released in the amount of R\$ 26 and R\$ 188 on October 11, 2007 and November 11, 2008, respectively. The debt balance carries an interest rate of 5% annually, which was capitalized up to November 30, 2008 at a rate of 1.5% annually and a management fee of 1.5% annually, paid monthly. The outstanding debt balance shall be paid in 60 equal monthly and consecutive installments, the first maturing on December 30, 2008 and the last one on December 30, 2013. The loan is guaranteed by promissory notes and an assignment on company revenues.

(v) Contract ECF-2500/05 executed on July 12, 2007. Line of credit amounting to R\$ 380, in the form of finance. Funds were released in the amount of R\$ 38 and R\$ 256 on October 11, 2007 and November 11, 2008, respectively. The debt balance carries an interest rate of 5% annually, which was capitalized up to November 30, 2008 at a rate of 1.5% annually and a management fee of 1.5% annually, paid monthly. The outstanding debt balance shall be paid in 60 equal monthly and consecutive installments, the first maturing on December 30, 2008 and the last one on December 30, 2013. The loan is guaranteed by promissory notes and an assignment on company revenues.

(vi) Contract ECF 2481/05 signed on September 30, 2008. Line of credit amounting to R\$ 1,230, in the form of finance. Funds released in the amount of R\$123 and R\$801, on December 29, 2009 and May 21, 2010, respectively. The debt balance carries an interest rate of 5% annually, which will be capitalized up to December 30, 2011 and a management fee of 1.5% annually, paid monthly. The outstanding debt balance shall be paid in 60 equal monthly and consecutive installments, the first maturing on January 30, 2012 and the last one on December 30, 2016. The loan is guaranteed by promissory notes and an assignment on company revenues.

22.3 Additional information on debt service of Enerpeixe

The balance of loans and financing reflects original financing from the BNDES of R\$ 670,000, authorized by the Board of Directors of the BNDES, number 691/2003 of November 10, 2003 and contracted on May 21, 2004, being R\$ 335,000 directly and R\$ 335,000 through financial institutions as follows:

Sub-credit	Direct installment		Indirect installment			Total amount of indirect installment	Total
	BNDES	Itaú BBA	Banco do Brasil	Bradesco	Unibanco		
"A"	26,184	7,855	6,546	6,546	5,237	26,184	52,368
"B"	235,671	70,701	58,917	58,917	47,134	235,669	471,340
"C"	7,314	2,195	1,829	1,829	1,463	7,316	14,630
"D"	65,831	19,749	16,458	16,458	13,166	65,831	131,662
	335,000	100,500	83,750	83,750	67,000	335,000	670,000

The major loan conditions are as follow:

(i) Amortization:

a) For the sub-credits "A" and "C", 12 monthly and successive installments, with the first falling due on March 15, 2007 and the last on February 15, 2008, already settled;

b) For the sub-credits "B" and "D", 95 monthly and successive installments, with the first falling due on March 15, 2008 and the last on January 15, 2016.

(ii) Charges:

a) For the subcredits "A" and "C", readjusted 3-month floating rate based on the weighted average costs of all the rates and expenses incurred by the BNDES in raising funding in foreign currency plus 4.5% annually, during the period in which the guarantee granted by the indirect parent company EDP - Energias de Portugal S.A. is in full force and effect;

b) For the subcredits "B" and "D", TLJP – the Long Term Interest Rate plus 4.5% annually during the period in which the guarantee granted by EDP - Energias de Portugal S.A. is in full force and effect; and

c) The abovementioned spreads can be 6% annually as from the effective date of the guarantee of the direct parent company Energias do Brasil, in place of the guarantee of EDP - Energias de Portugal, which may occur as from January 2008 only upon request from the Enerpeixe and the Company. This rate can be reduced to 5% per annum, if Energias do Brasil presents a minimum price-earnings ratio of 38% and Enerpeixe presents a rate of coverage of the debt service of 1.3.

The rate of coverage of the debt service is calculated from the division of the cash generation of the activity by the debt service, based on information recorded in the financial statements, with semi-annual measurements in June and December.

(iii) Guarantees and obligations:

a) Lien on shares corresponding to 60% of the capital stock of the beneficiary held by the Company;

b) Lien on emerging rights of the concession, including among others:

- The beneficiary's credit rights resulting from the sale of energy generated by UHE Peixe Angical for Bandeirante, Escelsa, Enersul, and Centrais Elétricas Matogrossenses S.A. – CEMAT;

- The guarantees included in the Purchase and Sale of Energy Agreement - CCVEs.

c) Maintenance in a financial reserve account of a value equivalent to at least three months of installments of amortization of principal, interest and charges as well as three months payment of the O&M Contract (Operation and Maintenance Contract), during the amortization phase; and

d) Letter of guarantee of EDP - Energias de Portugal, governed by Portuguese laws.

The restrictive clauses of these contracts were in full compliance on December 31, 2010.

22.4 Additional Information on debt service of Investco

BNDES

(i) Financing Agreement through the opening of a credit line signed with the BNDES, with the guarantee of Company's shareholders and its controllers on September 21, 2000 in the total amount of R\$180,000, with an annual interest rate of 4% above the TJLP, payable quarterly on January 15, April 15, July 15 and October 15 of each year in the period between October 15, 2000 and October 15, 2002, and monthly as from November 15, 2002. The principal is being amortized in 120 monthly and consecutive installments according to the Increasing Amortization System (Price Table) as from November 15, 2002, and last maturity on October 15, 2012. Part of Company's common shares were given in guarantee together with a promissory note and an assignment of contractual rights.

(ii) Credit Agreement Contract through onlending contracted with the BNDES signed with Banco Itaú, Bradesco, BBA Creditanstalt and Banco ABC, with the guarantee of Company's shareholders and its controllers on September 21, 2000 for the amount of R\$120,000, with an annual rate of interest of 4% over the TJLP, payable quarterly during the grace period. Following a grace period of 24 months, installments of principal are being amortized in 120 monthly and consecutive installments as from November 15, 2002, and last maturity on October 15, 2012. Part of Company's common shares were given in guarantee together with a promissory note and an assignment of contractual rights.

The operations establish restrictive *contractual* clauses (covenants) of minimum capitalization level (shareholders' equity by total assets) and of cash, both fulfilled on December 31, 2010.

Banco da Amazônia

Financing agreement signed on December 28, 2000, 10 for the total amount of R\$44,300, to be amortized in 84 months, including a 36-month grace period, the first installment of principal maturing February 10, 2004 and the last on January 10, 2011 with an annual interest rate of 14%, payable monthly. During the grace period, 50% of these charges are payable, and the remaining 50% capitalized and incorporated in the outstanding debt balance, to be paid with the amortization of the principal installments. According to the addendum signed in December 2007, collateral in the form of equipment of Usina UHE Lajeado in guarantee and a bank guarantee from Unibanco S.A. were given, in the amount of R\$ 18,937.

This contract does not have restrict contractual clause (*covenants*)

Safra Leasing S.A.

A commercial lease was signed on March 10, 2008 in the amount of R\$198. The amortization period of this contract is 36 months. The financial charges are variation of the CDI + 1.45% annually. The payment of the first installment occurred on April 14, 2008 and the last installment has its maturity scheduled for March 14, 2011. The asset leased by the Company was a microbus for exclusive use by the employees of the Plant.

Bank Credit Bill

On December 29, 2010, a credit line agreement was entered into with Banco Alfa de Investimentos S.A. in the amount of R\$10,000. The amortization term of the agreement is 90 days, in a bullet payment. Principal will bear interest of 106% of the CDI, payable at the end of the agreement.

The estimate of fair value considered the conditions above for the payment of dividends. Annual dividend payment was considered until 2032 (end of the concession) and discounted to present value at the rate of 8.70% p.a.

22.5 Additional information on debt service of Castelo Energética S.A.'s debt servicing - CESA and Pantanal Energética Ltda.

BNDES (foreign currency) - Contract signed in February 2002 by CESA for the construction of three Small Hydroelectric Power Plants – PCH's - Viçosa and São João in the state of Espírito Santo and Paraiso in the state of Mato Grosso do Sul. In fiscal year 2002, funds amounting to R\$9,266 were obtained. Interest is levied on the amount of principal at the rate of 4.5% per annum plus variation of UMBNDES, enforceable monthly, together with the installments of the principal with final maturity on July 16, 2012. The guarantees are: (i) assignment of receivables resulting from authorizations granted by ANEEL, either from the extinguishment of the authorizations, purchase and sale of electricity and the right to generate electricity from its PCHs; and, (ii) the pledging of common nominative shares comprising the total stake of the Company. In the context of transfer of the concession of PCH Paraiso from Company to Pantanal Energética Ltda. (Pantanal), the balances of this financing corresponding to PCH Paraiso, as well as the respective conditions established in the contract, were transferred to Pantanal.

BNDES (national currency) - Contract signed in February 2002 for the construction of three Small Hydroelectric Power Plants – PCH's - Viçosa and São João in the state of Espírito Santo and Paraiso in the state of Mato Grosso do Sul. In fiscal year 2002, funding amounting to R\$ 30,014 and R\$ 17,565 in 2004 and R\$5,635 in 2007 were released. Interest is levied on the amount of principal at the rate of 4.5% per annum plus variation of TJLP, enforceable monthly, together with the installments of the principal with final maturity on June 15, 2012. The guarantees are: (i) assignment of receivables resulting from authorizations granted by ANEEL, either from the extinguishment of the authorizations, purchase and sale of electricity and the right to generate electricity from its PCHs; and, (ii) the pledging of common nominative shares comprising the total stake of Energest in the Company. In the context of transfer of the concession of PCH Paraiso from Company to Pantanal, the balances of this financing corresponding to PCH Paraiso, as well as the respective conditions established in the contract, were transferred to Pantanal.

Banco Santander Brasil S.A. - Contract nº 231006019 signed on February 12, 2009, in the amount of R\$11,864, for the period of 60 days with final maturity on April 13, 2009, at the rate of 123.50% of CDI. Amortization and interest will be paid in a lump sum upon expiration of the agreement. Guarantee, surety in promissory note and Energias do Brasil as Intervening Guarantor. The settlements of this transaction were postponed, through amendments to the contract, and the maturity was rescheduled to March 10, 2010, with all other original clauses maintained. On March 09, 2010, this operation had its settlement term extended to March 9, 2011, maintaining all the other clauses and conditions of the original contract ratified, at the rate of 113.50% of CDI.

BNDES - Contract signed on November 13, 2009 in the amount of R\$25,404. The first amount released was R\$4,863, on April 22, 2010, and the second amount released was R\$15,141, on May 13, 2010, to be amortized in 97 and 96 months, respectively; both first installments mature on June 15, 2010 and the last installment on May 15, 2018, with interest varying from 1.92% above TJLP and fixed interest of 4.50%. Guarantee with pledge of revenue equivalent to 1.8 times the overdue installment of this agreement.

22.6 Additional information on debt service of Energest

BNDES – Contract signed in October 2001 with the pass through of funds from, Itaú (leader), Alfa and Sudameris banks, to finance investments for the installation of the fourth turbine at UHE Mascarenhas. In fiscal year 2001, funds amounting to R\$24,102 were obtained. Interest is levied on the amount of principal at the rate of 3.5% per annum, plus variation of TJLP (national currency) and of 3.5% per annum plus the variation of UMBNDES (foreign currency), enforceable monthly, together with the installments of the principal with final maturity on October 15, 2010. The guarantee is an assignment on revenues from electricity services provided in the amount equivalent to at least 1 (one decimal point four) times the value of the largest installment due from the beneficiary. This operation establishes *covenant* of the relation EBITDA/ Gross financing expenses, which has been complied with to date.

Onlending of Funds Obtained in Reais Abroad – contract with Banco Santander S.A., nº 231006029 - Signed on February 12, 2009, by CESA S.A. in the amount of R\$21,355, for the period of 60 days with final maturity on April 13, 2009, at the rate of 123.50% of CDI. Amortization and interest will be paid in a lump sum upon expiration of the agreement. Guarantee, surety in promissory note and EDP - Energias do Brasil S.A. as Intervening Guarantor. Through a rider to the contract, on April 13, 2009 this operation had its settlement term extended to June 12, 2009, maintaining all the other clauses and conditions of the original contract ratified. On June 12 this operation had its maturity date renegotiated to September 10, 2009, maintaining all the other clauses and conditions of the original contract. On September 10, 2009, this operation had its settlement term extended to March 10, 2010, maintaining all the other clauses and conditions of the original contract ratified. On March 09, 2010, this operation had its settlement term extended to March 9, 2011, maintaining all the other clauses and conditions of the original contract ratified, at the rate of 113.50% of CDI.

Bank Credit Certificates – Agreement signed in February 2008 worth a total of R\$48,000, signed with the Banco do Brasil S.A. The principal value of the loan carries an interest rate of 106.6% of CDI, capitalized daily. Principal payable in five annual installments, the first due on February 20, 2011 and the last on February 20, 2015 with semi-annual payments of interest as from August 20, 2008 to February 20, 2015. This operation carries a *covenant* of gross debt/EBITDA at a ratio not exceeding 3.5.

22.7 Additional information on debt service of Costa Rica

Eletrobrás-Financing ECF-1,568/97 – Contract signed by Enersul, on November 4, 1997, in the amount of R\$5,375, for financing of the construction of the Hydroelectric Plant of Costa Rica, with resources from the Investment Fund of Eletrobrás – FINEL, with interest of 6.5% per annum, ending on May 31, 2014, amortization in 180 monthly, equal and successive installments, with guarantee in revenue and promissory note. Contract repassed to Costa Rica Energética, through the "Private Contract for Commitment of Debtor Release".

22.8 Additional information on debt service of Santa Fé Energia S/A

BNDES - Agreement signed in May 2009, with onlending of funds through Banco do Brasil. Funds in the amount of R\$64,000 were released on May 29, 2009 and on April 27, 2010, the remaining balance of this contract in the amount of R\$ 11,633 were released. Interest is levied on the amount of principal at the rate of 1.9% per annum plus variation of TJLP, enforceable monthly, as from March 15, 2010, together with the installments of the principal with final maturity on February 15, 2024. The negotiated guarantee establishes the lien on shares of the beneficiary at 100% in favor of the Financial Agent. This operation establishes a *covenant* of the Debt Service Coverage Index (ICSD) of at least 1.2 times, complied with thus far.

22.9 Additional information on debt service of subsidiary under joint ownership Porto do Pecém

BNDES - Contract signed in July 2009. In October 2009, occurred the 1st release in the amount of R\$700 million. In July 2010, occurred the 2nd release in the amount of R\$260 million. The amounts released permit full repayment of the bridging loans in Brazilian reals and will also cover the expenditures provided for in implantation of the enterprise. The financing agreement with BNDES establishes a loan in the amount of R\$1.4 billion (in nominal R\$, excluding interest during construction), with a total period of 17 years, consisting of 14 years of amortization and grace period for payment of interest and principal up to July 2012. The contracted cost is of TJLP plus 2.77% per annum. The interest will be capitalized during the construction phase.

IDB - Contract signed in July 2009. In October 2009, occurred the 1st release in the amount of US\$260 million. In August 2010, occurred the 2nd release in the amount of US\$50 million. The financing agreement with BID establishes an A Loan in the total amount of US\$ 147 million, and B Loan in the total amount of US\$ 180 million, with total term of 17 years in the A Loan and 13 years in the B Loan, with a grace period for payment of interest and principal up to July 2012. The initial rates of the A Loan and B Loan are Libor + 350 bps and Libor + 300 bps, respectively, with step ups throughout the period. Said long-term loan in US\$, in turn, has already been subject to the contracting both of exchange hedge and of an interest rate swap (from Libor to fixed rate). The consortium of B-lenders is comprised of the banks Millennium BCP, Caixa Geral de Depósitos and Calyon.

As of December 31, 2010, the restrictive operating clause (covenants) referring to the service agreement for the treatment of residual waters, included in the financing contract with IDB, is not being complied with. Subsidiary Porto do Pecém obtained the postponement of the maturity to March 31, 2011 in order to eliminate this restriction.

The other restrictive clauses are duly complied with on this date.

Result of the swaps

Hedge operation with Banco Citibank of NDFs (Non Deliverable Forwards), executed on October 17, 2007, in the total amount of US\$ 639,918,000, with maturities between January 2008 and October 2012, with the contracted initial parity of R\$/US\$ 1.8138. Considering the settlements in advance and overdue until December 31, 2010, the notional outstanding in this base date is US\$330.592.716.

Hedge operation with Banco Citibank and BTG Pactual of NDFs (Non Deliverable Forwards), executed on June 30, 2009, in the total amount of EUR 26,059,929.27, with maturities between July 2009 and January 2012, with the contracted initial parity of EUR/USD1,4040. Considering the settlements overdue until December 31, 2010, the notional outstanding in this base date is US\$3.667.242.

Hedge operation with Banco HSBC and BTG Pactual of NDFs (Non Deliverable Forwards), executed on July 1, 2009, in the total amount of EUR 10,134,416.94, with maturities between July 2009 and January 2012, with the contracted initial parity of EUR/US\$ 2.7300. Considering the settlements overdue until December 31, 2010, the notional outstanding in this base date is US\$1.014.692.

Hedge operation with Banco Citibank and BTG Pactual of NDFs (Non Deliverable Forwards), executed on June 30, 2009, in the total amount of US\$ 106,592,330.70, with maturities between July 2009 and January 2012, with the contracted initial parity of US\$/R\$ 1.9678.

Hedge operation with Banco Citibank of NDFs (Non Deliverable Forwards), executed on June 30, 2009, in the total amount of US\$ 56,162,599.70, with maturities between July 2009 and November 2011, with the contracted initial parity of US\$/R\$ 1.9678. Considering the settlements overdue until December 31, 2010, the notional outstanding in this base date is US\$28.650.392.

Swap operation at Banco Citibank, contracted on October 16, 2007, in the amount of US\$ 140,521,000, starting on April 2, 2012 with final maturity on October 1, 2024, where the Company pays variation of the US\$ plus 5.82% per annum in the short position and the Bank in the long position pays 100% of LIBOR.

Swap operation at Banco Citibank, contracted on October 16, 2007, in the amount of US\$ 186,479,000, starting on April 2, 2012 with final maturity on October 1, 2021, where the Company pays variation of the US\$ plus 5.79% per annum in the short position and the Bank in the long position pays 100% of LIBOR.

Swap Operation with Banco Citibank, for the coverage of the interest capitalized during the construction of the Porto do Pecém plant related to the financing with BID, contracted on July 2, 2009, in the amount of US\$ 1,249,288,739 (amount related to the accumulated balance estimated for 4 tranches of BID financing, and the approximate exposure of US\$ 36,000,000) as of November 16, 2009 and final maturity on November 16, 2011, where the Company pays variation of the dollar plus 2.085% per annum at the passive index edge and the Bank pays 100% of LIBOR at the active index edge.

22.10 Maturity of current and non-current installments (principal and charges):

Maturity	Consolidated		
	Currency		
	National	Foreign	Total
Current			
2011	344,812	30,889	375,701
	<u>344,812</u>	<u>30,889</u>	<u>375,701</u>
Noncurrent			
2012	307,603	75,848	383,451
2013	263,704	14,087	297,791
2014	249,775	15,336	265,111
2015	326,684	16,720	343,405
2016	104,765	17,970	122,735
2017	73,616	19,489	93,105
2018	57,990	21,228	79,218
2019	54,655	22,857	77,512
After 2019	334,458	144,096	478,555
	<u>1,793,251</u>	<u>347,632</u>	<u>2,140,882</u>
Total	<u>2,138,063</u>	<u>378,521</u>	<u>2,516,583</u>

The change in the loans and financing for the year is as follows:

Net amount at 12/31/2009	Consolidated									Net amount at 12/31/2010	
	Entries	Principal payments	Payments of interest	Interest provided	Capitalized interest	Transfers	Adjustment to market value	Adjustment to present value	Transaction costs		Monetary and exchange variation
Current											
Loans, financing and charges											
552,135	13,240	(505,399)	(164,641)	157,570	(1,376)	305,221			239	(943)	356,046
Swaps											
20,527		(18,314)	(3,422)	1,991		9,365	8,995			513	19,655
<u>572,662</u>	<u>13,240</u>	<u>(523,713)</u>	<u>(168,063)</u>	<u>159,561</u>	<u>(1,376)</u>	<u>314,586</u>	<u>8,995</u>		<u>239</u>	<u>(430)</u>	<u>375,701</u>
Noncurrent											
Loans, financing and charges											
1,901,627	412,042			39,673	1,143	(305,221)		(262)	3,930	(11,947)	2,040,985
Swaps											
55,813		(44,820)		723		(9,365)	97,698			(152)	99,897
<u>1,957,440</u>	<u>412,042</u>	<u>(44,820)</u>		<u>40,396</u>	<u>1,143</u>	<u>(314,586)</u>	<u>97,698</u>		<u>(262)</u>	<u>3,930</u>	<u>2,140,882</u>

23 Post-employment benefits

	Consolidated			
	Current liabilities		Noncurrent liabilities	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Bandeirante				
BSPS - Reserves to amortize Assistential Programs		19,245	14,121	93,998
			6,890	6,867
				61,918
Escelsa				
Retirement Incentive Aid - AIA		582	582	2,646
Medical Healthcare and Life Insurance		7,780	5,588	85,717
EDP - Energias do Brasil				66,327
Private pension		3		
Evreco				
Private pension plan - ENERPREV		1		
	<u>27,611</u>	<u>27,181</u>	<u>189,228</u>	<u>130,788</u>

Pursuant to CVM Resolution 600 of October 07, 2009, as from January 1st, 2010, publicly held companies are required to account for post employment benefit liabilities based on rules contained in CPC 33 Technical Pronouncement.

In accordance with CPC 33 - Employee Benefits, future obligations such as defined benefits assumed by the companies should be recognized in liabilities, net of recognized funds.

The subsidiaries Bandeirante, Escelsa, and Energest, hired independent actuaries to conduct an actuarial appraisal of defined benefits.

23.1 Bandeirante

	Current		Noncurrent	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
				<i>Adjusted</i>
BSPS - Reserves to amortize	19,245	14,121	93,998	61,918
Assistential Programs		6,890	6,867	
	<u>19,245</u>	<u>21,011</u>	<u>100,865</u>	<u>61,918</u>

Structured as "Vested, Defined Benefit and Variable Contribution", managed by Fundação Cesp, a multisponsored, not-for-profit and closed pension plan entity that is engaged in the management and administration of pension plan benefits for the Company's employees and former employees.

The plan management is in the process of being transferred to EnerPrev and the transfer will be complete in the first half of 2011, in accordance with Rule 670, of September 3, 2010, published in the Union Official Gazette (DOU) on September 6, 2010. The plan has the following characteristics:

(i) Settled Complementary Proportional Benefit Plan - BSPS – This corresponds to the employees' proportional benefits calculated on the basis of time of service up to March 1998. The amount of R\$113,243, as at December 31, 2010 pursuant to CVM Resolution 600 of December 07, 2009, corresponds to the portion of benefits exceeding the plan's assets. Part of the commitment is being settled in 240 months as from September 1997, based on a percentage of the payroll, subject to revision semiannually to ensure settlement of the balance in the above period.

This plan was effective until March 31, 1998 and is a defined benefit type which grants Settled Complementary Proportional Benefits (BSPS) in the form of lifetime income convertible into a pension to plan members registered as at March 31, 1998 in a defined amount proportional to accumulated years of service up to the said date conditional upon compliance with the regulations. The company and plan members bear equal responsibility for covering actuarial shortfalls.

(ii) Mixed Benefits Plan – BD and CD

• BD Plan – Effective after March 31, 1998 - Defined Benefit Plan that grants a lifetime income convertible into a pension proportional to time of service accumulated to March 31, 1998 based on 70% of the monthly average wage over the past 36 months in active employment. In the event of death while the employee is on active service, or disability, the benefits comprise all the years of past service (including the accumulated period to March 31, 1998) and therefore does not include the accumulated period of service after March 31, 1998 alone. The company and plan members bear equal responsibility for covering the actuarial shortfalls.

• CD Plan – Implemented in conjunction with the BD Plan, effective after March 31, 1998. It is a pension plan that until the time of granting the lifetime income, convertible (or not) into a pension, is a defined Contribution Plan, not generating any actuarial responsibility on the part of the Company. Only after the act of granting of the lifetime income, convertible or not into a pension, does the pension plan become a defined benefit one, subjecting the company to actuarial responsibility.

The actuarial appraisal shows as at December 31, 2010 that in the case of the defined benefits plans the present value of the actuarial liabilities net of the fair value of the assets and of unrecognized actuarial losses, shows a deficit as indicated below in the reconciliation of assets and liabilities of the plan with the defined benefit liability recognized in the balance sheet:

	2010			2009		
	Fair value of the plan assets	Fair value of the plan assets	Recognized (liability)	Fair value of the plan assets	Fair value of the plan assets	Recognized (liability)
Opening balance	(430,120)	354,080	(76,040)	(422,199)	312,153	(110,046)
Cost of current service	1,664		1,664	1,625		1,625
Interest cost	(47,185)		(47,185)	(46,591)		(46,591)
Earnings expected from assets		40,638	40,638		45,603	45,603
Actuarial gains or (losses) recognized in shareholders' equity	(32,761)	(17,794)	(50,555)	16,553		16,553
Contribution paid by employees	(2,033)	2,033		(2,121)	2,121	
Contribution paid by the company		18,234	18,234		16,816	16,816
Benefits paid by the plan	23,996	(23,996)		22,613	(22,613)	
Closing balance	<u>(486,439)</u>	<u>373,195</u>	<u>(113,244)</u>	<u>(430,120)</u>	<u>354,080</u>	<u>(76,040)</u>

Expected contributions of subsidiary Bandeirante in 2011 amount to R\$19,246.

The net expense with the Supplementary Retirement and Pension Plans of Bandeirante - PSAP/Bandeirante, recognized in the income of 2010 and 2009 in counter entry to the Post-employment benefits account, has the following breakdown:

	2010	2009
Cost of current service	1,064	983
Interest cost	47,185	46,591
Earnings expected from assets	(40,638)	(34,749)
Expected employee contributions	(2,728)	(2,608)
Total	<u>4,883</u>	<u>10,217</u>

Pursuant to CVM Resolution 600 of October 07, 2009, post employment benefit liabilities should be accounted for based on rules contained in CPC 33 Technical Pronouncement. To meet this requirement, the Company hired independent actuaries to conduct an actuarial appraisal of these benefits according to the Projected Unit Credit Method.

Actuarial gains and losses are recorded under Valuation adjustments to equity, in shareholders' equity, in the period of occurrence. As of December 31, 2010, the actuarial loss balance is R\$48,513 (R\$2,042 actuarial gain as of December 31, 2009). The historical analysis of adjustments arising from actuarial gains and losses is as follows:

	12/31/2010	12/31/2009	12/31/2008	12/31/2007	12/31/2006
Adjustments from the experience with plan assets					
Actuarial (Gains)/losses of assets	17,794	(10,854)	16,490	35,402	12,413
Percentage of (Gains)/losses related to the plan total assets	4.77%	3.07%	5.28%	12.15%	5.52%
Adjustments from the experience with plan obligations					
Actuarial (Gains)/losses of obligations	32,761	(16,553)	(9,382)	13,888	19,147
Percentage of (Gains)/losses related to the plan total assets	6.73%	3.85%	2.22%	3.42%	4.89%
Plan situation					
Present value of fully or partially covered obligations	(486,439)	(430,120)	(422,199)	(406,171)	(391,882)
Fair value of assets	373,195	354,080	312,153	291,471	224,990
Plan situation	(113,244)	(76,040)	(110,046)	(114,700)	(166,892)

The main classes of plan assets are as follows:

Asset class	Allocation %
Debt instruments	84.00%
Shares	12.45%
Real estate	0.37%
Other	3.18%
Total	100.00%

The expected return rate of the assets was determined considering the allocation goal and expected return of each asset class, as follows:

Asset class	2010		2009	
	Expected allocation	Expected return	Expected allocation	Expected return
Debt instruments	82.40%	11.20%	81.04%	10.75%
Shares	14.40%	13.29%	14.01%	13.25%
Real estate	0.60%	11.20%	4.95%	10.75%
Other	2.60%	10.77%		
Total	100.00%	11.49%	100.00%	11.00%

The effective return of plan assets was R\$22,843, compared to an expected return of R\$40,638 at the beginning of the year, resulting in actuarial loss of R\$17,794.

We present below the demonstration of the number of Plan participants:

	2010	2009
Active participants	829	893
Assisted participants		
With deferred benefits	132	131
Retirees and pensioners	572	531
	704	662
Total	1,533	1,555

The main assumptions utilized in this actuarial appraisal were as follows:

	2010	2009
Economic		
Discount rate	10.75% p.a.	11.20% p.a.
Expected rate of return on assets	11.49% p.a.	11.00% p.a.
Future salary increases	5.55% p.a.	5.55% p.a.
Growth of benefits in pension plans and benefit plans	4.50% p.a.	4.50% p.a.
Inflation	4.50% p.a.	4.50% p.a.
Demographic		
Mortality table	RP 2000 Geracional	RP 2000 Geracional
Mortality table for disabled people	RP 2000 Disabled	RP 2000 Disabled
Disability table	Wyatt 85 Class 1	Wyatt 85 Class 1
Turnover table	Null as from 3 years of participation in the Benefit Plan	Null as from 3 years of participation in the Benefit Plan

23.2 Escelsa

Subsidiary Escelsa currently maintains retirement and pension supplementation plans on behalf of employees and former employees and other post-employment benefits, such as medical care, life insurance, Retirement Incentive Aid and other benefits to retirees.

23.2.1 Retirement plans

Plan I - Escelsos structured as a "Defined Benefit" plan, managed by EnerPrev-Previdência Complementar of the Group Energias do Brasil and registered with the National Register of Benefit Plans (CNPB) of Previc. The Funding Plan is sustained paritarily by contributions of the sponsor and of the participant, pursuant to the Benefit Plan Regulation.

Plan II - Escelsos structured as a "Variable Contribution" plan, managed by EnerPrev-Previdência Complementar of the Group Energias do Brasil and registered with the National Register of Benefit Plans (CNPB) of Previc. The Funding Plan is sustained paritarily by contributions of the sponsor and of the participant, pursuant to the Benefit Plan Regulation.

Structured as a "Defined Contribution" plan, managed by EnerPrev-Previdência Complementar of the Group Energias do Brasil and registered with National Register of Benefit Plans (CNPB) of Previc, the benefit plan funding is supported by equal contributions from the sponsor company and the plan member, in accordance with the Plan Regulation. In addition, there is the PGBL Estilo de Vida, managed by Bradesco Vida e Previdência S/A, in which the benefit plan funding is supported by equal contributions from the sponsor company and the plan member, in accordance with the Plan Regulation.

In the capacity of sponsor, the subsidiary Escelsa contributed R\$314 in the year (R\$163 in 2009).

This plan has the adhesion of 159 collaborators.

The actuarial appraisal realized as at December 31, 2010 showed that for these pension plans, the fair value of the assets exceeded the present value of the actuarial liabilities as indicated below:

	2010			2009		
	Fair value of the plan assets	Fair value of the plan assets	Restriction to asset recognition	Fair value of the plan assets	Fair value of the plan assets	Fair value of the plan assets
Opening balance	(132,626)	200,084	67,458	(120,453)	187,553	(67,100)
Cost of current service	(217)		(217)	(262)		262
Interest cost	(14,194)		(14,194)	(12,929)		12,929
Earnings expected from assets		22,312	22,312		22,450	(22,450)
Actuarial gains or (losses) recognized in shareholders' equity	(7,782)	28,137	20,355	(9,016)		9,016
Contribution paid by the company		144	144		115	(115)
Contribution paid by employees	(166)	166		(116)	116	
Benefits paid by the plan	11,771	(11,771)		10,150	(10,150)	
Closing balance	(143,214)	239,072	95,858	(132,626)	200,084	(67,458)

The surplus in the defined benefit pension plans reduces the risk of an eventual actuarial liability for the Company. The Company's management did not record this asset as the effective reduction of contributions from the sponsor company or the reversal of amounts in the future are not assured.

As the sponsor company, Escelsa contributes a monthly amount proportional to the contribution of EnerPrev members, in accordance with the conditions established in each benefit plan.

The historical analysis of adjustments from actuarial gains and losses is as follows:

	12/31/2010	12/31/2009	12/31/2008	12/31/2007	12/31/2006
Adjustments from the experience with plan assets					
Actuarial (Gains)/losses of assets	(28,137)	(1,972)	19,700	(8,562)	(5,171)
Percentage of (Gains)/losses related to the plan total assets	-11.77%	-0.99%	10.50%	-3.90%	-2.60%
Adjustments from the experience with plan obligations					
Actuarial (Gains)/losses of obligations	7,782	9,016	(8,448)	12,582	10,766
Percentage of (Gains)/losses related to the plan total assets	5.43%	6.80%	-7.01%	10.11%	9.00%
Plan situation					
Present value of obligations not covered	(143,214)	(132,626)	(120,453)	(124,413)	(119,591)
Fair value of assets	239,072	200,084	187,553	219,500	198,889
Plan situation	95,858	67,458	67,100	95,087	79,298

The main classes of plan assets are as follows:

Debt securities	
Shares	52.06%
Real estate	0.58%
Other	0.98%
Total	100%

The expected return rate of the assets was determined considering the allocation goal and expected return of each asset class, as follows:

Asset class	2010		2009	
	Expected allocation	Expected return	Expected allocation	Expected return
Debt instruments	82.40%	11.20%	70.00%	10.75%
Shares	14.40%	13.29%	20.00%	13.25%
Real estate	0.60%	11.20%	10.00%	10.75%
Other	2.60%	10.77%		
Total	100.00%	11.49%	100.00%	11.25%

The effective return of plan assets in the year was R\$50,449, compared to an expected return of R\$22,312 in the beginning of the year, resulting in actuarial gain of R\$28,137.

We present below the demonstration of the number of Plan participants:

	12/31/2010		12/31/2009	
	Plan I	Plan II	Plan I	Plan II
Active participants	3	845	3	879
With deferred benefits		11		10
Retirees and pensioners	726	207	730	204
Total	729	1,063	733	1,093

The main assumptions utilized in this actuarial appraisal of the benefits were as follows:

	2010	
	Plan I	Plan II
Economic		
Discount rate	10.75% p.a.	10.75% p.a.
Expected rate of return on assets	11.49% p.a.	11.49%a.a.
Future salary increases	5.55% p.a.	5.55% p.a.
Growth of benefits in pension plans and benefit plans	4.50% p.a.	4.50% p.a.
Inflation	4.50% p.a.	4.50% p.a.
Demographic		
Mortality table	AT 2000	RP 2000 Geracional
Mortality table for invalids	RP 2000 Disabled	RP 2000 Disabled
Disability table	Wyatt 85 Class 1	Wyatt 85 Class 1
Turnover table	Null as from 3 years of participation in the Benefit Plan	Null as from 3 years of participation in the Benefit Plan
2009		
Economic		
Discount rate	11.20% p.a.	11.25% p.a.
Expected rate of return on assets	11.25%a.a.	11.25%a.a.
Future salary increases	5.55% p.a.	5.55% p.a.
Growth of benefits in pension plans and benefit plans	4.50% p.a.	4.50% p.a.
Inflation	4.50% p.a.	4.50% p.a.
Demographic		
Mortality table	AT 2000	RP 2000 Geracional
Mortality table for invalids	RP 2000 Disability	RP 2000 Disability
Disability table	Wyatt 85 Class 1	Wyatt 85 Class 1
Turnover table	Null as from 3 years of participation in the Benefit Plan	Null as from 3 years of participation in the Benefit Plan

23.2.2 Retirement incentive aid, medical care, life insurance and other benefits to retirees

	Current liabilities		Noncurrent liabilities	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Retirement incentive aid - AIA	582	582	2,646	2,543
Medical care and Life Insurance	7,780	5,588	85,717	66,327
	8,362	6,170	88,363	68,870

Retirement Incentive Aid - AIA – Benefit to employees hired up to December 31, 1981, payable on termination of the labor contract, irrespective of the reasons for such severance. The AIA guarantees payment of a benefit, the amount of which was calculated considering for each employee, the proportionality of the period of contribution to the INSS (Brazilian Social Security Service) up to October 31, 1996, the employee's salary and the INSS benefit as at October 31, 1996.

The actuarial evaluation carried out on the base date of December 31, 2010 determined a present obligation for Defined Benefit Plans, as shown in the reconciliation of plans' obligations.

As established by CVM Resolution 600, of October 7, 2009, the accounting of liabilities arising from post-employment benefits should be based on the rules established in CPC33. To meet this requirement, the Company hired independent actuaries to conduct an actuarial appraisal of these benefits according to the Projected Unit Credit Method.

	2010	2009
	Fair value of the plan assets	Fair value of the plan assets
The defined benefit liability opening balance recognized in the balance sheet	(75,040)	(55,428)
Cost of current service	(425)	(572)
Interest cost	(8,059)	(5,998)
Past service cost	(2,663)	
Special cost due to end of benefit	11,202	
Actuarial gains or (losses) recognized in shareholders' equity	(33,765)	(25,182)
Benefits directly paid by the company	12,025	12,140
The defined benefit liability closing balance recognized in the balance sheet	(96,725)	(75,040)
Unrecognized past service cost	(30,429)	
Present value of actuarial liabilities completely unsecured	(127,154)	(75,040)

In 2011, expected contributions from subsidiary Escelsa for these benefits amount to R\$8,362.

These benefits' net expenses in 2010 and 2009 recognized in income as a contra entry to Post-employment benefits is as follows:

	2010	2009
Cost of current service	425	572
Interest cost	8,059	5,998
Past service cost	2,663	
Special cost due to end of benefit	(11,202)	
Total	(55)	6,570

Actuarial gains and (losses) are recorded in Valuation adjustments to equity, in shareholders' equity, in the period in which they occur. As of December 31, 2010, the balance is (R\$65,984) ((R\$32,219) as of December 31, 2009). The historical analysis of adjustments from actuarial gains and losses is as follows:

	12/31/2010	12/31/2009	12/31/2008	12/31/2007	12/31/2006
Adjustments from the experience with plan obligations					
Actuarial (Gains)/losses of obligations	33,765	25,182	(10,884)	1,601	(138)
Percentage of (Gains)/losses related to the plan total assets	26.55%	33.56%	-19.64%	2.42%	-1.94%
Plan situation					
Present value of obligations fully uncovered	(127,154)	(75,040)	(55,428)	(66,045)	(7,131)
Plan situation	(127,154)	(75,040)	(55,428)	(66,045)	(7,131)

The sensitivity analysis of medical costs trend rate variation is as follows:

Medical Care to Retirees	Core premises	Medical cost trend rate variation	
		+1%	-1%
Defined Benefit Obligation	118,051	132,013	106,245
Interest cost	6,342	6,915	5,839

The main assumptions utilized in this actuarial appraisal were as follows:

	2010			
	AIA (Retirement Incentive Aid)	Medical care	Life Insurance	Other benefits to retirees
Economic				
Discount rate	10.75% p.a.	10.75% p.a.	10.75% p.a.	10.75% p.a.
Growth of benefits in pension plans and benefit plans	4.50% p.a.	n/a	4.50% p.a.	4.50% p.a.
Long-term medical inflation	n/a	9.5%p.a. in 2011, decreased linearly to 5.5%p.a. up to 2019	n/a	n/a
Inflation	4.50% p.a.	4.50% p.a.	4.50% p.a.	4.50% p.a.
Demographic				
Mortality table	RP 2000 Geracional	RP 2000 Geracional	RP 2000 Geracional	RP 2000 Geracional
Mortality table for invalids	RP 2000 Disabled	RP 2000 Disabled	RP 2000 Disabled	RP 2000 Disabled
Disability table	Wyatt 85 Class 1	Wyatt 85 Class 1	n/a	Wyatt 85 Class 1
Turnover table			n/a	
2009				
Economic				
Discount rate	11.20% p.a.	11.20% p.a.	11.20% p.a.	11.20% p.a.
Growth of benefits in pension plans and benefit plans	4.50% p.a.	n/a	4.50% p.a.	4.50% p.a.
Long-term medical inflation	n/a	9.5%p.a. in 2010, decreased linearly to 5.5%p.a. up to 2018	n/a	n/a
Inflation	4.50% p.a.	4.50% p.a.	4.50% p.a.	4.50% p.a.
Demographic				
Mortality table	RP 2000 Geracional	RP 2000 Geracional	RP 2000 Geracional	RP 2000 Geracional
Mortality table for invalids	RP 2000 Disabled	RP 2000 Disabled	RP 2000 Disabled	RP 2000 Disabled
Disability table	Wyatt 85 Class 1	Wyatt 85 Class 1	n/a	Wyatt 85 Class 1
Turnover table			n/a	

23.3 Energest

The subsidiary Energest currently maintains the following retirement and pension supplementation plans on behalf of collaborators and former collaborators, managed by the entities listed below:

The subsidiary Energest has the following liabilities with post-employment benefits:

(i) Sponsorship of the complementary retirement and pension plans; and

(ii) Other post employment benefits made up of healthcare plan and other benefits to retirees.

Pursuant to CVM Resolution 600 of October 07, 2009, post employment benefit liabilities should be accounted for based on rules contained in CPC 33 of Accounting Pronouncements Committee. To meet this requirement, the Company hired independent actuaries to conduct an actuarial appraisal of these benefits according to the Projected Unit Credit Method.

23.3.1 Complementary retirement and pension plans

The parent company Energest is the sponsor of the complementary retirement and pension plans, managed by EnerPrev since September 19, 2008, current managing entity of pension plans so far managed by Fundação Escelsa de Seguridade Social – ("ESCELSOS") and Fundação Enersul, a closed entity, not for profit private pension plan entity responsible for managing a group of pension plans on behalf of the subsidiary Energest's employees and former employees, through two benefit plans: Benefit Plan I of the defined benefit type and Benefit Plan II of the defined contribution type, convertible into the defined benefit type on conversion to lifetime income.

The actuarial appraisal realized as at December 31, 2010 showed that for these pension plans, the fair value of the assets exceeded the present value of the actuarial liabilities as indicated below:

	2010			2009		
	Fair value of the plan assets	Fair value of the plan assets	Fair value of the plan assets	Fair value of the plan assets	Fair value of the plan assets	Fair value of the plan assets
Opening balance	(1,340)	2,782	1,442	(850)	2,469	(1,619)
Cost of current service	(25)		(25)	133		(133)
Interest cost	(144)		(144)	(92)		92
Earnings expected from assets		(615)	(615)		398	(398)
Actuarial gains or (losses) recognized in shareholders' equity	459		459	(622)		622
Contribution paid by the company		5	5		2	(2)
Contribution paid by employees	(7)	7	-	(2)	2	-
Contribution paid by the company		7	7		4	(4)
Benefits paid by the plan	71	(71)	-	93	(93)	-
Closing balance	(986)	2,115	1,129	(1,340)	2,782	(1,442)

The surplus in the defined benefit pension plans reduces the risk of an eventual actuarial liability for the Company. The company's management has not recorded this asset due to the uncertainty of an effective reduction in the Sponsor's contributions or of future reimbursement.

In its function as sponsor, the company makes a monthly payment proportional to EnerPrev members' contributions as established in each benefits plan.

The historical analysis of adjustments arising from actuarial gains and losses is as follows:

	12/31/2010	12/31/2009	12/31/2008	12/31/2007	12/31/2006
Adjustments from the experience with plan assets					
Actuarial (Gains)/losses of assets	930	(130)	(182)	(515)	(113)
Percentage of (Gains)/losses related to the plan total assets	43.97%	-4.67%	-7.37%	-46.23%	-24.41%
Adjustments from the experience with plan obligations					
Actuarial (Gains)/losses of obligations	(489)	622	182	37	46
Percentage of (Gains)/losses related to the plan total assets	-49.59%	46.42%	21.41%	19.27%	40.35%
Plan situation					
Present value of obligations not covered	(986)	(1,340)	(850)	(192)	(114)
Fair value of assets	2,115	2,782	2,469	1,114	463
Plan situation	1,129	1,442	1,619	922	349

The main classes of plan assets are as follows:

Debt instruments	88.33%
Shares	9.19%
Real estate	0.82%
Other	1.66%
Total	100.00%

The expected return rate of the assets was determined considering the allocation goal and expected return of each asset class, as follows:

Asset class	2010		2009	
	Expected allocation	Expected return	Expected allocation	Expected return
Debt instruments	70.00%	10.75%	82.40%	11.20%
Shares	20.00%	13.25%	14.40%	13.29%
Real estate	10.0%	10.75%	0.60%	11.20%
Other			2.60%	10.77%
Total	100.00%	11.25%	100.00%	11.49%

The effective return of the plan assets in the year was (R\$615), in comparison with an expected return of R\$315 in the beginning of the year, resulting in actuarial loss of R\$930.

We present below the demonstration of the number of plan participants:

	Plan I	Plan II	Total
Active participants	3	879	882
Assisted participants			
With deferred benefits		10	10
Retirees and pensioners	730	204	934
Total	733	1,093	1,826

The main assumptions utilized in this actuarial appraisal of the benefits were as follows:

	2010	
	Plan I	Plan II
Economic		
Discount rate	11.20% p.a.	11.25% p.a.
Future salary increases	5.55% p.a.	5.55% p.a.
Growth of benefits in pension plans and benefit plans	4.50% p.a.	4.50% p.a.
Average long-term inflation	10% p.a. in 2009, decreased linearly to 5.5% p.a. up to 2018	10% p.a. in 2009, decreased linearly to 5.5% p.a. up to 2018
Inflation	4.50% p.a.	4.50% p.a.
Capacity factor - salaries and benefits	100%	100%
Demographic		
Mortality table	RP 2000 Geracional	RP 2000 Geracional
Mortality table for disabled people	RP 2000 Disability	RP 2000 Disability
Disability table	Wyatt 85 Class 1	Wyatt 85 Class 1
Turnover table	Null as from 3 years of participation in the Benefit Plan	Null as from 3 years of participation in the Benefit Plan
2,009		
Economic		
Discount rate	11.20% p.a.	11.25% p.a.
Future salary increases	5.55% p.a.	5.55% p.a.
Growth of benefits in pension plans and benefit plans	4.50% p.a.	4.50% p.a.
Long-term medical inflation	10% p.a. in 2009, decreased linearly to 5.5% p.a. up to 2018	10% p.a. in 2009, decreased linearly to 5.5% p.a. up to 2018
Inflation	4.50% p.a.	4.50% p.a.
Capacity factor - salaries and benefits	100%	100%
Demographic		
Mortality table	RP 2000 Geracional	RP 2000 Geracional
Mortality table for disabled people	RP 2000 Disability	RP 2000 Disability
Disability table	Wyatt 85 Class 1	Wyatt 85 Class 1
Turnover table	Null as from 3 years of participation in the Benefit Plan	Null as from 3 years of participation in the Benefit Plan

23.3.2 Retirement incentive aid, medical care, life insurance and other benefits to retirees.

According to the same actuarial appraisal mentioned in Note 21.3, the following obligations with other post-employment benefits were assessed:

Medical care and other benefits to retirees - Medical care, dental care, medicines, and when it is proved that there is a special dependent, a benefit corresponding to 50% of subsidiary Energest minimum salary; and

The actuarial evaluation carried out as of December 31, 2010 determined a present obligation for defined benefit plans, as shown in the reconciliation of plans obligations:

	2010
	Fair value of the plan assets
Unrecognized past service cost	1,651
Present value of actuarial liabilities completely unsecured	1,651

The Company's expected contributions to this benefits for 2011 amount to R\$9.

The sensitivity analysis of medical costs trend rate variation is as follows:

Medical Care to Retirees	Core	Medical cost trend rate variation	
		+1%	-1%
Defined Benefit Obligation	1,567	1,840	1,343

The main assumptions utilized in this actuarial appraisal were as follows:

	2010	
	Medical care	Other benefits to retirees
Economic		
Discount rate	11.25% p.a.	11.25% p.a.
Future salary increases	5.55% p.a.	5.55% p.a.
Growth of benefits in pension plans and benefit plans	4.50% p.a.	4.50% p.a.
Long-term medical inflation	10% p.a. in 2009, decreased linearly to 5.5% p.a. up to 2018	10% p.a. in 2009, decreased linearly to 5.5% p.a. up to 2018
Inflation	4.50% p.a.	4.50% p.a.
Capacity factor - salaries and benefits	100%	100%
Demographic		
Mortality table	RP 2000 Geracional	RP 2000 Geracional
Mortality table for disabled people	RP 2000 Disability	RP 2000 Disability
Disability table	Wyatt 85 Class 1	Wyatt 85 Class 1
Turnover table	Null as from 3 years of participation in the Benefit Plan	Null as from 3 years of participation in the Benefit Plan
	2009	
	Medical care	Other benefits to retirees
Economic		
Discount rate	11.25% p.a.	11.25% p.a.
Future salary increases	5.55% p.a.	5.55% p.a.
Growth of benefits in pension plans and benefit plans	4.50% p.a.	4.50% p.a.
Long-term medical inflation	10% p.a. in 2009, decreased linearly to 5.5% p.a. up to 2018	10% p.a. in 2009, decreased linearly to 5.5% p.a. up to 2018
Inflation	4.50% p.a.	4.50% p.a.
Capacity factor - salaries and benefits	100%	100%
Demographic		
Mortality table	RP 2000 Geracional	RP 2000 Geracional
Mortality table for disabled people	RP 2000 Disability	RP 2000 Disability
Disability table	Wyatt 85 Class 1	Wyatt 85 Class 1
Turnover table	Null as from 3 years of participation in the Benefit Plan	Null as from 3 years of participation in the Benefit Plan

23.4 EnerPrev – Pension plans of the defined contribution type

EnerPrev is a closed, not for profit private pension plan entities and was created in the end of 2006 in order to centrally manage the pension plans of companies within the Group Energias do Brasil. EnerPrev manages its own plan and a private plan through Bradesco Vida e Previdência S.A. consisting of benefits of the Defined Contribution type, not generating any actuarial responsibility on the part of the Sponsors.

In the capacity of sponsors of this type of plan, the Companies from Grupo Energias do Brasil contributed the sum of R\$1,662 in the year (R\$983 in 2009).

23.5 EDP Renováveis, Enerpeixe and Evrecy

The applications of the benefit plans managed by Enerprev for the direct subsidiary Enerpeixe and the indirect subsidiaries EDP Renováveis and Evrecy were authorized in the first half of 2010.

24 Estimated personnel liabilities

	Parent company		Consolidated	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
		<i>Adjusted</i>		<i>Adjusted</i>
Payroll	3,020	3,869	41,384	42,607
PIS / COFINS				
IR / CSLL			64	
INSS & FGTS	1,754	302	9,002	6,221
Total	4,774	4,171	50,450	48,828

The Payroll account basically includes accrued vacation pay and respective social charges and provision for profit sharing and gainsharing.

25 Regulatory and sector charges

Accounts payable related to charges established in the electricity sector legislation are as follow:

	Current		Noncurrent	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Reversal Global Reserve Quota - RGR	12,022	2,929		
Collection quota to the Fuel Consumption Account - CCC	24,185	4,114		
Energy Development Account - CDE	16,188	16,443		
Financial offsetting for the use of hydric resources	6,569	5,820		
Tariff charges (ECE/ EAEEE)	31,860	31,952		
Research and development	58,929	40,488	9,584	11,511
Energy Efficiency Program	74,489	52,879	3,329	3,428
Use of Public Property - UBP - Granting rights		1,135		
Inspection fee - ANEEL	1,138	801		
Total	225,380	156,561	12,913	14,939

25.1 Research and Development ("R&D") and Energy Efficiency Program ("EEP")

Expenditures with R&D and PEE made by the subsidiaries are calculated under the terms of the sector legislation, of the electric energy concession contracts and are regulated by Normative Resolutions ANEEL n°s 300 and 316 of February 12, 2008 and May 13, 2008 respectively. The subsidiaries are obligated to invest 1% of the Net operating revenue adjusted in conformity with the criteria defined by ANEEL, recording the value of liability monthly by competent period. The liability is restated monthly by the variation of the SELIC rate up to the conclusion of the R&D and PEE (energy efficiency) projects, when its write-off occurs.

25.2 Other charges

Law n° 12.911 of December 9, 2009, regulated by circular Official Letters n°s 965/2010-SFF/ANEEL and 648/2010-SAF/ANEEL, established that the concession and permit holders for public electrical power distribution services are obliged to collect an additional 0.3% of net operating Revenues utilizing the same criteria for the constitution of R&D liabilities for the purposes of indemnifying the Federal Units that suffered loss of revenues as a result of ICMS tax collection on fossil fuels used to generate energy for the National Grid (Sistema Interligado Nacional).

26 Use of Public Property

The subsidiaries Enerpeixe and Investco, as retribution for the concession granted there to for exploration of the hydroelectric potentials of the Peixe Angical and Lajeado plants, respectively, pay to the Federal Government over the lifetime of the concession contracts and while they are exploring them, monthly installments equivalent to one twelfth (1/12) of the annual sum defined in the concession contracts, restated annually with a basis on the annual variation of IGP-M calculated by Fundação Getúlio Vargas (or another index that takes its place) in the months of October for Enerpeixe and December for Investco.

In accordance with CPC 38 - Financial Instruments - Recognition and Measurement, total fair value of the obligation referring to the Use of public property until the end of the concession agreement was provisioned and capitalized as a contra entry to Intangible assets (Note 19) at initial recognition.

This intangible asset is being amortized over the concession agreement period and the liability is being amortized by payment.

Current and noncurrent liabilities balances are recognized at present value at the project's implicit rate.

Changes in the year are as follows:

Principal	Consolidated	
	Current	Noncurrent
Balances at December 31, 2009	17,280	205,564
Entries		
Adjustment to present value	(1,446)	
Charges and monetary restatements	11,838	18,247
Amortizations	(16,279)	
Transfer to current	8,047	(8,047)
Balances at December 31, 2010	19,440	215,764

27 Provisions – Current and non-current

	Parent company		Consolidated	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
		<i>Adjusted</i>		<i>Adjusted</i>
Civil, tax, and labor provisions and other	28,230	26,677	149,944	148,016
Environmental licenses			32,147	11,124
Disassemblies			1,750	1,606
Total	28,230	26,677	183,841	160,746
Current	1,318	2,208	30,275	19,647
Noncurrent	26,912	24,469	153,566	141,099
	28,230	26,677	183,841	160,746

The Company and its subsidiaries are parties to legal actions and administrative proceedings in several courts and with government bodies arising from the normal course of operations, involving tax, labor, civil and other issues.

27.1 Provisions for contingencies and restricted deposits – current and non-current

27.1.1 Risk of probable loss

Based on information from its legal advisors and the analysis of pending lawsuits, managements of the Company and its subsidiaries have constituted provisions considered sufficient to cover losses estimated as probable for ongoing legal actions as follows:

Parent company									
Liabilities									
Degrees	Balance at 12/31/2009		Write-offs		Balance at 12/31/2010	Assets			
		Additions	Payments	Reversals		Judicial Deposit			
						12/31/2010	12/31/2009		
Labor claims	1st, 2nd and 3rd		157	(144)	(5)	8	5	486	
Tax	1st, 2nd, 3rd and Mgt	2,249			(2,249)			4,724	
Other		24,428	16,589	(7,524)	(5,271)	28,222		2,080	
Total		26,677	16,746	(7,668)	(7,525)	28,230	5	7,290	
Current		2,208				1,318			
Noncurrent		24,469				26,912			
Total		26,677				28,230			

Consolidated									
Liabilities									
Degrees	Balance at 12/31/2009		Write-offs		Balance at 12/31/2010	Assets			
		Additions	Payments	Reversals		Judicial Deposit			
						12/31/2010	12/31/2009		
Labor claims	1st, 2nd and 3rd	46,506	28,744	(9,018)	(21,257)	44,975	18,067	7,529	
Civil	1st, 2nd, 3rd and Mgt	66,189	20,785	(9,194)	(11,624)	66,156	24,154	10,441	
Tax	1st, 2nd, 3rd and Mgt	10,893	10,246	(6,526)	(4,022)	10,591	3,995	5,227	
Other		24,428	16,589	(7,524)	(5,271)	28,222		8,836	
Total		148,016	76,364	(32,262)	(42,174)	149,944	46,216	32,033	
Current		11,117				9,159			
Noncurrent		136,899				140,785			
Total		148,016				149,944			

As of December 31, 2010, the balances as of December 31, 2009, amounting to R\$2,208, were reclassified for better comparability from noncurrent liabilities to current liabilities under caption Other, referring to the exchange of Enersul shares for shares held by Investco that were previously held by Grupo Rede, and the amount R\$1,282 related to the provision for penalties due to supply interruption was reclassified from Other receivables in current liabilities, in subsidiary Escelsa.

27.1.2 Labor claims

Bandeirante

Law suits filed corresponding to the periods after January 1st, 1998 as per the agreement for the partial spin-off of Eletropaulo - Eletricidade de São Paulo S.A. Subsequently, pursuant to the Partial Spin-off Agreement of Bandeirante on October 1st, 2001, each concessionaire (Bandeirante and Piratininga) is responsible for the liabilities corresponding to the employees allocated to the respective regions taken over by each Company. Responsibility for corporate suits will be taken on according to the percentage proportion of the controllers (Bandeirante and Piratininga) as determined in the respective spin-off agreement.

Several suits question among other matters, overtime payments, hazardous work claims and reinstatement premiums.

The balance provided for as at December 31, 2010 is R\$16,039 (R\$18,718 in 2009).

Escelsa, Energest, CESA, Investco, Escelsapar and EDP

Several lawsuits questioning, among other issues, overtime payments, hazardous work and reinstatement premiums.

The balance provided for as at December 31, 2010 is R\$28,936 (R\$27,788 in 2009).

27.1.3 Civil

Bandeirante

Refer mainly to claims for reimbursement of amounts paid in the form of tariff increases by industrial consumers due to the application of DNAEE Ordinances 38 of February 27, 1986 and 45 of March 4, 1986 - the Cruzado Plan, in force from March to November of that year. Original values are restated based on the system practiced by the Judiciary. The balance as at December 31, 2010 is R\$40,260 (R\$41,814 in 2009).

Enertrade

Lawsuit filed by Enertrade, questioning the constitutionality of payments relating to the Energy Development Account – CDE.

The balance provided for as at December 31, 2010 is R\$3,786 (R\$3,589 in 2009).

27.1.4 Other

Refers mainly to the commitments covenanted in the exchange process of the control shares of Enersul with the control shares of Investco formerly belonging to Grupo Rede Energia S.A., relative to the lawsuits of various types filed against Enersul the generating events of which originated in periods when the control of Enersul was exercised by the Company.

27.2 Risk of possible loss

There are ongoing labor, civil and tax proceedings, the loss of which has been deemed as possible. These items are periodically reassessed, not requiring constitution of provisions in the financial statements and are as follow:

Degrees	Parent company	Assets				Assets	
		Judicial Deposit		Consolidated		Judicial Deposit	
		12/31/2010	12/31/2010	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Labor claims	1st, 2nd and 3rd	688	394	70,653	47,789	4,416	5,008
Civil	1st, 2nd, 3rd and Mgt			180,168	104,631	61,685	136
Tax	1st, 2nd, 3rd and Mgt	51,878	4,123	382,891	100,127	11,272	17,645
Other		55,553		59,284			
Total		108,119	4,517	692,996	252,547	77,373	22,789

Among the main claims where losses are deemed as possible, the highlights are as follow:

27.2.1 Civil

Investco

The lawsuits of a civil nature refer largely to the compensation claimed by parties that consider themselves affected by the filling of the plant reservoir or that intend to increase compensation received on account of the aforesaid filling, in the amount of R\$69,576 (R\$62,213 in 2009).

Due to their significant number, it is not possible to identify the current level of each one.

Bandeirante

In the civil sphere, the subsidiary Bandeirante is a party in lawsuit nº 2000.001.127615-0, running at the 10th Civil Court of the Central Forum of the Judiciary District of Rio de Janeiro, filed by White Martins, discussing the existence of impacts resulting from the effectiveness of administrative rulings 38/86 and 45/86 of the dissolved DNAEE, on electric power consumption tariffs. In the month of April 2010, the company complied with a legal determination of substitution of the existing procedural guarantee, of letter of guarantee by a bank deposit in the amount of R\$ 60,951. The lawsuit is currently under appeal.

Escelsa

Tariff raise, relating to the escalation of electricity tariff, authorized by DNAEE Rulings nºs 38 and 45 of February 27 and March 4, 1996 under discussion under the judicial sphere. On December 31, 2010, this proceeding amounts to R\$ 1,731 (R\$ 11,597 in 2009).

27.2.2 Tax

Energias do Brasil

The parent company is a party to administrative discussions related to the Federal Revenue Service not recognizing a corporate income tax (IRPJ) negative balance, determined for years 1999/2001, originated from a merged company (Magistra Participações S/A), and that totals R\$ 49,638.

Bandeirante

Among the main claims where losses are deemed as possible, the highlight is the discussion in the administrative sphere regarding ICMS credits utilized by the subsidiary Bandeirante in the period from July 2003 to December 88,281, referring to amounts of "Annulment/Return of Sale of Electric Energy" in the amount of R\$88,281. The subsidiary Bandeirante has presented defense and is awaiting judgment. Risk value substantially increased in the last year due to the new adjustment criteria of State Law 13,918/2009 and SF Resolution 98/2010.

Subsidiary Bandeirante has other tax contingencies amounting to approximately R\$90,772 referring to the administrative discussion of non-homologated offsets of credits arising from IRPJ, CSLL, PIS and COFINS overpayments in 2001, as a result of COSIT Opinion 26/2002 application (taxes on RTE).

Escelsa

INSS tax authorities issued collection notices on: (i) exclusion self-employed and or other corporate entities, with the argument that there exists an employment relationship between service providers and Company; (ii) the levy of INSS tax on profit sharing and scholarship payments made to employees that are pension plan members. These tax collection notices amount to R\$8,685 and are currently awaiting an administrative decision.

Several Municipal Authorities - Subsidiary Escelsa is discussing in court the collection of ISSQN allegedly levied on services related to the supply of electric power. Also includes payment demand on land occupied by posts for the electricity network and public lighting. These lawsuits amount to R\$6,904 and are awaiting lower court decision.

Subsidiary Escelsa is a party to administrative discussions related to offsets not homologated by the Federal Revenue Service backed by credits recognized in court, as well as credits arising from IRPJ and CSLL overpayment and negative balances that amount to R\$57,241.

Enertrade

The trading company is discussing in court the levy of ICMS on interstate electric power commercialization transactions amounting to R\$13,963 and collateralized by bank guarantees. The lawsuit is awaiting a final decision.

There are administrative discussions about the collection of IRPJ, CSLL, PIS and COFINS debts referring to 2004/2006, arising from the non homologation of these taxes credit offset. These proceedings amount to R\$9,772 on December 31, 2010.

Based on the opinion of its legal counsel that losses are possible, the Company did not record a provision for these contingencies.

27.2.3 Other

Refer to the contingency described in note 27.1.4

27.3 Risk of remote loss

In addition to this, in the subsidiary companies Bandeirante, Escelsa CESA, Escelsapar, Enertrade, Investco, Lajeado there are labor, civil and tax related proceedings underway, for which the chances of losing have been estimated as being remote, and for these actions the court deposit balances on December 31, 2010 stood at R\$33,416.

28 Shareholders' equity

28.1 Capital stock

The Company's equity capital is of R\$ 3,182,716, represented by 158,805,204 shares, all of which common registered shares with no par value, with the following main characteristics:

- Capital stock is exclusively represented by common shares. Each common share will grant the holder the right to one vote in the resolutions of the Company's General Meetings;
- The shares are indivisible in relation to the Company. When the share belongs to more than one person, the rights vested thereupon will be exercised by the joint ownership representative.
- The issuance of beneficiary parts by the Company is hereby prohibited;
- The Company is authorized to increase the capital up to the limit of two hundred million (200,000,000) common shares regardless of statutory reform, by decision of the Board of Directors, which will also be responsible for establishing the terms of the issue, including price, term and form of its payment.
- The Company may issue shares, debentures convertible into common shares and subscription bonuses within the limit of the authorized capital; and
- At the sole discretion of the Board of Directors, it is possible to exclude or reduce the right of preference in the issues of shares, debentures convertible into shares and subscription bonuses, whose placement is performed through sale at a stock exchange or public subscription, under legal terms, and within the limit of the authorized capital.

The composition of the capital stock on December 31, 2010, and December 31, 2009 is shown as follows:

Shareholders	12/31/2010		12/31/2009		Controlling shareholder
	Quantity of shares	% interest	Quantity of shares	% interest	
Energias de Portugal Investments and Services, Sociedad Limitada (1) (2)	38,234,188	24.08	38,234,188	24.08	yes
Balwerk – Consult. Econômica e Particip., Soc.Unipessoal Ltda. (1) (2)	24,928,914	15.70	24,928,914	15.70	yes
EDP – Energias de Portugal, S.A. (1) (2)	39,739,013	25.02	39,739,013	25.02	yes
Electricidade de Portugal Internacional, SGPS, S.A.					yes
Herald Securities INC. (2)					yes
Treasury shares	280,225	0.18	280,225	0.18	
Other (3)	55,622,864	35.02	55,622,864	35.02	
Total	158,805,204	100	158,805,204	100	

(1) Shareholder with more than 5% of the voting shares.

(2) Foreign-owned company.

(3) There are 55,622,864 outstanding shares out of the total 158,805,204, that is, around 35.02% of the total quantity of shares.

Treasury stock does not have equity rights.

There are 17 lawsuits/shares in the possession of the Board of Directors.

The Fiscal Council has not been formed since the Initial Public Offer of July 13, 2005.

Calculation of free float:

	12/31/2010		12/31/2009	
	Number of shares	% interest	Number of shares	% interest
Number of shares of controlling shareholders	102,902,115	64.80	102,902,115	64.80
Number of shares - reciprocal interest				
Number of treasury shares	280,225	0.18	280,225	0.18
Number of shares for members and directors	17	0.00	17	0.00
Total of non-outstanding shares	103,182,357		103,182,357	
Total of shares	158,805,204		158,805,204	
Total of outstanding shares	55,622,847	35.02	55,622,847	35.02

28.2 Allocation of net income

The Company's dividend policy, pursuant to the 120th meeting of the Board of Directors held on March 5, 2008, establishes the payment of a minimum amount equivalent to fifty percent (50%) of the adjusted net income, calculated in conformity with articles 189 and following articles of Corporation Law, which can be reduced when thus required by a legal or regulatory provision or, when recommendable in view of the financial situation and/or future prospects of the Company.

	12/31/2010
Net income for the year	587,873
Adjusted net income	587,873
Prior year adjustments - Law nº 11,638/07	(108,122)
Adjusted net income	479,751
Formation of legal reserve - 5%	(23,987)
	455,764
Allocation of net income:	
Dividends	113,941
Intermediary dividends - Interest on Own Capital	106,000
Supplementary dividends	7,941
Profit retention reserve	341,823
Number of shares	158,524,979
Dividends per share - Interest on Own Capital - R\$	0.688664
Dividends per share - supplementary - R\$	0.050093

28.3 Reserves

	12/31/2010	12/31/2009
Capital reserves		Adjusted
Goodwill on merger of parent company	95,598	96,656
	95,598	96,656
Equity valuation adjustments		
Actuarial (loss) / gain with Retirement benefits	(114,497)	(30,177)
Financial assets available for sale	3,301	1,585
Cash flow hedge	(30,453)	(31,763)
Income tax and social contribution - deferred	37,807	10,260
	(103,842)	(50,095)
Profit reserves		
Legal	134,322	111,951
Profit retention	1,252,298	1,131,096
	1,386,620	1,243,047
Total	1,378,376	1,289,608

Description of the capital reserves' nature:

- Goodwill in the takeover of parent company referring to the corporate restructuring performed in the year 2005 in the amount of R\$ 35,348; and
- Result in the sale of treasury shares in 2009 in the amount of R\$ 60,251.

28.3.1 Profit retention reserve

Reserve for profit retention has been constituted pursuant to Article 196 of Law 6404/76 in support of the Company's Capital Expenditures' Program as set forth in the capital budgets submitted to the Ordinary General Shareholders' Meetings.

29 Dividends – assets and liabilities

	Parent company				Consolidated	
	Assets		Liabilities		Liabilities	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009
	<i>Adjusted</i>		<i>Adjusted</i>		<i>Adjusted</i>	
Bandeirante	61,614	51,439				
Escelsa	36,980	34,637				
Energset	16,892	15,550				
Enertrade	3,896	5,969				
Enerpeixe	10,200	12,012				
Investco					12,197	11,282
Lajeado	39,730	16,501				
Shareholders - Energias do Brasil			100,822	75,391	100,822	75,391
Eletrobrás					70,573	49,187
Governo de Tocantins					750	750
Furnas Centrais Elétricas S.A.					6,800	8,008
Total	169,312	136,108	100,822	75,391	191,142	144,618

30 Net operating revenue

	Consolidated					
	N° of consumers (*)		MWh (*)		R\$	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009
					<i>Adjusted</i>	
Supply of electric energy						
Residential	2,342,008	2,282,266	4,893,570	4,704,227	2,055,588	1,906,291
Industrial	21,941	20,876	4,290,504	3,906,217	1,344,924	1,226,847
Commerce, services and other	193,808	191,440	2,897,925	2,781,321	1,104,002	1,049,630
Rural	160,201	150,226	660,799	609,038	147,924	126,068
Public power	17,855	18,461	513,891	499,958	194,401	186,798
Public lighting	2,228	2,145	521,232	513,244	114,613	110,640
Public utility service	2,304	2,197	433,464	412,245	117,524	111,607
Own consumption	261	253	13,836	13,695		
Total billed supply	2,740,606	2,667,864	14,225,221	13,439,945	5,078,976	4,717,881
(-) ICMS						
Residential					(462,368)	(430,096)
Industrial					(257,974)	(241,566)
Commerce, services and other					(229,756)	(218,438)
Rural					(19,043)	(8,582)
Public power					(28,655)	(27,298)
Public lighting					(23,965)	(23,091)
Public utility service					(25,104)	(24,006)
					(1,046,865)	(973,077)
Total billed supply, net of RTE and ICMS					4,032,111	3,744,804
Unbilled supply					(21,319)	56,252
Billed supply - free clients					387,317	417,581
(-) ICMS on billed supply - free clients					(40,573)	(57,831)
Tariff modicity - low income					25,299	24,096
Supply of electric energy	3	3	9,020,954	8,226,810	579,782	561,476
Trading supply					430,165	364,504
ECE & EAEEE					(6)	(14)
					5,392,776	5,110,868
Transfer to tariff of use of the system of distribution - captive clients					(2,616,278)	(2,580,193)
(-) ICMS on transfer to tariff of use of the system of distribution - captive clients					550,937	536,545
Total supply of electric energy					3,327,435	3,067,220
Distribution and transmission system						
Transfer to tariff of use of the system of distribution - other	120	107	9,034,008	7,423,297	918,956	694,657
(-) ICMS on tariff of use of the system of distribution - other					(286,214)	(191,478)
Transfer to tariff of use of the system of distribution - captive clients					2,616,278	2,580,193
(-) ICMS on tariff of use of the system of distribution - captive clients					(550,937)	(536,545)
					2,698,083	2,546,827
Other operating income						
Short-term energy					147,777	37,841
Taxed services and other					191,118	139,334
Total other operating income					338,895	177,175
(-) Deductions from revenue					6,364,413	5,791,222
PEE and R&D					(45,922)	(42,653)
Other charges					(44,634)	(34,270)
CCC					(221,389)	(169,833)
CDE					(194,264)	(197,311)
RGR					(43,595)	(41,890)
PIS/COFINS					(779,572)	(680,719)
ICMS						(2,332)
ISS					(721)	(512)
					(1,330,097)	(1,169,520)
Total	2,740,729	2,667,974	32,280,183	29,090,052	5,034,316	4,621,702

(*) Not audited by independent auditors

31 Operating expenses

	Parent company				
	Operating expenses			2010	2009
	With commercialization	General and administrative	Other	Total	Total
Manageable					
Personnel, Managers and Private Pension Plan Entity		21,627		21,627	21,283
Material		967		967	617
Third-party services		26,839		26,839	28,667
Depreciation and amortization		17,993		17,993	19,920
Provisions for contingencies			(609)	(609)	22,220
Rental and leases		2,981		2,981	2,779
Other	2,132	13,546		15,678	12,026
Total	2,132	83,953	(609)	85,476	107,512

	Consolidated							
	Service cost			Operating expenses			2010	2009
	With electric energy	Operation	Rendered to third-parties	With Trading	General and administrative	Other	Total	Total
Not manageable								<i>Adjusted</i>
Electricity purchased for resale								
Itaipu	391,340						391,340	454,213
Auction	974,377						974,377	711,812
PROINFA	69,135						69,135	60,643
Bilateral contracts	777,460						777,460	800,746
Short-term energy - CCEE	67,184						67,184	68,319
Other suppliers	81,717						81,717	81,978
Use and connection charge	561,010						561,010	502,340
Charge - CCEE	95,423						95,423	20,315
Energy Efficiency Program								272
PIS/COFINS	(319,426)						(319,426)	(300,057)
Inspection fee						12,631	12,631	11,587
Financial compensations						30,491	30,491	27,567
	2,698,220	-	-	-	-	43,122	2,741,342	2,379,735
Manageable								
Personnel, Managers and Private Pension Plan Entity		151,934	442		114,085	219	266,680	261,586
Material		16,021	1,596		4,686	13	22,316	24,236
Third-party services		187,045	3,547	139	133,518	250	324,499	284,653
Depreciation and amortization		276,203			81,775		357,978	334,106
Allowance for doubtful accounts/net losses				76,911			76,911	36,682
Provisions for contingencies						6,521	6,521	34,858
Rental and leases		746	7		8,607	209	9,569	8,833
PIS/COFINS		(2,043)			(33,021)		(35,064)	
Other		31,390	458	3,202	34,173	2,323	71,546	94,847
	-	661,296	6,050	80,252	343,823	9,535	1,100,956	1,079,801
Total	2,698,220	661,296	6,050	80,252	343,823	52,657	3,842,298	3,459,536

32 Financial result

	Parent company		Consolidated	
	2010	2009	2010	2009
		<i>Adjusted</i>		<i>Adjusted</i>
Financial revenues				
Revenue from financial investments	10,098	3,731	65,791	29,091
PIS/COFINS on financial revenues	(7)		(7)	(27)
Monetary variation and moratory addition from sold energy			76,379	78,995
Monetary variation and moratory addition from purchased energy			1,992	
Monetary restatement of judicial deposits - REFIS			33,417	
Monetary variations - domestic currency	1,656		10,032	(3,774)
Monetary variations - foreign currency		4	16,325	62,764
SELIC on taxes and social contributions to offset	5,179	5,385	27,553	10,080
Discounts obtained			9	12
Adjustment to present value	753	(4,281)	87,675	(5,185)
Other financial revenue	8,749	89,485	18,806	120,835
Gain on the disposal of foreign exchange securities				3,767
	26,428	94,324	337,972	296,558
Financial expenses				
Interest and fines on taxes	(6,606)		(6,606)	
Debt charges	(779)	(29,858)	(226,822)	(259,786)
Monetary variations - domestic currency	(4,592)		(17,156)	(14,351)
Monetary variations - foreign currency		(2)	(52)	13,083
Charges on fiscal contingencies		(13,774)	(11,225)	(33,941)
Swap and <i>hedge operations</i>			(18,162)	(16,629)
SELIC - Free energy			(14,452)	(32,033)
Monetary restatement REFIS			(22,512)	
Mark-to-market - MTM			(52,960)	(9,511)
Adjustment to present value			(88,894)	(1,201)
Monetary restatement - loan agreements			(11,752)	
Other financial expenses	(14,783)	(4,414)	(44,392)	(24,201)
	(26,760)	(48,048)	(514,985)	(378,570)
Total	(332)	46,276	(177,013)	(82,012)

33 Income and social contribution taxes

	Parent company				Consolidated			
	Income tax		Social contribution		Income tax		Social contribution	
	2010	2009	2010	2009	2010	2009	2010	2009
Net income before income and social contr. taxes	581,204	697,265	581,204	697,265	985,705	1,107,069	985,705	1,107,069
Rate	25%	25%	9%	9%	25%	25%	9%	9%
IRPJ & CSLL	(145,301)	(174,316)	(52,308)	(62,754)	(246,426)	(276,767)	(88,713)	(99,636)
Adjustments to reflect current rate								
Donations	(33)	(89)	(12)	(32)	(817)	(1,485)	(294)	(536)
Depreciation						724		260
Undeductible losses					(2,709)	(387)	(975)	(139)
Undeductible fines	(1)	(1)			(82)	(23)	(29)	(8)
Undeductible expenses	(52)	547	(19)	197	(223)	165	(80)	60
Bonus to management	(125)	(604)	(45)	(217)	(534)	(642)	(193)	(230)
Research and development					1,472	660	530	207
Allowance for Doubtful Accounts					(209)	(63)	(75)	(23)
Equity accounting result	168,321	176,714	60,595	63,617		103		36
REFIS program		3,130		1,127		16,790		6,044
Interest on own capital	(13,396)	(37,227)	(4,823)	(13,401)	39,177	12,706	14,103	4,575
Other					(1,777)	15,303	(641)	5,510
Deferred and unrecognized IRPJ & CSLL	(9,413)	29,727	(3,389)	10,701	(14,454)	23,018	(5,204)	8,775
DIPJ adjustments regarding previous year	4,176		2,494		12,165	(2,767)	1,253	1,170
Deemed profit adjustment					10,545	9,444	3,594	3,265
Tax incentives					24			
Additional IR (Income Tax)					288	298		
PAT					299	314		
Rouanet Law					1,439	2,063		
Sport						441		
FIA					315	190		
SUDENE					29,167	21,833		
Income and social contribution tax expenses	4,176	(2,119)	2,493	(762)	(172,340)	(178,082)	(76,724)	(70,670)
Current rate	-0.72%	0.30%	-0.43%	0.11%	17.48%	16.09%	7.78%	6.38%

34 Financial instruments

In compliance with Directive Release CVM/SNC/SEP n° 3/2009, of November 19, 2009, and CVM Instruction n° 475, of December 17, 2008, the Company carried out a valuation of its financial instruments, including the derivatives, when applicable.

34.1 General considerations

The Company maintains operations with financial instruments. The administration of these instruments is executed by means of operating strategies and internal controls aiming to ensure liquidity, safety and profitability. The contracting of financial instruments with hedge objectives is performed by means of a periodic analysis of the exposure to the financial risks (foreign exchange, interest rate etc.), which is reported regularly through risk reports made available to Management. In compliance with the Financial Risk Management Policy of Grupo EDP do Brasil, and with a basis on periodic analyses consubstantiated by the risk reports, specific strategies are defined for the mitigation of financial risks, which are approved by Management, for approval and effective operation of aforesaid strategy. The control policy consists of permanent monitoring of the conditions contracted versus conditions in force in the market through operating systems integrated to the SAP platform. The Company does not perform investments in derivatives or any other risk assets on a speculative basis. The results obtained with these operations are in line with the policies and strategies defined by Company Management.

The administration of the risks associated with these operations is performed through the application of policies and strategies defined by Management and include the monitoring of levels of exposure of each market risk, forecast of future cash flows and establishment of limits of exposure. This policy also determines that the updating of information in operating systems, as well as the confirmation and effective operation of transactions with the counterparts, shall be performed with the appropriate segregation of duties.

34.2 Fair value

Fair value is the amount by which the asset may be exchanged, or a liability settled, between parties that know the business and have the interest to make it, in a transaction without advantages to any of the parties.

The fair value concept addresses several different measurement methods intended to reliably measure an amount. Some mathematical models were developed for that.

To determine fair value, financial instruments flow until the end of operations is projected, according to contract rules, and forward interbank investment average rate, disclosed by BM&FBovespa, is used as the discount rate. Some carrying amounts are equivalent to fair value because these financial instruments balances are substantially similar to those that would be obtained had they been traded in the market.

Financial instrument transactions are presented in the balance sheet at their carrying amounts, equivalent to their fair value, under captions cash and cash equivalents, consumers and concessionaires, related parties, collaterals and escrow deposits and trade accounts payable. For loans, financing and debt charges and debentures, the carrying amount differs from fair value.

	Parent company			
	Fair value		Book value	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Financial assets				
Current				
Cash and cash equivalents	285,812	233,440	285,812	233,440
Accounts receivable	1,121		1,121	
Pledges and restricted deposits	222		222	
Assets available for sale				
Denerge's shares	40,801	39,086	40,801	39,086
Noncurrent				
Accounts receivable	21,506	23,380	21,506	23,380
Related parties	116,622	175,871	116,622	175,871
Financial liabilities				
Current				
Suppliers	3,370	10,416	3,370	10,416
Noncurrent				
Related parties	189	7,024	189	7,024
	Consolidated			
	Fair value		Book value	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Financial assets				
Current				
Cash and cash equivalents		1,126,449		1,102,022
Indemnifiable financial assets		823		823
Accounts receivable		8,659		5,999
Consumers and concessionaires		888,806		901,781
Pledges and restricted deposits		62,863		67,384
Assets available for sale				
Denerge's shares		40,801		39,086
Other regulatory assets - derivatives		400		-
Noncurrent				
Accounts receivable		18,755		21,938
Indemnifiable financial assets		397,324		325,262
Consumers and concessionaires		63,733		64,862
Pledges and restricted deposits		9,332		13,062
Financial liabilities				
Current				
Suppliers		626,381		508,056
Debentures		243,015		217,013
Loans, financing and debt charges		342,037		517,742
Derivatives		19,656		20,529
Regulatory and sector charges		225,380		156,561
Use of public property		19,440		17,280
Noncurrent				
Suppliers		915		-
Debentures		668,644		468,222
Loans, financing and debt charges		2,108,264		1,784,074
Derivatives		99,899		55,813
Regulatory and sector charges		12,913		14,939
Use of public property		215,764		205,564

Considering the similar characteristics and using the knowledge obtained on the Company's financial instruments, financial instruments have to be classified according to accounting pronouncements, which classify financial assets as loans and receivables, financial assets measured at fair value through profit or loss, held-to-maturity and available for sale and financial liabilities as financial liabilities measured at fair value through profit or loss and other financial liabilities at amortized cost.

Parent company					
12/31/2010					
		Fair value through the statement of income	Held to maturity	Available for sale	Total
Financial assets	Loans and receivables				
Cash and cash equivalents		285,812			285,812
Accounts receivable	22,627				22,627
Pledges and restricted deposits			222		222
Assets available for sale					
Denerge's shares				40,801	40,801
Related parties	116,622				116,622
	139,249	285,812	222	40,801	466,084

	Other at amortized cost	Total
Financial liabilities		
Suppliers	3,370	3,370
Related parties	189	189
	3,559	3,559

12/31/2009					
		Fair value through the statement of income	Held to maturity	Available for sale	Total
Financial assets	Loans and receivables				
Cash and cash equivalents		233,440			233,440
Accounts receivable	23,380				23,380
Assets available for sale					
Denerge's shares				39,086	39,086
Related parties	175,871				175,871
	199,251	233,440	-	39,086	471,777

	Other at amortized cost	Total
Financial liabilities		
Suppliers	10,416	10,416
Related parties	7,024	7,024
	17,440	17,440

Consolidated					
12/31/2010					
		Fair value through the statement of income	Held to maturity	Available for sale	Total
Financial assets	Loans and receivables				
Cash and cash equivalents		1,126,449			1,126,449
Accounts receivable	27,414				27,414
Indemnifiable financial assets	398,147				398,147
Consumers and concessionaires	952,539				952,539
Pledges and restricted deposits			72,195		72,195
Assets available for sale					
Denerge's shares				40,801	40,801
Other regulatory assets - derivatives		400			400
	1,378,100	1,126,849	72,195	40,801	2,617,945

	Fair value through the statement of income	Other at amortized cost	Total
Financial liabilities			
Suppliers		627,296	627,296
Debentures		869,323	869,323
Loans, financing and debt charges		2,397,029	2,397,029
Derivatives	119,555		119,555
Regulatory and sector charges		254,363	254,363
Use of public property		219,134	219,134
	119,555	4,367,145	4,486,700

12/31/2009					
Financial assets	Loans and receivables	Fair value through the statement of income		Available for sale	Total
		Held to maturity			
Cash and cash equivalents		1,102,022			1,102,022
Accounts receivable	27,937				27,937
Indemnifiable financial assets	326,065				326,065
Consumers and concessionaires	966,643				966,643
Pledges and restricted deposits			80,446		80,446
Assets available for sale					
Denerge's shares				39,086	39,086
	<u>1,320,665</u>	<u>1,102,022</u>	<u>80,446</u>	<u>39,086</u>	<u>2,542,219</u>

Financial liabilities	Fair value through the statement of income		Total
	Other at amortized cost		
Suppliers	508,056	508,056	508,056
Debentures	663,184	663,184	663,184
Loans, financing and debt charges	2,453,760	2,453,760	2,453,760
Derivatives	76,342	76,342	76,342
Regulatory and sector charges	171,500	171,500	171,500
Use of public property	222,844	222,844	222,844
	<u>76,342</u>	<u>4,019,344</u>	<u>4,095,686</u>

The hierarchy of financial instruments according to fair value regulates the need for more consistent information, adjusted to the Company's external environment. The Company's instruments fair value measurement requirements:

- (a) Level 1– prices agreed on in active markets for identical assets and liabilities;
- (b) Level 2 - differ from asset and liability prices negotiated in active markets included in Level 1, directly or indirectly;
- (c) Level 3 - for assets and liabilities not based on market variables.

The methodology applied to classify the Company's financial instruments fair value in levels was based on an individual analysis that searched for similar transactions in the market; comparison criteria were structured considering terms, amounts, grace period, indices and active markets. The simpler and easier is the access to comparative information, the more active is the market; the more restrict is the information, more restrict is the market to measure the instrument.

Parent company				
	Fair value measurement			
	12/31/2010	Identical markets Level 1	Similar markets Level 2	Without an active market Level 3
Financial assets				
Current				
Cash and cash equivalents	285,812		285,812	
Assets available for sale	40,801		40,801	
Denerge's shares				
	<u>326,613</u>	<u>-</u>	<u>326,613</u>	<u>-</u>

Consolidated				
	Fair value measurement			
	12/31/2010	Identical markets Level 1	Similar markets Level 2	Without an active market Level 3
Financial assets				
Current				
Cash and cash equivalents	1,126,449		1,126,449	
Denerge's shares	40,801		40,801	
Other regulatory assets - derivativx	400		400	
Financial liabilities				
Current				
Derivatives	19,656		19,656	
Noncurrent				
Derivatives	99,899		99,899	
	<u>1,287,205</u>	<u>-</u>	<u>1,287,205</u>	<u>-</u>

34.3 Market risk

The market risk is presented as the possibility of losses due to the fluctuation of variables that impact market prices and rates. This fluctuation impacts virtually all segments, thus representing financial risks.

Loans and financing, and debt charges presented in note 22 refer to funds raised from BID, BNDES, Eletrobrás, Banco do Brasil and Banco Santander. Contract rules for financial liabilities acquired by the Company generate risks related to these exposures. As of December 31, 2010, the Company is subject to market risks associated to TJLP, CDI, IGP-M and US dollar and Euro changes.

As IGP-M, TJLP and CDI are interest rate risks, we took into consideration that the Brazilian economy has a favorable scenario for robust growth and infrastructure investments. Inflation under control and credit offer are key risk factors to consider when raising funds linked to these indices. It should be considered that inflation growth and increasing SELIC rate indicate that the cost of these transactions will be higher.

Considering the strong currency and the country risk under control, loans denominated in US dollars and Euros are considered favorable. In addition, the exchange rate risk in foreign currency transactions is considered. In an economy where exchange rate fluctuation is very high, this exposure may be a relevant factor to make the transaction not possible. The Company maintains derivatives used for hedge to control all exchange rate exposures.

Considering that the market rate (or opportunity cost of capital) is defined by external agents, taking into account the risk premium compatible with activities in the sector, and lacking other alternatives or different market hypotheses and/or estimate methodologies with respect to company business and special features of the sector, the market value of this loan package comes close to its book value, as do the remaining financial assets and liabilities evaluated.

34.3.1 Sensitivity analysis

In the chart below, scenarios for the different indices used by the Company were considered; from interest rate and other indices fluctuation to transactions maturity. The probable scenario was adopted by the Company, based mainly on macroeconomic assumptions obtained from the Focus report of the Brazilian Central Bank, scenarios II and III consider a risk increase of 25% and 50%, respectively, and scenarios IV and V consider a risk reduction of 25% and 50%, respectively.

These sensitivity analyses were prepared in accordance with CVM Instruction nº 475/2008, and are intended to measure the impact of changes in the market variables on each financial instrument of the Company. Nevertheless, the settlement of transactions involving these estimates can result in amounts different from those estimated due to the subjectivity that is contained in the process used in the preparation of these analyses. Information in the chart demonstrates the impact of each risk variation in the Company's results.

Transaction	Risk	Consolidated				
		Scenario (I)	Scenario (II)	Scenario (III)	Scenario (IV)	Scenario (V)
		Probable	Risk increase by 25%	Risk increase by 50%	Risk reduction by 25%	Risk reduction by 50%
Financial assets						
Financial Investments	CDI	52,382	65,478	78,573	39,287	26,191
Pledges and restricted deposits	CDI	1,622	2,028	2,433	1,217	811
Financial liabilities						
IDB	US\$	903	1,129	1,355	677	452
Loans and financing - BNDES & CALC	TJLP	147,410	184,263	221,115	110,558	73,705
Debentures	CDI	302,180	377,725	453,270	226,635	151,090
Debentures	IGP-M	1,444	1,805	2,166	1,083	722
Bank Credit Bill	CDI	19,952	24,940	29,928	14,964	9,976
Commercial credit note	CDI	48,570	60,713	72,855	36,428	24,285
Swap - Liability Leg - BID	CDI	738	923	1,107	554	369
Swap - Liability Leg - NDF	USD	68,392	85,490	102,588	51,294	34,196
Swap - Liability Leg - NDF	EUR	391	489	587	293	196
Swap - Liability Leg - (i)	Libor	33,640	42,050	50,460	25,230	16,820
Swap - Liability Leg - (ii)	Libor	3,841	4,801	5,762	2,881	1,921
Reference value						
CDI - 10.0%						
TJLP - 6.0%						
US\$ - R\$ 1.9662						
EUR - R\$ 2.2280						
Libor - 0.45400%						
IGP-M - 5.0%						

34.4 Liquidity risk

Liquidity risk relates to the Company's capacity to settle obligations assumed. In order to determine the Company's financial capacity to meet commitments assumed, maturities of funds raised and other obligations are also disclosed. More details on loans raised by the Company are presented in note 22.

The Company's management uses only credit lines that allow operating leverage; this premise is reaffirmed by the characteristics of funds effectively raised.

Covenants are financial indicators that control the Company's financial health, as required by fund raising contracts. Non-compliance with covenants of loan and financing agreements may result in an immediate disbursement or early maturity of a liability with defined flow and periodicity. The list of each contract's covenants is presented in note 21. Up to December 31, 2010, all covenants of contracted obligations were fully complied with.

The obligations' realization flows, according to contract terms, are as follows:

Consolidated					
12/31/2010					
Contractual obligations	Total	Maturities in 2011	Maturities from 2012 to 2014	Maturities from 2015 to 2016	Maturities up to 2016
Debentures	869,323	231,730	326,985	310,608	
Loans, financing and debt charges	2,397,028	281,961	936,208	467,953	710,906
Derivatives	119,555	72,234	13,681		33,640
	3,385,906	585,925	1,276,874	778,561	744,546

12/31/2009					
Contractual obligations	Total	Maturities in 2010	Maturities from 2011 to 2013	Maturities from 2014 to 2015	Maturities up to 2015
Debentures	663,184	209,950	369,723	83,511	
Loans, financing and debt charges	2,455,912	577,209	839,692	446,479	592,532
Derivatives	74,190		58,598		15,592
	3,193,286	787,159	1,268,013	529,990	608,124

The Company's most expressive financial assets are presented in captions Cash and cash equivalents (note 6) and Consumers and concessionaires (note 7). As of December 31, 2010, Cash represents the amount immediately available and Cash equivalents are short-term investments maturing in up to 90 days that are immediately convertible into a known cash amount. Consumer and concessionaires balances presented in note 7 comprise the estimated flow of receivables.

34.5 Credit risk

The credit risk is the possibility that the Company does not realize its rights, and this is directly related to the accounts cash and cash equivalents, consumers and concessionaires, collaterals and escrow deposits, among others.

In the electric power industry, the companies' operations are reported to the regulatory agency, which maintains updated information on power volume produced and consumed, permitting the preparation of plans to guarantee the system operation without interferences or interruptions. Power is traded through auctions and contracts, among other mechanisms, bringing reliability and control on default. The priority of concession agreements for power distribution is to serve the market without excluding low income population and areas with lower population density.

Accepting and serving these new consumers dwelling in the concessionaire's operating area is a rule of the concession agreement.

For subsidiaries Bandeirante and Escelsa, distribution companies, the financial instrument that may expose them to credit risk is Trade accounts receivable; accounting rules are based on the regulatory agency's standards and assumptions approved by the Company's management.

The diversification of the power consumer basis makes the Company's receivables less volatile; estimated rate of credit default is 14.31%, as shown in note 7.

The main tool used to mitigate the risk of non-realization of financial assets is to suspend power supply to consumers in default; before the suspension, the Company makes administrative collections, bill notices, etc. The Company offers to consumers several communication channels, as follows call centers, service stores and Internet.

Short-term investments are also a source of credit risk. The management of these financial assets is done through operating strategies and internal controls, aimed at assuring liquidity, security and profitability.

Specific mitigation strategies of the Financial Risk Management Policy of Grupo EDP Energias do Brasil are periodically conducted based on information from risk reports. The control policy consists of permanent monitoring of the conditions contracted versus conditions in force in the market through operating systems integrated to the SAP platform. The Company does not perform investments on a speculative basis. The results obtained with these operations are in line with the policies and strategies defined by Management.

The Company contracts short-term investments only from financial institutions rated as low risk by *rating agencies* in order to guarantee better profitability and reliable results.

Management understands that the contracted financial investments do not expose the Company to significant risks that might generate material losses in the future.

34.6 Derivative financial instruments

A derivative financial instrument is the instrument whose value is influenced by the fluctuation of a financial instrument rate or price, does not require an initial investment or the initial investment is much lower than that of similar contracts and is always settled in a future date.

Subsidiary Enertrade sold an electric power purchase option agreement which provides for the supply of electric power until December 31, 2011 at a more attractive price or, in case the option is not exercised, the counterparty should pay to the Company the resulting premium in proportion to the remaining supply period. The contract premium was fully recognized in the Company's financial results.

Gains and losses arising from the Company's derivatives fluctuations in the year were recorded in the income statement, and gains and losses associated with hedge accounting registered in the jointly controlled subsidiary Porto do Pecém, were recorded in shareholders' equity.

Financial instruments that qualify for hedge accounting as cash flow hedge, were elected due to effectiveness coverage tests. The amounts express the proportion of 50% of total investment in the jointly controlled subsidiary.

The hedge transaction qualified for hedge accounting is the purchase of a NDF in the amount of US\$327,000 maturing on October 1, 2012, to cover the Us dollar debt with BID. The changes in the fair value of the derivative hedge instrument designated as cash flow hedge are recognized directly in shareholders' equity in equity evaluation adjustment.

All cash flow hedge transactions were conducted by the jointly controlled subsidiary Porto do Pecém, while swaps were conducted by subsidiary Bandeirante. As of December 31, 2010, the Company's derivatives are recorded at market value.

The Company's derivatives market values are monthly quoted with counterparties.

Derivative financial instruments

	12/31/2010		12/31/2010	
	Cash Flow Hedge		SWAP	
Assets				
Var. USD + Libor	153,799		Libor + 4.375 % p.a.	5,477
Var. USD + Libor	115,895		Libor + 4.375 % p.a.	2,055
Var. USD + Libor	543,136		Libor + 4.375 % p.a.	3,439
USD	274,368		Libor + 4.375 % p.a.	2,751
EUR	1,896			
EUR	737			
	<u>1,089,831</u>			<u>13,722</u>
Liabilities				
Var. USD + 5.79% p.a.	171,934		104.69% of CDI	11,973
Var. USD + 5.82% p.a.	131,399		118.94% of CDI	4,036
Var. USD + 2.0895% p.a.	546,978		109.70% of CDI	6,442
R\$	342,761		109.50% of CDI	4,562
USD	2,026			
R\$	997			
	<u>1,196,095</u>			<u>27,013</u>
Total	<u>(106,264)</u>		Total	<u>(13,291)</u>

Gains and losses from the Company's subsidiaries derivative transactions in 2010 are as follows:

	Consolidated				
	Gains and losses of derivative financial instruments				
	Subsidiary	12/31/2010		12/31/2009	
Financial result		Shareholders' equity liquido	Financial result	Shareholders' equity	
Derivatives with protection purpose					
Exchange risks			779		
Exchange risks			433		
Exchange risks	Porto do Pecém	67,780	30,453	10,562	31,764
Exchange risks	Bandeirante	3,504		14,366	
		<u>71,284</u>	<u>30,453</u>	<u>26,140</u>	<u>31,764</u>

Derivatives' maturities are shown in the chart.

Consolidated	
Maturity	Derivatives (net)
2011	(72,234)
2012	(13,681)
After 2012	(33,640)
Balance payable	<u>(119,555)</u>

In compliance with CVM Instruction 475/2008, information on derivative financial instruments should include the hedged transaction motivation, the instrument fair value, the impact on the Company's results for the year and the main characteristics of the contracted instrument. This detail is shown on the table.

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Description	Subsidiary	Counterpart	Inception Maturity	Position	USD/EUR notional		Notional R\$/USD		Fair value		Impacts in income	
					12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Swap												
Assets	Enertrade	Bio Energias	4/23/2010	Electric power	-	-	-	-	400	-	400	-
Liabilities			12/31/2011	purchase option agreement					-	-	-	-
									400	-	400	-
Assets	Energest S/A	Banco Santander S/A	3/14/2008	USD + 4.81% p.a.	-	-	-	-	-	-	-	(411)
Liabilities			2/12/2009	111.90% of CDI					-	-	-	368
									-	-	-	779
Assets	Castelo Energética S/A	Banco Santander S/A	3/14/2008	USD + 4.81% p.a.	-	-	-	-	-	-	-	(249)
Liabilities			2/12/2009	111.90% of CDI					-	-	-	184
									-	-	-	(433)
Assets	Bandeirante Energia S/A	Banco Citibank	3/19/2004	Libor + 4.00 % p.a.	-	-	-	-	-	-	-	(60)
Liabilities			2/13/2009	97.94% of CDI					-	-	-	139
									-	-	-	(199)
Assets	Bandeirante Energia S/A	Banco Citibank	3/19/2004	Libor + 4.375 % p.a.	3,244	5,837	5,405	10,163	5,477	10,531	242	(3,594)
Liabilities			2/14/2012	104.69% of CDI					11,973	21,151	1,755	1,973
									(6,496)	(10,620)	(1,513)	(5,567)
Assets	Bandeirante Energia S/A	Banco Citibank	12/14/2004	Libor + 4.00 % p.a.	-	-	-	-	-	-	-	(22)
Liabilities			2/13/2009	118.94% of CDI					-	-	-	49
									-	-	-	(71)
Assets	Bandeirante Energia S/A	Banco Citibank	12/14/2004	Libor + 4.375 % p.a.	1,216	2,189	2,026	3,811	2,055	3,950	91	(1,347)
Liabilities			2/14/2012	118.94% of CDI					4,036	7,200	659	993
									(1,981)	(3,250)	(568)	(2,340)
Assets	Bandeirante Energia S/A	Banco JP Morgan	4/5/2006	Libor + 4.00 % p.a.	-	-	-	-	-	-	-	(37)
Liabilities			2/13/2009	106.30% of CDI					-	-	-	77
									-	-	-	(114)
Assets	Bandeirante Energia S/A	Banco JP Morgan	4/5/2006	Libor + 4.375 % p.a.	2,027	3,648	3,377	6,352	3,439	6,621	152	(2,246)
Liabilities			2/14/2012	109.70% of CDI					6,442	11,483	994	1,160
									(3,003)	(4,862)	(842)	(3,406)
Assets	Bandeirante Energia S/A	Banco JP Morgan	4/5/2006	Libor + 4.375 % p.a.	1,622	2,918	2,703	5,081	2,751	5,297	121	(1,797)
Liabilities			2/14/2012	109.50% of CDI					4,562	8,169	702	765
									(1,811)	(2,872)	(581)	(2,562)
Assets	Bandeirante Energia S/A	Banco JP Morgan	4/5/2006	Libor + 4.00 % p.a.	-	-	-	-	-	-	-	(30)
Liabilities			2/13/2009	98.00% of CDI					-	-	-	58
									-	-	-	(88)
Assets	Bandeirante Energia S/A	Banco JP Morgan	7/28/2004	USD	-	-	-	-	-	-	-	1
Liabilities			1/2/2009	71.60% of CDI					-	-	-	(1)
									-	-	-	
Assets	Bandeirante Energia S/A	Banco JP Morgan	7/11/2005	EURO	-	-	-	-	-	-	-	4
Liabilities			1/2/2009	59.80% of CDI					-	-	-	(4)
									-	-	-	
Assets	Bandeirante Energia S/A	Banco Citibank	2/11/2005	USD	-	-	-	-	-	-	-	(6)
Liabilities			1/28/2009	79.94% of CDI					-	-	-	8
									-	-	-	(14)
Assets	Porto do Pecém	Banco Citibank	4/2/2012	Var. USD + Libor	93,240	93,240	155,356	155,356	153,799	157,482	-	-
Liabilities			10/1/2021	Var. USD + 5.79% p.a.					171,935	165,934	11,568	22,523
									(18,136)	(8,452)	(11,568)	(22,523)
Assets	Porto do Pecém	Banco Citibank	4/2/2012	Var. USD + Libor	70,261	70,261	117,069	117,069	115,895	118,806	-	-
Liabilities			10/1/2024	Var. USD + 5.82% p.a.					131,399	125,944	9,889	19,021
									(15,504)	(7,138)	(9,889)	(19,021)

Assets	Porto do Pecém	Banco Citibank	11/16/2009	100% Libor	326,077	140,408	543,309	233,948	543,137	7,692		
Liabilities			11/16/2011	100% USD + 2.0895% p.a					546,978	11,404	2,450	9,892
									(3,841)	(3,712)	(2,450)	(9,892)
NDF												
Purchased Sold	Porto do Pecém (i)	Banco Citibank	10/17/2007	USD	179,764	195,505	299,523	325,750	274,368	305,062		4,104
			11/16/2011	USD					342,761	338,345	43,624	11,356
									(68,393)	(33,283)	(43,624)	(7,252)
Purchased Sold	Porto do Pecém	Banco Citibank	6/30/2009	EUR		10,959	-	18,260	-	11,285		24,576
			1/16/2012	R\$					-	10,959		11,973
									-	326	-	12,603
Purchased Sold	Porto do Pecém	BTG Pactual	6/30/2009	EUR	857	17,726	1,909	29,535	1,896	17,904		39,752
			1/16/2012	USD					2,026	17,726	83	19,367
									(130)	178	(83)	20,385
Purchased Sold	Porto do Pecém	BTG Pactual	6/30/2009	EUR	333	13,164	742	21,934	737	36,887		29,521
			1/16/2012	R\$					997	38,539	166	14,383
									(260)	(1,652)	(166)	15,138

34.7 Capital management

The purpose of the Group's capital management is to safeguard the continuous operation of the Group to offer return to shareholders and benefits to other stakeholders, as well as maintaining an ideal capital structure to reduce costs.

In order to maintain or adjust its capital structure, the Group may review its dividend payment policy, return capital to shareholders and even issue new shares or sell assets to reduce its indebtedness level.

	2010	2009
Total loans and debentures (Notes 21 and 22)	3,385,906	3,193,286
Less: cash and cash equivalents (Note 6)	(1,126,449)	(1,102,022)
Net debt	2,259,457	2,091,264
Total shareholders' equity	6,455,121	6,221,832
Total capital	8,714,578	8,313,096
Financial leverage rate - %	25.93	25.16

35 Commitments

The Board of Directors' Meeting n° 142, of October 28, 2009, decided and approved the granting of guarantee by the Company in the total amount of R\$115 million, whose beneficiaries are Rede Energia S.A. and Rede Power do Brasil S.A. (both pertaining to Rede Group), as collateral for the obligations supported up to that time by Rede Group resulting from the exchange of assets between the Company and Rede Group, in effect up to (i) the full replacement of the guarantees granted by Rede Group, or (ii) the issuance of a bank letter of guarantee in favor of Rede Group, whatever occurs first.

36 Financial assets available for sale

Refer to the acquisition of 5.63% of preferred shares, corresponding to 3.16% of all the shares of Denerge S.A., a close company that holds interest in companies from the electricity sector. In this negotiation, the Company has the option to convert Denerge shares into Rede Energia S.A. preferred shares, within a period of up to two years, at the price of a possible public offer, or exercise the option of converting those shares within one year and at R\$5.68 each if the public offering does not occur. As of December 31, 2010, these assets are marked-to-market.

37 Insurance coverage

The Company and its subsidiaries hold insurance contracts with coverage determined by specialist guidance, bearing in mind the nature and level of risk, for amounts deemed sufficient to cover eventual significant losses on their assets and liabilities. Given the nature of the risk assumptions, these are not part of the scope of an audit of financial statements, and consequently, were not examined by independent auditors. The main amounts at risk with insurance coverage are:

Consolidated	
12/31/2010	
Substations	2,325,539
Power Plants	991,413
Stockrooms	32,029
Buildings and contents (own)	35,518
Buildings and contents (third parties)	65,513
Civil liability	167,600
Transports (materials) □	17,500
Transportation (vehicles)	13,350
Personal accidents	626,712

38 Segment information

A business segment is an identifiable component of the Group engaged in providing an individual product or service of a group of related products and services, and that is subject to risks and benefits that may be distinguished from other business segments.

The Group develops a set of power supply activities, with special emphasis on the generation, distribution, transmission and trading of electric power.

Based on internal reports, the Executive Board is responsible for evaluating the performance of several segments and deciding on fund allocation to each of the identified business segments.

38.1 Segment characterization

The amounts reported for each business segment are the result of the consolidation of subsidiaries and business units within each segment and the cancellation of intrasegment

Consolidated - 2010							
	Distribution	Generation	Transmission	Commercialization	Other	Eliminations	2010
Net operating revenue	3,762,738	1,004,121	6,223	741,414	-	(480,180)	5,034,316
Electricity services cost							
Electricity cost							
Electricity purchased for resale	(1,796,829)	(56,020)	-	(697,466)	-	453,521	(2,096,794)
Electric power network use charges	(543,948)	(83,837)	-	-	-	26,359	(601,426)
	(2,340,777)	(139,857)	-	(697,466)	-	479,880	(2,698,220)
Cost of operation							
Personnel	(128,725)	(19,613)	(688)	(2,908)	-	-	(151,934)
Material and third-party services	(173,432)	(26,811)	(567)	(2,556)	-	300	(203,066)
Depreciation and amortization	(173,309)	(102,839)	-	(55)	-	-	(276,203)
Other operating costs	(26,434)	(1,333)	(66)	(2,260)	-	-	(30,093)
	(501,900)	(150,596)	(1,321)	(7,779)	-	300	(661,296)
	(2,842,677)	(290,453)	(1,321)	(705,245)	-	480,180	(3,359,516)
	(3,785)	(2,174)	-	(91)	-	-	(6,050)
Cost of service rendered to third-parties							
Gross operating income	916,276	711,494	4,902	36,078	-	-	1,668,750
Operating expenses							
Sales expenses	(69,566)	(1,638)	-	(6,916)	(2,132)	-	(80,252)
General and administrative expenses	(146,722)	(42,407)	(199)	(6,708)	(66,012)	-	(262,048)
Depreciation and amortization	(14,134)	(49,539)	-	(109)	(17,993)	-	(81,775)
Other operating expenses	(18,380)	(36,948)	(45)	-	2,716	-	(52,657)
	(248,802)	(130,532)	(244)	(13,733)	(83,421)	-	(476,732)
Service result	667,474	580,962	4,658	22,345	(83,421)	-	1,192,018
Income from equity interest							
	-	3,479	-	673,282	-	(678,598)	(1,837)
Financial revenues	190,023	126,822	188	2,940	26,429	(8,430)	337,972
Financial expenses	(190,887)	(304,478)	(6)	(777)	(27,267)	8,430	(514,985)
Financial result	(864)	(177,656)	182	2,163	(838)	-	(177,013)
Other revenue	3,753	1,776	-	42	6,903	-	12,474
Other expenses	(18,154)	(3,238)	-	(57)	(13,173)	(5,315)	(39,937)
Other results	(14,401)	(1,462)	-	(15)	(6,270)	(5,315)	(27,463)
Income before income and social contribution taxes	652,209	405,323	4,840	24,493	582,753	(683,913)	985,705
Income and social contribution taxes - current	(132,951)	(83,179)	(293)	(9,716)	(3,115)	-	(229,254)
Deferred income and social contribution taxes	(62,453)	30,902	-	1,957	9,784	-	(19,810)
	(195,404)	(52,277)	(293)	(7,759)	6,669	-	(249,064)
Net income before minority interest and beneficiaries	456,805	353,046	4,547	16,734	589,422	(683,913)	736,641
Minority interest	-	(21,237)	-	-	-	(115,689)	(136,926)
Founders' shares	-	(17,157)	-	-	-	-	(17,157)
Net income for the year	456,805	314,652	4,547	16,734	589,422	(799,602)	582,558
Other information							
Current assets	1,802,192	604,189	10,013	115,158	586,058	(242,933)	2,874,677
Non-current assets	1,126,863	367,223	19,425	18,128	180,658	(144,429)	1,567,868
Investments	4,347	8,825	-	-	3,771,044	(3,746,945)	37,271
Tangible	446	5,300,563	-	684	1,894	-	5,303,587
Intangible and deferred assets	2,015,513	743,389	-	958	266,852	-	3,026,712
Current liabilities	1,732,693	781,878	1,777	85,895	166,347	(243,179)	2,525,411
Noncurrent liabilities	1,586,314	2,301,986	53	4,567	86,512	(149,649)	3,929,583
Shareholders' equity and non-controlling	1,630,354	3,940,326	27,608	44,466	4,553,647	(3,741,279)	6,455,122

Consolidated

	Distribution	Generation	Transmission	Commercialization	Other	Eliminations	2009
Net operating revenue	3,446,206	979,133	4,223	763,231	-	(571,091)	4,621,702
Electricity services cost							
Electricity cost							
Electricity purchased for resale	(1,620,182)	(39,612)	-	(750,540)	-	543,679	(1,866,655)
Electric power network use charges	(421,177)	(78,266)	-	-	-	25,789	(473,654)
	(2,041,359)	(117,878)	-	(750,540)	-	569,468	(2,340,309)
Cost of operation							
Personnel	(125,000)	(18,241)	(311)	(2,969)	-	-	(146,521)
Material and third-party services	(138,883)	(27,894)	(11)	(1,454)	-	1,623	(166,619)
Depreciation and amortization	(161,056)	(96,126)	-	(15)	-	-	(257,197)
Other operating costs	(22,905)	(3,649)	(11)	(1,558)	-	-	(28,123)
	(447,844)	(145,910)	(333)	(5,996)	-	1,623	(598,460)
	(2,489,203)	(263,788)	(333)	(756,536)	-	571,091	(2,938,769)
Cost of service rendered to third-parties	(2,918)	-	-	-	-	-	(2,918)
Gross operating income	954,085	715,345	3,890	6,695	-	-	1,680,015
Operating expenses							
Sales expenses	(75,944)	(2,096)	-	36,054	-	-	(41,986)
General and administrative expenses	(196,585)	(52,325)	(22)	(7,289)	(65,426)	-	(321,647)
Depreciation and amortization	(13,028)	(43,761)	-	(200)	(19,920)	-	(76,909)
Other operating expenses	(21,641)	(33,229)	(15)	-	(22,422)	-	(77,307)
	(307,198)	(131,411)	(37)	28,565	(107,768)	-	(517,849)
Service result	646,887	583,934	3,853	35,260	(107,768)	-	1,162,166
Income from equity interest							
Financial revenues	-	12,483	-	-	708,248	(721,138)	(407)
Financial expenses	116,561	100,727	-	2,852	94,326	(17,908)	296,558
	(163,338)	(184,049)	(3)	(850)	(48,238)	17,908	(378,570)
Financial result	(46,777)	(83,322)	(3)	2,002	46,088	-	(82,012)
Other revenue	3,015	77	-	12	52,345	-	55,449
Other expenses	(12,885)	(14,460)	-	-	(2,092)	1,309	(28,128)
Other results	(9,870)	(14,383)	-	12	50,253	1,309	27,321
Income before income and social contribution taxes	590,240	498,712	3,850	37,274	696,821	(719,829)	1,107,068
Income and social contribution taxes - current	(98,337)	(95,192)	(177)	(212)	(2,881)	-	(196,799)
Deferred income and social contribution taxes	(56,852)	16,918	-	(12,019)	-	-	(51,953)
	(155,189)	(78,274)	(177)	(12,231)	(2,881)	-	(248,752)
Net income before minority interest and beneficiaries	435,051	420,438	3,673	25,043	693,940	(719,829)	858,316
Minority interest	-	5,482	-	-	-	(152,332)	(146,850)
Founders' shares	-	(15,772)	-	-	-	-	(15,772)
Net income for the year	435,051	410,147	3,673	25,043	693,940	(872,161)	695,694
Other information							
Current assets	1,613,751	690,324	5,321	151,763	488,400	(235,995)	2,713,565
Non-current assets	991,481	320,218	20,086	16,159	329,789	(304,510)	1,373,223
Investments	7,290	20,720	-	-	3,455,750	(3,452,825)	30,935
Tangible	489	4,800,493	-	760	2,038	-	4,803,780
Intangible and deferred assets	1,925,998	783,588	-	1,009	284,374	-	2,994,969
Current liabilities	1,676,924	665,462	1,149	93,989	123,301	(235,537)	2,325,289
Noncurrent liabilities	1,272,531	2,307,342	93	25,004	81,843	(317,462)	3,369,351
Shareholders' equity and non-controlling	1,589,554	3,642,540	24,165	50,698	4,355,207	(3,440,331)	6,221,833

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Subsequent events

On January 14, 2011, indirect subsidiary Elebrás signed, in conjunction with Banco do Brasil, the first amendment to the bridge financing contract whose funds are to be used in the wind plant Tramandai project, whereby the Company is jointly liable and main payer, and that changes (i) the credit amount to R\$307,000; (ii) the contract maturity to June 30, 2011; (iii) interest to 108% of CDI on the balance disbursed; (iv) interest to 109% for amounts disbursed from January 14, 2011 to February 4, 2011; and (v) financial charges corresponding to CDI percentage, agreed on between the parties. On January 17, 2011, a second amendment was signed changing financial charges maturity to June 16, 2011 at 108% of CDI.

On January 24, 2011, direct subsidiary EDP Renováveis Brasil and Banco do Brasil entered into a financing contract amounting to R\$80,000, whereby the Company becomes jointly liable and the main payer, maturing on June 30, 2011, and bearing interest (i) of 110% of CDI for amounts released until March 31, 2011 and (ii) defined as a percentage of CDI agreed on between the parties for amounts released beginning as of April 1, 2011.

2010 MANAGEMENT REPORT

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

2010 was the first year of a new cycle in innovation for EDP in Brazil.

Maintaining the strategic course of oriented growth, superior efficiency and controlled risk, we invested in actions to promote the development of new practices at the company and in society, aiming at a 10-year time horizon.

We understand that it is no longer possible to guarantee business sustainability without innovating. It is necessary to seek new perspectives, new processes and new approaches to be able to maximize efficiency in the use of resources, doing better, with fewer costs, more efficiency, less impact on the surrounding area and a delivery of more balanced value to all the stakeholders.

After decades without major transformations, it has become imperative for the electricity sector to seek new structural answers. We live in a time of adjustment in man's relationship with energy. The planning that we know today of the electric power generation, transmission and distribution activities proves increasingly less suited to the emergent social, economic, geopolitical and environmental situation.

A change of paradigm is in progress that is based on the intensive electrification of the economy, on decarbonization, on the efficient and customized use of energy, and more and more, on distributed micro-generation, on new electricity storage methods and on intelligent and bidirectional distribution networks.

In this scenario, the adoption of the Global Compact principles as a basis for our actions and initiatives is essential in the pursuit of results that are converted into benefits and creation of shared value for the whole of society, building the path to overcome the challenges that arise.

The future is near

In order to prepare for this new reality we launched the EDP 2020 - Rumo à Nova Era Energética program, which brings the proposal of stimulating the design of new models of performance, an essential reflection for us to remain competitive. One of the initiatives is EDP 2020 - Prêmio de Inovação e Empreendedorismo, highest award of the electricity sector in the country, with an investment of R\$ 1 million during the next ten years. It encourages the technical and scientific community that surrounds us to develop economically viable solutions in the fields of clean energy and energy efficiency.

Predictably, the program also involves actions in the domain of electric mobility. The pollution caused by modes of transport powered by petroleum derivatives is one of the main contributors to global warming, particularly in cities. It will therefore and inevitably be one of the areas in which the penetration of new forms of energy will occur with more intensity.

With this belief, we launched the first electric vehicle charging point network in the states of Espírito Santo and São Paulo, where our electricity distribution concession areas are located. We have already installed 20 charging stations and in addition have donated 90 electric bicycles for patrolling by government agents in the two states.

Intelligent power distribution networks are another of our hubs of activity. Besides the progressive installation of telemeters at our customers, in December we launched the ClimaGrid project, together with the National Institute for Space Research (Inpe). It is an innovative project that effectively conjugates electricity grid control methods with weather forecasting systems in order to avoid or minimize any disturbances caused in the electricity grid (and, consequently, in the service that we render) by storms and lightning.

Combining energy efficiency, renewable energies, social inclusion and fraud prevention, we started a flagship project aimed at low-income populations, which we run in partnership with Companhia de Desenvolvimento Habitacional Urbano do Estado de São Paulo (CDHU). We installed solar panels on apartment buildings of CDHU in Pindamonhangaba and Mogi das Cruzes to heat bathwater, and in addition, organized the replacement of light bulbs and of equipment, optimizing the existing electrical installations, and significantly reducing the consumption of households.

We confirm, in practice, the concept in which we believe: it is no longer possible to guarantee sustainability without innovating.

Solidity and reliability

Our outlook for the future is based on a solid present. In celebrating our fifth anniversary of going public on the São Paulo Stock Exchange (Bovespa), we can affirm that we have developed all the sectors of activity. Our shares have appreciated 177% since then. Gross revenue has grown 32% in the last five years, reaching R\$ 7.7 billion in 2010, 10.3% above the previous year. EBITDA reached R\$ 1.6 billion, with an increase of 3.5% compared with 2009 and of 69.8% in the result accumulated in five years, and net income reached R\$ 582.6 million compared with R\$ 695.7 million in 2009 or R\$ 574.7 million, excluding the non-recurring effect of the sale of ESC 90. The Group's good performance, combined with efficient and sustainable management, explains the prominent position in the award entitled "The best companies for shareholders in 2010" of Capital Aberto magazine.

According to our strategic determination, the installed capacity for energy generation has grown continuously in the last year, in projects for repowering and construction of new plants, such as the Thermoelectric Plant Porto do Pecem I and the Wind Farm of Tramandaí. The contract executed with the European Investment Bank (EIB) provided credit of 90 million euros to the Group's distributors and the financing operation of Pecém was awarded the title of *Latin Power Deal of the Year* by the Euromoney publication.

We know that 2011 will represent a period of new challenges, especially in the regulatory issue. We will continue to focus on efficiency to be able to deliver good results to customers, shareholders, employees, suppliers and communities, to whom we are grateful for their collaboration, support and encouragement during the year now coming to an end.

Ahead of our time

We strive to be ahead of our time, prepared for a revolution in our sector. The next ten years will be critical. Companies will need to quickly define and execute their transformations so as not to be left outside the market.

Each and every one of the operational, economic or technical processes that constitute "the business" should be reviewed to ensure the sustainability of the company and have to inlay the mechanisms that evidence the same essential characteristic.

More than a good "moral" practice, and therefore a "cost" borne on behalf of a good "intention", the pursuit of sustainability is an unavoidable condition for economic benefit. For this reason it has ceased to be an option to become an indispensable item.

We know that we are not alone. We are part of a large global system powered by extremely strong interdependencies. Working with others for the good of all is an obligation that we take on naturally.

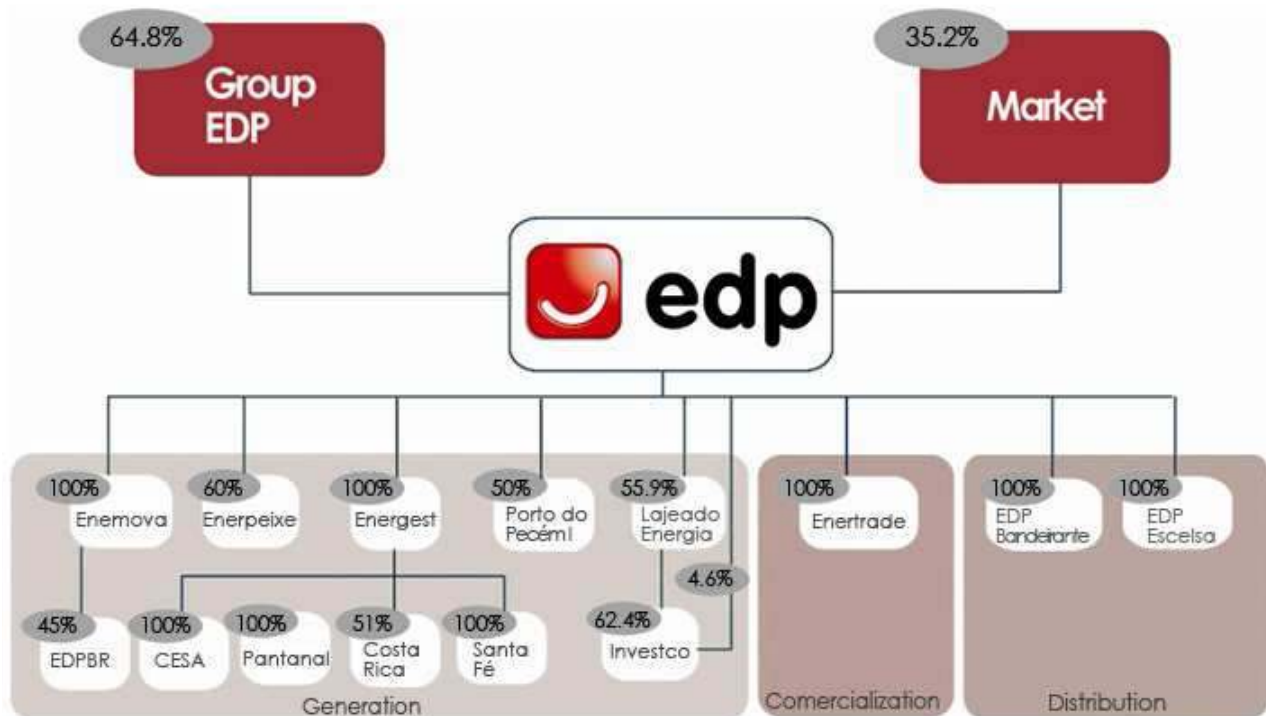
António Pita de Abreu
Chief Executive Officer

CORPORATE ORGANIZATION CHART

EDP Energias do Brasil is a *holding* company with investments in the power sector, consolidating generation, distribution and trading assets in six states: The Company operates in the energy generation sector in six Brazilian states (Espírito Santo, Mato Grosso do Sul, Tocantins, Ceará, Santa Catarina and Rio Grande do Sul) and in the distribution sector in two Brazilian states (São Paulo and Espírito Santo).

A subsidiary of EDP Energias de Portugal, one of the largest European operators in the energy sector, EDP Energias do Brasil went public in the New Market of the São Paulo Stock Exchange in

July 2005, adhering to the highest standards of corporate governance. The organization chart below summarizes the Group's current ownership structure:



MACROECONOMIC SCENARIO AND THE POWER SECTOR

The year 2010 recorded traces of instability in the international economic environment caused by the strong financial crisis sparked in 2008 with the U.S. economy and that of the eurozone weakened. On the other hand, the BRIC countries (Brazil, Russia, India and China) overcame the crisis and stood out positively.

In Brazil, the year was marked by financial stability and a positive scenario, reflecting the increase in domestic consumption. The creation of jobs was at its highest in the last 10 years; abundant and more accessible credit resulted in growth of the GDP of around 8.4% through to September compared with the same period of 2009, and growth rates are expected to be close to 8% in 2010. However, inflationary pressures forced the Brazilian Central Bank to raise the basic interest rate (Selic) to 10.75% per annum preventively.

The impacts of the appreciation of the Real against the Dollar, from the competitiveness of the Brazilian industry abroad to the sharp increase in imports, prompted the government to take a series of measures in an attempt to contain this movement and should remain in its sights in 2011.

ENERGY CONSUMPTION

The national power consumption in the network totaled 419,016 GWh in 2010, an increase of 7.8% as compared with 2009. The residential and commercial classes maintained the level of growth of the prior year, growing 6.3% and 5.9% respectively.

It is worth emphasizing, for the residential class, the increase of the CPC (consumption by consumer) that rose from 150.1 to 153.9 kWh and the performance of 2,064 million new connections. The industrial class consolidated the recovery initiated in the second half of 2009, growing 10.6% in the year. This result caused the amount of energy distributed in 2010 to surpass the pre-crisis consumption figures of 2008.

REGULATORY ENVIRONMENT

REGULATORY CHANGES

In early February, ANEEL approved and the distribution companies have signed an amendment to the Concession Agreement, assigning a new treatment for gains or losses originating from the sectorial charges levied on the tariffs. The impact on the results of the distributors of EDP Brasil was R\$ 34 million in the year, bringing about a reduction in consumer tariffs.

ANEEL also published Resolution 414/2010 in September, which consolidated the rights and duties of consumers and of distributors, incorporating other regulations. For the distributors of EDP Brasil, the resolution produces impacts considered of minor magnitude, such as the installation of service delivery in some municipalities in the concession areas and the definition of new deadlines for response to requests for connection and reconnection of consumer units.

In the generation segment, there has been progress in the regulation of the recalculation of assured energy from hydroelectric plants. The Ministry of Mines and Energy, through Administrative Ruling 861, determined methodology for the extraordinary review of sums of physical guarantee of energy from hydroelectric plants with installed capacity above 30 MW. This measure will benefit all the repowering processes (starting with HPP Mascarenhas), as it provides clear rules for the recalculation.

TARIFF REVIEWS

In 2010, pursuant to methodology set forth in Resolution 338/2008, the Brazilian Power Regulatory Agency - ANEEL approved on a definitive basis the periodic tariff reviews of the distributors of EDP Energias do Brasil.

EDP Escelsa - On August 3, 2010, ANEEL permanently ratified the fifth periodic tariff review of EDP Escelsa, with an average repositioning of the tariffs of 7.19% for the period from August 7, 2010 to August 6, 2011.

ANEEL established the following amounts in this process:

- (i) Company of Reference: R\$ 269.3 million; (ii) Net Regulatory Remuneration Basis: R\$ 1,297.1 million;
- (iii) Xe Component of X Factor: index to be used in the calculation of the annual tariff readjustments of 2011 and 2012, an index of 0.95%.

EDP Escelsa filed an administrative appeal against ANEEL in view of Ratifying Resolution 1,039/2010, relating to the market alteration of the ante-test and of the Non-Technical losses considered by the regulator in this review process.

TARIFF ADJUSTMENTS

EDP Bandeirante – On October 05, 2010, ANEEL approved the average adjustment of EDP Bandeirante's tariff from 10.70% for the period from October 23, 2010 to October 22, 2011. The average effect to be perceived by consumers will be 7.91%. At the end of October 2011 there will be the periodic tariff review of EDP Bandeirante, which will probably be submitted to the 3rd Tariff Review Methodology Cycle of ANEEL.

In September 2010, ANEEL opened Public Hearing 040/2010 which proposes numerous alterations to the Review process, with a significant effect on the remuneration of the distributors. To ensure healthy business continuity, the agents of the electricity sector, in addition to intense and collaborative dialogue, submitted formal pronouncements to ANEEL aiming to refine the methodology to be applied.

AUCTIONS

Only ventures with a renewable energy source were allowed to take part in the auctions held in 2010. An incentive policy was created to encourage the use of clean energy sources that resulted in lower prices than in previous years.

Two auctions were held over the course of 2010: two A-5 auctions, an A-3 auction, an A-1 auction, a reserve energy auction and an exclusive auction for HPP Belo Monte. The sum of new energy sold at auctions in 2010 was around 5 GW on average for the Regulated Environment, in addition to the sum of 0.39 GW on average relating to the reserve energy auction. Concessions were acquired for 5 new hydroelectric plants.

Among the auctions held last year special emphasis is placed on the participation of the wind farms in the Reserve Energy Auction. Wind energy has established its position as a competitive energy due to the incentives granted.

HPP Belo Monte was auctioned off on April 20, 2010, with start of supply in 2015 and supply period of 30 years. Two purchasing pools competed to acquire the concession of this venture. In all, 3,023 MW on average were auctioned off in the amount of 77.97 (R\$/MWh), presenting a markdown of 6.02% in relation to the initial price (R\$83.00/MWh). About 5% of the sum traded at the auction was acquired by the distributors of EDP.

The A-5 New Energy Auction took place on July 30, 2010. This auction was held in two phases. The concessions of 3 hydroelectric plants (HPP Garibaldi, HPP Ferreira Gomes and HPP Colider) were auctioned off in the first phase. The plant with the highest markdown in relation to the reference price, 18.8%, was HPP Garibaldi with 108.00 (R\$/MWh). Lots of energy from the plants auctioned off in the first phase, from the new SHPs (small hydroelectric power plants) and expansion projects were offered in the second phase. The total amount traded was 327 MW on average (referring to the 3 hydroelectric plants and 4 SHPs) at the average sales price of 99.48 (R\$/MWh). The distributors from the EDP group purchased around 5% of the total amount traded.

August 26, 2010 was the date of the A-3 New Energy Auction, better known as the 2nd Auction of Alternative Sources, in which the ventures originating from SHPs (contractual period of supply of 30 years), Wind Farms and Biomass Power Plants (supply period of 20 years) were qualified to participate. The total amount traded at this auction was 714.3 MW on average at the average price of 135.48 (R\$/MWh), of which 48.1 MW on average originated from SHPs (average price 146.99 (R\$/MWh) and markdown of 5.31%) and 666.2 MW on average originated from wind power and biomass (average price 134.23 (R\$/MWh) and markdown of 19.62%). The EDP group did not declare the need to purchase energy at this auction.

The 3rd Reserve Energy Auction was held on August 25 and 26, 2010 with the auctioning of energy originating from the following sources: Wind, product 2013 and duration of 20 years; SHP, product 2013 and duration of 30 years; Biomass, product 2011, 2012 and 2013 and duration of 15 years. The energy traded at this auction is intended to boost the security of the energy supply. This auction was segregated into three phases, with one phase for each product, and the total amount traded was 0.39 GW on average.

The A-1 Existing Energy Auction took place on December 10, 2010, with start of supply in 2011 and contractual period of 3 years. The energy traded at this auction amounted to 98 MW on average, of which 99% was provided by CHESF and the difference by a biomass power plant. Altogether, four distributors acquired energy at this auction.

Finally, the A-5 Energy Auction was held on December 17, 2010. At this auction the maximum percentage earmarked for the supply of the free contracting environment (ACL) rose to 15% of the Physical Guarantee, instead of 10%, as was the case at other A-5 auctions. This auction was

segregated into two phases, where the hydroelectric power plants of Teles Pires, Estreito Parnaíba and Cachoeira were put up for bidding in the first. Only Teles Pires was sold at the auction and obtained a markdown of 32.92% in relation to the reference price (87.00 R\$/MWh). The plants put up for bidding in the first phase, HPP Santo Antônio do Jari and new SHPs, were qualified in the second phase. The total amount traded was 968 MW on average, originating from HPP Teles Pires and HPP Santo Antônio do Jari, at the average sales price of 67.31 (R\$/MWh). The EDP group acquired 5% of the amount traded.

CORPORATE CHANGES

The corporate reorganization of the EDP Brasil Group, involving the Firm and the companies EDP Renováveis Brasil S.A., Enernova S.A., Ipueiras Energia S.A. and Lajeado Energia S.A, was concluded in 2010. The purpose was to allow the group's rationalization and simplification of the corporate structure, bringing administrative, economic and financial benefits, reduction of expenses and combined operating expenses.

As a result, Energias do Brasil began to directly exercise its stake in EDP Renováveis Brasil, and the assets belonging to Enernova, in view of its takeover by Ipueiras Energia, are now being managed by the latter.

ACCOUNTING STANDARD CHANGE

As of January 1, 2010, retroactive to January 1, 2009 ("opening balance sheet"), the Company started to adopt all the pronouncements issued by CPC that are applicable to its operations, which are consistent with international accounting practices - IFRS. Therefore certain previously disclosed balances for the year 2009 were adjusted to reflect changes resulting from the adoption of the new pronouncements and to allow comparability between the periods presented.

BUSINESS AREAS*

(*) The operating information has not been reviewed by the Independent Auditors.

GENERATION

Main strategic vector for the growth of business of EDP Energias do Brasil, the generation area ended the year 2010 with installed capacity of 1,741 MW. The growth in relation to the 1,738 MW of installed capacity in 2009 was due mainly to the repowering of SHP Rio Bonito.

Enerpeixe – Participates with 60% of the capital in the hydroelectric power plant Peixe Angical, located on Rio Tocantins, constructed in partnership with Furnas Centrais Elétricas. The installed capacity of the plant is 452 MW.

Energest – Directly and indirectly controls the electricity generation assets of EDP Energias do Brasil owning 15 plants in service, with total power of 380.4 MW. The plants are located in the States of Espírito Santo (311.6 MW of installed capacity) and Mato Grosso do Sul (68.8 MW of installed capacity). Energest is also responsible for the management of the hydroelectric plants Mascarenhas and Suíça, such as the Power Plants belonging to the companies Cesa, Santa Fé, Costa Rica and Pantanal Energia.

Investco – holds 1% of the installed capacity of Usina Hidrelétrica Luis Eduardo Magalhães ("HPP Lajeado"), located in Rio Tocantins, in the State of Tocantins. The Plant has installed power of 902.5 MW, distributed around five generator units with power of 180.5 MW each.

Lajeado Energia - With interest of 72.27% in HPP Lajeado, Lajeado Energia is the holder of 652.2 MW. The division of the installed capacity of the plant occurs in proportion to interest in the voting capital.

EDP Renováveis Brasil - A company in which EDP Energias do Brasil holds 45% of interest, has two wind farms operating in Santa Catarina, totaling 13.8 MW of installed capacity.

In 2010, the volume of energy sold by the Group's plants totaled 8,309 GWh, 4.0% higher than the sum recorded in 2009, primarily due to an operation conducted in Lajeado, in which there was the purchase of energy in 1Q10, and sale, in the same volume as the purchase, from March to December.

The net revenue from the generation business, disregarding eliminations, amounted to R\$ 1,010.0 million, growth of 2.7% in comparison with 2009. The EBITDA, of R\$ 737.6 million, recorded growth of 1.4%. Net income totaled R\$ 209.5 million, decrease of 24.8% in relation to 2009.

Investments in generation totaled R\$ 622.6 million in 2010, 51.9% higher to the year 2009. The increase of the investment is mainly explained by: (i) higher investments in TPP Porto de Pecém, in view of the current stage of the construction work; (ii) investments related to the environmental licenses of Investco; and (iii) repowering at Energest (HPP Mascarenhas - 17.5 MW and SHP Rio Bonito - 1.9 MW).

PROJECTS UNDER CONSTRUCTION

TPP PORTO DO PECÉM I

The strategy to increase the installed capacity of EDP Energias do Brasil also includes the construction of TPP Porto do Pecém I, in the state of Ceará, in which the Company holds interest of 50% in partnership with MPX Energia. TPP Porto do Pecém I will use imported mineral coal and will have an installed capacity of 720 MW, of which 615 MW were sold by the Group in the A-5 auction held by the PowerTrading Chamber (CCEE), in October 2007.

The deployment schedule establishes the commercial go-live of the plant before January 2012, the date on which the energy delivery commitment undertaken in the Regulated Market begins.

TPP Porto do Pecém I is part of the Growth Acceleration Program ("PAC") of the Federal Government and represents an important step towards diversification of the electric and energy matrix of Brazil, ensuring the trustability of the offer of power in the country. The plant will use cutting-edge technology in coal combustion (Low NOx burner) together with desulphurizers ("FGD") to reduce emissions and to fulfill the most stringent requirements found in the Brazilian and international legislations.

In October 2009, the long-term financing from the National Bank of Economic and Social Development ("BNDES") and the Interamerican Development Bank ("IBD") begun to be disbursed to TPP Porto do Pecém I.

Porto do Pecém I Construction Schedule		
Activity	Relative Weighting	Progress to Date
Engineering	3.8%	99.7%
Procurement	69.4%	99.0%
Construction	26.1%	58.4%
Commissioning and Startup	0.7%	0.0%
	100.0%	87.7%

TRAMANDAÍ

EDP Renováveis Brasil S.A, a company in which EDP Energias do Brasil holds 45% of interest, started the construction of the Wind Farm ELEBRÁS Cidreira I on March 15, 2010, in the municipality of Tramandaí, state of Rio Grande do Sul, with a capacity of 70 MW. This is a project of Proinfa in which the PPA starts in 2011, with a term of 20 years and an average tariff of R\$ 204/MWh (base tariff 2004). The estimated investment in the plant is R\$ 300 million and the *funding* was obtained through a bridge loan with Banco do Brasil. The long-term financing is being structured.

Tramandaí Wind Farm Constuction Schedule	
Activity	Progress to Date
Wind Energy Facility	
Construction	100%
Assembly	100%
Mediu voltage circuit	100%
Substation	
Construction	90%
Transformer assembly	90%
Transmission Line	
Construction	100%
Assembly	74%
Conection	0%

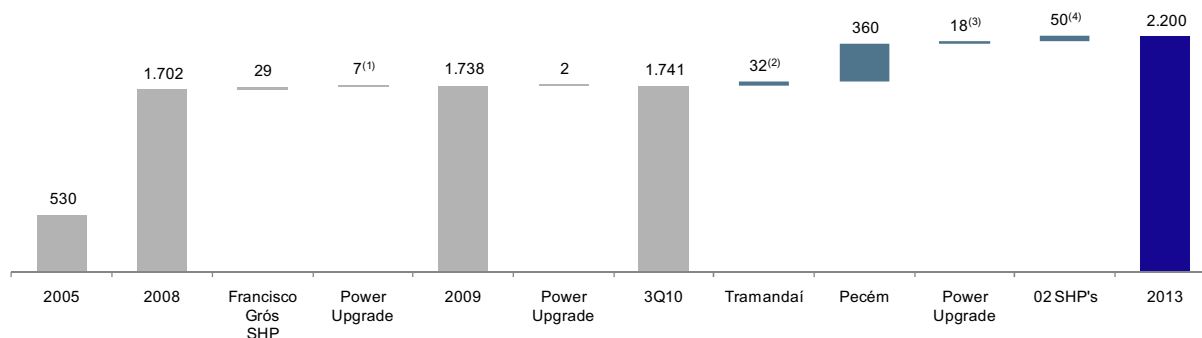
With this venture, the installed capacity of EDP Renováveis Brasil in wind power will rise from the current 14 MW to 84 MW. The Wind Farm in Tramandaí is one of the wind energy projects incorporated by the company with the acquisition of Elebrás Projetos S.A, in 2009.

SHPs CABEÇA DE BOI E FAZENDA

On November 3, 2010, the Company acquired two (2) projects in the state of Mato Grosso, belonging to the Bertin Group, totaling 49.5 MW of installed capacity and 27.5 MW on average of guaranteed energy. The project of SHP Cabeça de Boi has 30 MW of installed capacity while that of SHP Fazenda has 19.5 MW. Both projects have authorization from ANEEL for exploration, installation licenses already issued by the Environmental Department of the State of Mato Grosso and concession periods up to 8/5/2038. The final closing of the project acquisition depends on the fulfillment of certain conditions precedent, including the formalization of the transfers of permits and licenses to the EDP Group.

REPOWERING

The power upgrade of the last machine of SHP Rio Bonito (1.9 MW) was concluded in the first quarter of 2010. The conclusion of HPP Mascarenhas power upgrade (17.5 MW) is scheduled for the year 2012.

EXPANSION OF CAPACITY


Note: SHP Francisco Grós was previously denominated Santa Fé.

(1) HPP Suíça and 2 turbinas of SHP Rio Bonito; (2) 45% of EDP Energias do Brasil in EDP Renováveis Brasil; (3) HPP Mascarenhas; (4) SHP's Cabeça de Boi e Fazenda

DISTRIBUTION

The distribution activities are developed by two concessionaires of the service, which cater to around 2.7 million customers, in regions that house a total population of approximately 7.8 million people:

EDP Bandeirante - EDP Bandeirante Energia S.A., a publicly traded company, has as its business purpose the rendering of public electricity distribution services, for the period of 30 years, as of October 23, 1998, pursuant to the concession agreement signed on that date.

In April 2005 it became a wholly-owned subsidiary of EDP - Energias do Brasil S.A. Its head office is located in the city of São Paulo, largest economic/financial center in Latin America.

It operates in 28 municipalities from the State of São Paulo, specifically in the regions of Alto Tietê, Vale do Paraíba and Litoral Norte, covering around 4.5 million inhabitants: 2.5 million in Alto Tietê, and 2.0 million in Vale do Paraíba in a total area of 9.6 thousand Km². In 2010 the volume of 14,309 GWh was distributed to a total 1.5 million invoiced customers, representing growth of 7.7% of the energy distributed in relation to 2009. The region concentrates companies from important economic sectors, such as aviation and paper and pulp manufacture.

EDP Escelsa - EDP Escelsa is a corporation, publicly traded since January 19, 1996, with head office in Vitoria, Espírito Santo State, and controlled by EDP - Energias do Brasil S. A. since November 2002, as its wholly-owned subsidiary, as of April 29, 2005.

EDP Escelsa serves 70 of the 78 municipalities from the state of Espírito Santo, in an area of 41,241 km², approximately 90% of the state and 94% of the total population, which corresponds to 3.3 million inhabitants, and it has 1.2 million customers. The concession, awarded by the Federal Government, expires on July 16, 2025, and may be renewed for another 30 years, according to the Executive Decree of July 17, 1995. The main economic activities of the region are iron metallurgy, iron mining, production of paper, oil and gas.

The consolidated net revenue of EDP Bandeirante and EDP Escelsa totaled R\$ 3,762.7 million, a growth of 9,2% in 2010. EBITDA (Earnings before taxes, financial income or expenses, depreciation, amortization and non-operating income) amounted to R\$ 854.9 million, 4.1% greater than the previous year. Net income totaled R\$ 456.8 in 2010, remaining stable in relation to 2009.

OPERATING PERFORMANCE OF CONSOLIDATED DISTRIBUTION
Market Evolution

	Volume (MWh)		Chg.	Customers (unit)		Chg.
	2010	2009	2010/ 2009	2010	2009	2010/ 2009
DISTRIBUTION						
Residential	4,893,569	4,704,227	4.0%	2,342,008	2,282,266	2.6%
Industrial	4,290,504	3,906,216	9.8%	21,941	20,876	5.1%
Commercial	2,897,925	2,781,321	4.2%	193,808	191,440	1.2%
Rural	660,799	609,038	8.5%	160,201	150,226	6.6%
Other	1,468,587	1,425,446	3.0%	22,387	22,803	-1.8%
Energy Supplied to Final Customers	14,211,384	13,426,248	5.8%	2,740,345	2,667,611	2.7%
Conventional supply	455,667	417,047	9.3%	1	1	0.0%
Supply	34,005	32,878	3.4%	2	2	0.0%
Energy in transit (UDS)	9,034,008	7,423,297	21.7%	120	107	12.1%
Own consumption	13,836	13,695	1.0%	261	253	3.2%
Total Energy Distributed	23,748,900	21,313,165	11.4%	2,740,729	2,667,974	2.7%

Note:

Other = Public entities + Public lighting + Public services

UDS: Usage of the Distribution System

Captive Market

Energy sold to final customers: Consolidated growth of 5.8% in the year 2010 was driven mainly by the increase in consumption of the industrial class, due to the sector's post-crisis recovery in 2010. Another factor that had a positive impact on the captive market was the growth of consumption of the residential and commercial classes, due to the increase in income and household consumption, on account of the reduction of unemployment.

- Residential and business classes: in 2010 the increases were 4.0% and 4.2%, respectively, in comparison with the previous year.

EDP Bandeirante: the lower increase of the residential (3.0%) and commercial (3.4%) classes compared to 2009 is essentially due to fewer invoicing days (1.5 days).

EDP Escelsa: the increases of 5.9% and 5.5% in the consumption of the residential and commercial segments, respectively, compared to 2009, are mainly due to the severe drought of early 2010 in Espírito Santo state, with temperatures 3°C above the historical average.

- Industrial class: the increase of 9.8% in the year reflects the recovery of consumption of industries vis-à-vis post-crisis growth. For comparative purposes, the captive industrial consumption verified in 2010 was 3.2% higher than that verified in 2008, a year less impacted by the crisis.

Free Market

Energy in transit: In 2010, there was an increase of 21.7% in relation to the prior year. This result is due to the reduced basis of comparison, owing to the international economic crisis in 2009. For comparative purposes, the energy in transit verified in 2010 was 5.5% higher than that verified in 2008, a year less impacted by the crisis.

Twelve captive customers migrated to the free environment over the course of the year at both distributors.

INVESTMENTS

The investments made by EDP Energias do Brasil in distribution in 2010 amounted to R\$ 419.0 million, an increase of 13.6% in relation to 2009.

Of the total, R\$ 221.0 million (52.7%) were set aside for the expansion of lines, substations and distribution networks for connection of new customers and in the installation of measurement systems; R\$81.2 million (19.4%) were allocated to the network improvement for replacement of equipment, obsolete and depreciated meters, reconductoring of networks at the end of their useful lives; R\$ 30.7 million (7.3%) were set aside for urban and rural universalization and for Programa Luz para Todos (Light for All Program), favoring the connection and the access of consumers to the power services; and R\$ 86.2 million (20.6%) were invested in telecommunications, IT and other activities.

Investments (R\$ thousand)	EDP Bandeirante		EDP Escelsa		Total	
	2010	2009	2010	2009	2010	2009
Network expansion	125,498	66,267	95,493	93,278	220,991	159,545
Network improvement	50,780	52,136	30,397	46,302	81,177	98,438
Universalization (rural+urban)	7,003	10,809	23,687	32,637	30,690	43,446
Telecom, IT and Others	21,153	18,353	65,023	49,214	86,176	67,567
Sub-Total	204,434	147,565	214,600	221,431	419,034	368,996
(-) Special obligations	-15,486	-9,962	-26,775	-37,918	-42,261	-47,880
Net investment	188,948	137,603	187,825	183,513	376,773	321,116

QUALITY

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

QUALITY INDICATORS

Distribution Company	DEC (hours)		FEC (times)		TMA(minutes)	
	2010	2009	2010	2009	2010	2009
EDP Bandeirante	12.2	12.8	7.1	6.4	189	186
EDP Escelsa	9.0	11.4	6.3	6.9	182	190

DEC: Equivalent Duration of Interruption by Customer;
 FEC: Equivalent Frequency of Interruption by Customer;
 TMA: Average Service Delivery Time

COMMERCIAL LOSSES

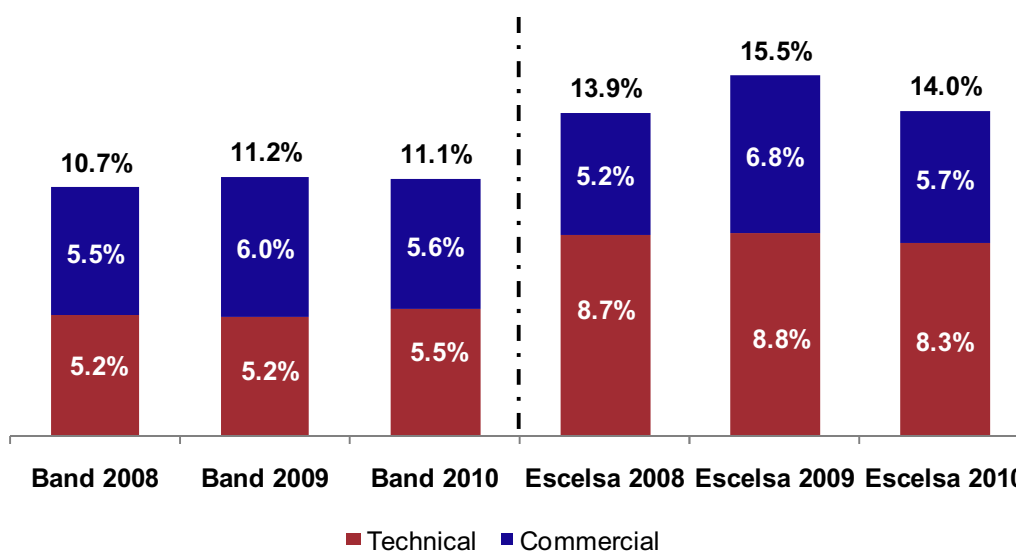
Commercial losses decreased in the two distributors in relation to December 2009, of 0.38 p.p. at EDP Bandeirante and 1.05 p.p. at EDP Escelsa. There was an increase in the physical volume of technical losses at both distributors, yet a reduction of 0.47 percentage points was verified at EDP Escelsa with an increase of 0.30 p.p. at EDP Bandeirante compared to December 2009.

In 2010, the distributors of EDP Energias do Brasil, EDP Bandeirante and EDP Escelsa, disbursed a total of R\$ 60.4 million in programs to curb losses. Of the total sum of resources allocated to these programs, R\$ 38.7 million were for operating investments (replacement of meters, installation of special network, remote metering and correction of clandestine connections) and R\$ 21.7 million for manageable expenses (inspections and removal of irregular connections).

Losses Prevention Program	2010	2009	2008
Operating Investments (R\$ MM)	38.7	22.3	28.5
Manageable Expenses (R\$ MM)	21.7	14.8	16.5
Total	60.4	37.1	44.9

In 2010, our concessionaires carried out approximately 266,000 inspections, and 20.4 thousand clandestine connection regularizations, removing 116,000 irregular connections that resulted in the recovery of revenue of about R\$ 24.8 million. We point out that to analyze the efficiency of the initiatives to curb commercial losses, we should consider, not only recovered revenues but also the cost of opportunity of not having actions directed to prevent fraud and illegal connections.

Technical and Commercial Losses



COMMERCIALIZATION

Enertrade is responsible for the energy trading activities and rendering of services to the free market, both inside and outside of the concession areas of the two distributors of EDP Energias do Brasil that operate in the regulated market. The company ended 2010 with 86 customers, up 28% over the prior year.

In 2010, the energy traded amounted to 8,263 GWh, down 5.2% over the previous year, in which 8,715 GWh were sold.

The reduction in the traded volume was the result of a strategy to seize opportunities in the short-term segment through 2009, when the Settlement Price of Differences (PLD) was at considerably reduced levels, favoring market liquidity. In addition there was the sale of contracts at the Adjustment Auction of 2009, which led Enertrade to beat monthly energy trading records that year.

Net revenue from commercialization totaled R\$ 741.4 million in 2010, down 2.9% over 2009. The decrease in revenue was due mainly to the reduction of the traded volume.

The EBITDA accumulated in 2010 totaled R\$ 22.5 million and net income came to R\$ 16.7 million, down 36.5% and 33.2%, respectively, over 2009. These reductions arise mainly from the non-recurring impact, in 2009, of the reversal of provision formed against Ampla, by virtue of an arbitral award.

ANALYSIS OF ECONOMIC AND FINANCIAL PERFORMANCE

• Consolidated revenue

In 2010, net operating revenue totaled R\$ 5,034.3 million, an increase of 8.9% in relation to the prior year. The main determinant conditions of the growth of net revenue in 2009 were:

• In generation:

- Increase of 4.0% in the volume of energy sold, due to an operation carried out in Lajeado in which there was the purchase of energy in 1Q10 and sale, in the same volume as the purchase, from March to December;
- In 2010 the average price of generation was 0.8% lower than that verified in 2009, reflecting the 7.1% reduction in the average price of energy sold in Lajeado. This reduction is due to the abovementioned operation. Since the sales price was higher than the purchase price, this operation added margin to the Company; however, the purchase and sales prices were lower than the average of the other contracts of the generator, thus reducing the average sales price of the entire portfolio. Excluding this contract, the increase in the average sales price of Lajeado would be 3.4%, and in the consolidated balance sheet, 3.9%;
- Revenue generation could have been approximately R\$ 24 million higher if there were no Short-term Operative Procedure established by the ONS, which reduced the allocation of energy available for trading of the hydroelectric power plants.

• In distribution:

- Increase of 5.8% in the volume of energy sold to end customers, driven mainly by the increase in consumption of the industrial class, due to the sector's post-crisis recovery in 2010. Another factor that had a positive impact on the captive market in the period was the increase in consumption of the residential and commercial classes, resulting from the increase of income and of household consumption.
- Increase of 21.7% of the volume of energy distributed to free customers in 2010 due to the reduced basis of comparison, owing to the international economic crisis in 2009. For comparative purposes, the energy distributed to free customers verified in 2010 was 5.5% higher than that verified in 2008, a year less impacted by the crisis. The net revenue from availability of the distribution system (TUSD) increased 6.1% in 2010, reaching R\$ 2,720.3 million, since most of the revenue from free customers refers to the contracting of network use, as well as tariff adjustments.

• In trading:

- Net revenue was down 2.9% in 2010 over the previous year, mainly due to the 5.2% decrease in the traded volume.

• Consolidated Operating Expenses

Operating **expenses** totaled R\$ 3,842.2 million in 2010, which represents an increase of 11.1% over 2009.

Non-manageable expenses are related mainly to the purchase of energy, charges for use of the power network and the inspection fee of ANEEL and totaled R\$ 2,741.3 million in 2010, 15.2% above the previous year.

The value of electric power purchased for resale totaled R\$ 2,361.2 million, 11.5% above 2009, as a result of:

- (i) reduction of the value of energy purchased from Itaipu (-R\$ 62.9 million), reflecting the reduction of quotas allocated to the Group's distributors (-3.3%), besides the devaluation of the average dollar of 2010 over 2009, and the reduction of 1.6% in the tariff in dollars;
- (ii) increase of energy purchased at auctions (R\$ 262.6 million) due to the start of supply of energy acquired at the new energy auctions, necessary to cope with the market growth. There was also an increase in the average price of purchase of energy, adjusted by the variation of the IPCA (Amplified Consumer Price Index);

In 2010, the ESS (System Service Charge) account exhibited a significantly higher balance than in 2009, mainly due to the dispatch of TPP Termonorte because of an electrical restriction and to the lower volume of rainfall in the period. The start of the EER (Reserve Energy Charge) collection in 2009 also merits emphasis. In 2010 new plants intended to increase security in the supply of energy to SIN (National Integrated System) were added with an impact on the increase of this charge.

Manageable expenses, excluding depreciation and amortization, totaled R\$ 743.0 million (-0.4%) in the YTD of 2010, whereas this is the third consecutive year of reduction. The detailed analysis of the variations of the accounts of manageable expenses is presented below.

Operating Expenditures (R\$ thousand)	2010	2009	Chg.
Manageable Expenditures			
Personnel	(266,680)	(261,586)	1.9%
Material	(22,316)	(24,236)	-7.9%
Third-party services	(324,499)	(284,653)	14.0%
Provisions and contingencies	(83,432)	(71,540)	16.6%
Other	(46,051)	(103,680)	-55.6%
	(742,978)	(745,695)	-0.4%
Depreciation and amortization	(357,978)	(334,106)	7.1%
Total Manageable Expenditures	(1,100,956)	(1,079,801)	2.0%
IGP-M* (12 months)	-	-	11.3%

*Source: FGV

In the account of **personnel expenses**, the increase of R\$ 5.1 million (+1.9%) results mainly from the combination of the following effects:

- (i) Reduction of 52% in amounts relating to private pension in 2010, supported by the review of actuarial reports at the distributors (-R\$ 10.4 million);
- (ii) Lower expenses with medical and dental care due to less use by employees and discount in the renewal of the contract with the insurance company (-R\$ 2.9 million)
- (iii) Profit Sharing (PLR)/Bonus: impact of Projeto Vencer with reduction of the management levels and reversal of provision in the year 2010, over-realized in the year 2009.
- (iv) Higher overtime payments in compliance with the collective bargaining/2010 (+2.5 million);
- (v) Suspension of the transfer to investments of administrative indirect labor in companies from the electrical sector, in compliance with ANEEL Order no. 4097 of 12/30/2010 and ANEEL Technical Note - proceeding 48500.002410/2001-07 (+R\$ 13.2 million);
- (vi) Increase in remuneration due to: deployment of the Job and Salary and Results-Based Merit Plan Policy; application of the collective bargaining (6.5% on average), which entails higher payroll charges; and adaptation of benefits to the employees of the Group (+7.9 million).

In the **materials** account, the decrease of R\$ 1.9 million (-7.9%) between the years 2010 and 2009 is due to lower expenses with maintenance and repairs of the electrical system, which would be

even lower if it were not for the adverse weather conditions in 2010, which resulted in increased use of lighting materials, hardware and grid interventions.

In the **third parties services** item, the increase of R\$ 39.8 million (14.0%) year over year is due partly to the transfers of contractual adjustments by our service providers, together with:

- (i) Suspension of the transfer to investments of indirect labor of the administrative service providers at the companies from the electricity sector, by the same criterion applied to the employees under the heading of Personnel (+R\$ 8.6 million);
- (ii) Adaptation to ANEEL Resolution 363/09, which led to an increase in the staff of employees hired, with a view to the adaptation of the average time allowed for serving customers at the offices and phone calls (+R\$ 5.7 million);
- (iii) Approximate increase of 13% in the costs of the reading and invoicing service due to vegetative growth of the customer base and replacement of a reading and invoicing service provider (+5.4 million);
- (iv) Implementation of the program for recovery of revenue, in which the number of inspections and of teams (onsite, business and technical) was increased and reductions achieved in the rates of commercial losses of 0.4 p.p. at EDP Bandeirante and of 1.4 p.p. at EDP Escelsa (+R\$ 5.2 million);
- (v) Increase of expenses with conservation/repair of the electrical system and actions to combat default (+5.0 million);
- (vi) Increase of expenses with business and legal consultancy (R\$ +5.1 million);
- (vii) Non-capitalization of *outsourcing* expenses in the year 2010, as a consequence of the go-live of a computer system (CCS) (+R\$ 3.5 million);
- (viii) Increase of disbursements with advertising and legal publications (+R\$1.3 million);

In item **allowance for doubtful accounts (PDD) and contingencies**, the increase of R\$ 11.9 million (+16.6%) reflects the following events:

- (i) Non-recurring effect of the recognition of losses under the heading "provisions/net losses" referring to the write-off of accounts receivable from low-income consumers EDP Bandeirante (+R\$ 12.8 million);
- (ii) Formation of allowance for doubtful accounts at EDP Bandeirante on the balance of short-term energy accounted for through the CCEE in 2009 (+11.7 million);
- (iii) Reversal in December 2009, at the marketing agent, of provisions formed throughout the year at Ampla, due to an arbitral award (-43.6 million);
- (iv) Change of calculation methodology of PDD (allowance for doubtful accounts) at EDP Escelsa, resulting from the implementation of the commercial system in June 2009 (+7.2 million);
- (v) Recognition of provision in the parent company for possible losses of contingencies at Enersul provided for in the swap agreement during 2009 (+R\$ 22.9 million);

The reduction of R\$ 57.6 million (-55.6%) in the **others** account is a result of two main effects:

- (i) Award in 2009 by the Brazilian Internal Revenue Service (RFB) - COSIT Opinion 27/2008, of the right to appropriation of non-cumulative PIS/COFINS tax credits for the years 2006 to 2010 (-R\$ 35.0 million);
- (ii) Recognition of losses arising from judicial deposits at the distributors in 4Q09, an event that did not occur in the year 2010 (-R\$ 21.2 million).

Due to the go-live of SHP Francisco Grós (formerly Santa Fe), incorporation of the transmission line and substation Cacimba-Linhares and of the Commercial System, both in the concession area of EDP Escelsa, besides the higher level of recording as PP&E of works in progress at the distributors, the **depreciation and amortization** account totaled R\$ 357.9 million in the year 2010, with an increase of 7.1% between the periods compared.

• EBITDA and EBITDA Margin

In 2010, the consolidated EBITDA (Earnings before taxes, financial income or expenses, depreciation, amortization and non-operating income) amounted to R\$ 1,549.9 million, representing an increase of 3.6% in relation to the prior year. The consolidated EBITDA margin decreased 1.6 p.p., reaching 30.8%.

The EBITDA of generation, excluding eliminations, amounted to R\$ 737.6 million, an increase of 1.4% over 2009.

At the distributors EDP Bandeirante and EDP Escelsa, EBITDA totaled R\$ 854.9 million in 2010, a growth of 4.1% in relation to 2009.

In trading the EBITDA was R\$ 22.5 million and the reduction of 36.5% in relation to 2009 due to the non-recurring impact, in 2009, of the reversal of provision formed against Ampla.

• Financial result

The consolidated net financial expense in 2010 was R\$ 177.0 million, higher than the expense of R\$ 82.0 million in 2009. The financial expenses of mark-to-market adjustments and adjustments to present value of the indebtedness contributed toward this result.

• Net income

Due to the effects analyzed, consolidated net income attained R\$ 582.6 million in 2010, 16.3% lower than in 2009. The reduction received the impact of the sale of ESC 90 in 2009, with a positive result of R\$ 121 million. Excluding this impact, income would have presented growth of 1.4% in the year.

• Indebtedness

The consolidated gross debt totaled R\$ 3,385.9 million in December 2010, an increase of 6.0% in relation to December 2009.

The variation of gross indebtedness in 2010 was mainly due to: (i) conclusion of the fourth debenture issue of EDP Bandeirante in the amount of R\$ 390 million in July; (ii) obtainment at EDP Escelsa of R\$ 135 million in Commercial Credit Notes (NCC) at Banco do Brasil, in May; (iii) amortization of promissory note of EDP Bandeirante in the amount of R\$ 253 million, in May; and (iv) amortization of the third debenture issue of EDP Bandeirante in the amount of R\$ 94.6 million, in February.

With the maturity of the promissory note of EDP Bandeirante and the new fundings performed over the year, the average term of the consolidated debt increased from 4.3 years in December 2009 to 5.1 years in December 2010.

Of the total gross debt, on December 31, 2010, 7.9% was denominated in foreign currency, 99.7% of which was protected against foreign exchange variation by means of *hedge* instruments, resulting in net exposure of 0.3%.

Said long-term loan in US\$, in turn, has already been subject to the contracting both of exchange *hedge* and of an interest rate *swap* (from Libor to fixed rate).

The average cost of the Group's debt in December 2010 was 8.8% per year, compared to 8.9% per year in late 2009, taking into consideration capitalized interest on the debts.

Short-term debt amounts to R\$ 607.4 million. Of this total, R\$ 314.4 million refer to distribution and R\$ 293.0 million to generation. There will be amortizations of debentures of EDP Bandeirante and

of EDP Escelsa in the distribution throughout 2011, totaling R\$ 171 million. In generation, maturities refer to financing operations contracted for the construction of the power plants.

Net debt, considering the amount of R\$ 1,126.4 million in cash and cash equivalents, reached R\$ 2,259.5 million on December 31, 2010, up 8.0% over December 2009 due to an increase of 6.0% (R\$ 192.6 million) in gross debt and of only 2.2% (R\$ 24.4 million) in the balance of cash and cash equivalents at the end of 2010.

The net debt/EBITDA ratio ended the year at 1.5 times, over 1.3 times in December 2009.

Detail of the financing disbursed in 2010

Distributors

In July 2010, EDP Bandeirante concluded the 4th Issue of Simple Debentures (non-convertible). There were 39,000 nominative, bookkeeping debentures issued in a single series, of the subordinated kind, with a unit par value of R\$ 10,000, amounting to R\$ 390 million. Effective for 6 (six) years. The payment of remuneratory interest is semi-annual and amortization of principal is also semi-annual as of the 48th month. The debentures will be entitled to remuneration of CDI + (interbank deposit certificate + 1.5% per annum. The resources obtained through this issue were set aside for cash restructuring, for partial debt payment and for working capital financing.

In June 2010, EDP Escelsa signed the Agro-industrial credit facility loan agreement with Banco do Brasil, in the amount of R\$ 135 million, at 100% of the CDI, maturing in 2015. The resource will be used to finance the working capital of EDP Escelsa, as well as for the maintenance of its capital structure and lengthening of the debt maturity.

In March 2010, EDP Energias do Brasil signed a loan agreement with the European Investment Bank (EIB), in which it approved a credit facility of up to € 90 million for expansion and reinforcement of the electrical network of the Group's distribution area. The loan will also be used for maintenance, improvement in the quality of supply, reduction of losses and for investments in expansion and improvements in quality of the distribution lines and substations in the system of the concessionaires EDP Bandeirante and EDP Escelsa.

Generation

TPP Porto do Pecém I

The loan of BNDES establishes a loan in the amount of R\$1.4 billion (in nominal R\$, excluding interest during construction), with a total period of 17 years, consisting of 14 years of amortization and grace period for payment of interest and principal up to July 2012. The contracted cost is TJLP + 2.77% p.a., and during the construction phase interest will be capitalized. The outlay of this loan totaled R\$ 1.1 billion up to December 2010.

The loan from IDB totals US\$ 327 million, and the financing agreement establishes an "A Loan" in the total amount of US\$ 147 million and a "B Loan" in the total amount of US\$ 180 million, with a total term of 17 years in the "A Loan" and of 13 years in the "B Loan", and a grace period for the payment of interest and principal up to July 2012. The initial rates of the "A Loan" and "B Loan" + 350 bps and Libor + 300 bps, respectively, with step ups throughout the period.

The total outlay of the financing up to December 31, 2010 was US\$ 310.8 million. The amount disbursed consists of US\$139.7 million of the direct loan ("A Loan") and US\$171.1 million of the indirect loan ("B Loan").

EDP Renováveis Brasil

In January 2010, Elebrás signed the financing agreement with Banco do Brasil for the wind power project of Tramandaí, in the amount of R\$ 200 million, maturing in January 2011, with incidence of interest of 104% of the CDI. In January 2011, the parties signed the first amendment to alter (i) the amount of credit to R\$ 307 million, (ii) the expiration of the contract to June 30, 2011, (iii) the incidence of interest to 108% of the CDI on the balance disbursed, (iv) the incidence of interest of 109% of the CDI for the amounts paid out from January 14, 2011 to February 4, 2011, (v) the incidence of financial charges corresponding to the percentage of the CDI, negotiated in mutual agreement between the parties. On January 17, 2011, a second amendment was signed changing (i) financial charges maturity to June 16, 2011 at 108% of CDI.

On January 2011, EDP Renováveis Brasil and Banco do Brasil entered into a financing contract amounting to R\$80 million, maturing on June 2011, and bearing interest (i) of 110% of CDI for amounts released until March 01, 2011 and (ii) defined as a percentage of CDI agreed on between the parties for amounts released beginning as of April 1, 2011.

RATINGS OF EDP ENERGIAS DO BRASIL AND ITS DISTRIBUTORS

Since March 4, 2009, Moody's Latin America ("Moody's") has maintained the Issuer ratings of EDP Bandeirante and of EDP Escelsa as Baa3 on the global scale and Aa1.br on the national scale. As a result, the distributors of EDP Energias do Brasil remain in a select group of Brazilian companies that have the investment grade rating on the global scale. In the same period, Moody's maintained the issuer ratings in local currency of EDP Energias do Brasil at Ba1 on the global scale and at Aa2.br on the national scale. The outlook for these ratings is stable.

INVESTMENTS

The investments of EDP Energias do Brasil totaled R\$ 1,054.7 million in 2010, 34.2% above the funds allocated to the business areas in the previous year.

Investments in distribution, including special obligations, totaled R\$ 419.0 million, up 13.6% over 2009, and investments in generation totaled R\$ 622.6 million, 52.1% above 2009. More details are available in the specific items of investments in distribution and generation of this management report.

Capex (R\$ million)	2010	Partic. (%)	2009	Partic. (%)	Annual Var. (%)
Distribution	419,034	39.7%	368,996	47.0%	13.6%
EDP Bandeirante	204,434	19.4%	147,565	18.8%	38.5%
EDP Escelsa	214,600	20.3%	221,431	28.2%	-3.1%
Generation	622,610	59.0%	409,307	52.1%	52.1%
Enerpeixe	13,631	1.3%	21,080	2.7%	-35.3%
Energest	60,788	5.8%	67,348	8.6%	-9.7%
Lajeado / Investco	30,794	2.9%	12,368	1.6%	149.0%
Santa Fé	12,620	1.2%	41,758	5.3%	-69.8%
Pecém	504,777	47.9%	266,753	33.9%	89.2%
Other	13,013	1.2%	7,471	1.0%	74.2%
Total	1,054,657	100.0%	785,774	100.0%	34.2%

CAPITAL MARKET

On 31 December 2010, the shares of EDP Energias do Brasil were quoted at R\$ 38.71, ending the year with appreciation of 23.9% and surpassing the performances of Ibovespa and of the Electric Power Index - IEE, which appreciated respectively 1.0% and 12.0% in 2010. The market value of the Company on December 31, 2010 was R\$ 6.1 billion.

There were sales of the Company's shares in all the trading sessions of 2010, totaling 81.5 million shares traded in the year, with a daily average of 329,900 shares. The financial volume totaled R\$ 2,875.1 million in 2010, with a daily average volume of R\$ 11.6 million.

OWNERSHIP STRUCTURE

On December 31, 2010, the Company's capital stock was represented in full by 158,805,204 nominative common shares. Of all the shares, 55,622,847 common shares are free float, in conformity with Listing Regulation of the Novo Mercado of Bovespa, are in circulation. At the end of 2010, 280,225 shares remained in treasury.

REMUNERATION OF SHAREHOLDERS

EDP Energias do Brasil has the policy of distributing dividends and/or interest on own capital in the minimum amount equivalent to 50% of the Company's adjusted net income, calculated in conformity with article 189 of the Corporation Law, with Brazilian accounting practices and with the rules of CVM (Securities Commission).

Notwithstanding the adoption of the dividend distribution policy referred to above, the Company can distribute dividends and/or interest on own capital in a sum lower than 50% of its adjusted net income in any year, when required to do so by legal or regulatory provision or, also, when recommendable in view of the financial situation and/or outlook of the Company, of the macroeconomic conditions, of reviews and tariff adjustments, of regulatory changes, growth strategy, contractual limitations and other factors considered relevant by the Board of Directors and by the shareholders of EDP Energias do Brasil.

On April 7, 2011, the Company's Board of Directors will be submitting to the approval of an Ordinary General Meeting (AGO) the payment of dividends of R\$ 352.6 million, corresponding to R\$ 2.22 per share.

It is worth emphasizing that the shareholder remuneration in 2010 will be 19.0% higher than the prior year, whereas this is the fifth consecutive year in which the Company is distributing dividends rising both in absolute value and per share.

CORPORATE GOVERNANCE

The Board of Directors is formed by seven members, including an executive director and three independent board members. The board members are elected by the General Meeting for a term of office of one year, with possibility of reelection. The body is responsible for establishing general business policies and guidelines, including the long-term strategy, for electing members of the Board of Executive Directors and for overseeing its operation, besides the activities defined by law and in the Company's Bylaws.

The Board of Directors of the Company is currently formed by the following members:

- António Luis Guerra Nunes Mexia – Chairman of the Board of Directors and of the Compensation Committee

- António Manuel Barreto Pita de Abreu – Member and Chief Executive Officer of EDP Brasil
- Nuno Maria Pestana de Almeida Alves – Board member appointed by the controlling shareholder
- Ana Maria Machado Fernandes – Board member appointed by the controlling shareholder
- Modesto Souza Barros Carvalhosa – Board member appointed by minority shareholders
- Pedro Sampaio Malan – An independent Director and Chairman of the Corporate Governance and Sustainability Committee
- Francisco Carlos Coutinho Pitella – Independent board member and chairman of the Audit Committee

The Board of Directors has three Advisory Committees, which are: Audit Committee, Remuneration Committee and Sustainability and Corporate Governance Committee. The committees are responsible for advising the Board of Directors in decisions regarding the subject matters submitted. All are formed exclusively by three board members that can request information and suggestions from members of the Board of Executive Officers or from members of Company Management.

Audit Committee: ensures the fulfillment and correct application of the principles and of the accounting standards; issues opinions on the accounts presented by the directors and financial statements; appraises the performance of the internal and external auditors; establishes procedures for the reception, safekeeping and handling of claims in the sphere of the Channel for Communication and Denouncements of EDP Brasil. The committee is presided over by the independent board member Francisco Carlos Coutinho Pitella, with the participation of Nuno Maria Pestana de Almeida Alves and Pedro Sampaio Malan. The committee held five (5) meetings in 2010.

Remuneration Committee: advises the Board of Directors in decisions relating to the remuneration policies of EDP Brasil and of its subsidiaries. It has two members appointed by the controlling shareholder- António Luis Guerra Nunes Mexia (chairman) and Nuno Maria Pestana de Almeida Alves - and a third independent member (Pedro Sampaio Malan). The committee met twice (2x) in 2010.

Sustainability and Corporate Governance Committee: it fosters the perpetuity of the organization, with a long-term sustainable vision and considering possible social and environmental changes; it guarantees the adoption of best corporate governance practices and respect for ethical principles, to increase the value of the company, facilitate access to capital at lower costs and thus, to contribute toward the empowerment of the Group; it is responsible for the creation of the self-appraisal process of the Board of Directors, introduced in 2010. The committee is presided over by the independent member Pedro Sampaio Malan with the participation of Ana Maria Machado Fernandes and Modesto Souza Barros Carvalhosa. The committee met twice (2x) in 2010.

The résumés of the board members can be found on our website www.edpbr.com.br.

BOARD OF EXECUTIVE OFFICERS

The Board of Executive Officers is formed by four members elected by the Board of Directors for a term of office of three years. It is responsible for managing business and adopting necessary or convenient acts, and for executing the decisions of the Board of Directors.

The four members of the current Board of Executive Officers were re-elected for a term of three years (in force until December 2014, with the possibility of reelection).

Company's Executive Board is currently formed by the following members:

Chief Executive Officer: *António Manuel Barreto Pita de Abreu*

Vice president of Finance and Investor Relations, and Management Control: *Miguel Dias Amaro*
Director Vice-President of Generation and Distribution: *Luiz Otavio Assis Henriques*
Director of Distribution: *Miguel Nuno Simões Nunes Ferreira Setas*

The résumés of the officers can be found at our website www.edpbr.com.br.

SUSTAINABILITY AND CORPORATE RESPONSIBILITY

Recognized as one of the 20 model companies in corporate responsibility, EDP in Brazil was listed for the third consecutive year in the Sustainability Guide of "Exame" magazine. It also ensured, for the fifth time, the continued presence of its shares on the Corporate Sustainability Index - ISE, of BM&FBovespa.

The Company's Annual Sustainability Report follows the G3 guidelines of the Global Reporting Initiative (GRI). The 2009 edition once again guaranteed A+, the highest level of application of the GRI, and the main highlight was its inclusion in the Top 10 of the ranking organized by the Brazilian Foundation for Sustainable Development (FBDS) together with the strategy consultancy firm SustainAbility, which acknowledges excellence in the production of sustainability reports. The company came fourth in the general ranking and ranked first among companies from the electricity sector.

INSTITUTO EDP

Support to education and local development actions centralizes the external social investment of EDP Brasil and is part of the sustainable development principles assumed by the company, integrating a specific corporate policy on this topic. In all the initiatives, an effort is made to reinforce the exercise of citizenship and to encourage the beneficiaries to decide their own fates, always respecting their culture, values and institutions.

In 2010, investments in social, cultural and environmental projects amounted to R\$ 4.0 million, with R\$ 2.0 million through fiscal incentive resources, such as the Rouanet Cultural Incentive Law, among others. The social projects supported by the group are coordinated by Instituto EDP and selected through public notice, which ensures the seriousness and transparency of the process.

BUSINESS STRATEGY AND MANAGEMENT

Aligned with the Sustainable Development Principles of the EDP Group in the world, the goal in 2010 was the refinement of the strategy with a basis on:

- Oriented growth: requirement of minimum level of profitability
- Controlled risk: maintenance of low levels of operational and financial risk
- Superior efficiency: stringent budget control

The response to new market conformations has geared the focus toward small and medium hydroelectric power plants; to innovation in networks and in the distribution processes for compliance with regulatory changes; to balanced distribution of EBITDA generation/EBITDA distribution; to consolidation of the position in the free market and to the reinforcement of sustainability practices in dealings with stakeholders.

As a basis for the consummation of the strategy, 2010 consolidated the Programa Vencer of EDP Brasil as a platform to prepare the company for a cycle of innovation and development from the maximization of human potential.

Launched in 2009 with the definition of five essential behaviors and ten golden rules expected from the employees of EDP Brasil, during the year 2010, the Vencer program built up the anchor

projects that serve as foundations for the company's purposes, moving in the direction of the targets set with its stakeholders.

The ten EDP+ projects, which had continued execution in 2010, reverberated in reviews and changes in the increment of routines and processes, with new insights and breakthroughs in the method of conducting operations. This learning has contributed to the creation and implementation of ideas, such as EDP 2020 and the Innovation Exchange, managed within EDP+Inovação. Other projects that produced results were +Processos, with the redesign of organizational structure and review and/or creation of new processes. The regulatory system was revisited and received flexibility, in response to the demanding dynamics of the entrepreneurial environment.

EDP+Sustentável continues with its mission of including sustainability in the daily business routine, besides consolidating a strategic transversal map on the topic, with the monitoring of the performance of indicators that, in its consolidated statement, make up one of the five corporate goals of the EDP Brasil Group, present in the variable remuneration of officers, managers and employees since 2008.

Another breakthrough occurred with the beginning of the systematization of social and environmental indicators in a technological platform, using process management software that will allow a single database for all the information of the companies of EDP Brasil, facilitating data gathering, tracking and its assurance. The project is under development and its conclusion is scheduled for 2012.

The Environmental Management System maintains the continuity of the asset certification plan in environmental standard ISO 14001 and Health and Safety standard OHSAS 18001. In 2010, three substations of EDP Bandeirante and the generation company Investco obtained their certification. Two SHPs and the generation company Enerpeixe achieved the recertification of their assets. In quality standard ISO 9001, the technical quality indicator determination process of EDP Escelsa and EDP Bandeirante received the validation of the certifying audit firm for the 3rd year running, besides the Energy Efficiency Program of the distributors of EDP Brasil. Enerpeixe also achieved certification in the ISO 9001 standard in 2010.

In 2010, the process of dialogue with the stakeholders of EDP Brasil received assurance of AA 1000, an international standard governing principles and procedures to be adopted in this interaction. Constantly improving channels of communication were leveraged in 2010 and new formats were undertaken to engage the *stakeholders* in the commitments and values of EDP. This group includes employees, suppliers, customers, communities from the surrounding area, representatives of Public Administration in all spheres, nonprofits, NGOs, among others, which took part and remain as protagonists in the projects proposed by the company for 2011.

CUSTOMERS AS A PRIORITY

EDP's number one commitment is to its customers. This includes putting itself in their place in decision making, listening to them and responding to their demands in a simple and transparent way, and surprising them, anticipating their needs. This standpoint was reinforced in 2010 in defining the strategic plan of the Distribution business, which established the relationship with its customers as the priority of the companies EDP Bandeirante and EDP Escelsa.

Project +Customer

All customer relationship initiatives are included in +Cliente, one of the 10 projects that constitute the Vencer transformation program, applied since 2009 as a set of actions aimed at creating a new organizational model. Its aim is to ensure continuous improvement in customer service, commercial and technical processes, and includes actions of disclosure, improvement of registration, survey with customers on various aspects and appraisal of attendants.

Programa Sorriso arose in 2010, aligned with this project and geared toward training and developing customer service professionals from the stores of EDP Bandeirante and of EDP Escelsa, making the response to customer queries faster, more efficient and friendly. At the disclosure events the attendants received training to deal with different everyday situations with more resourcefulness, as well as personal presentation tips for women and men.

PEOPLE MANAGEMENT

Human capital management is one of the aspects considered most strategic by EDP Brasil to attain one of the three pillars that are the objective of its activity: superior efficiency. For this reason, it represents one of the company's intangible assets and one of the sustainable development principles established worldwide by the EDP Group. The commitment to people determines the appreciation of teamwork, the development of competence and of merit and a model that balances personal and professional life.

The belief is that working with people involves human values, conducts and behavioral actions, satisfying the demands of the business, which requires much effort to provide the best result for the company and employees.

Actions in 2010 targeted human development from the perspective of the essential behaviors and of the golden rules of the organizational culture, which integrate the Management Commitment of EDP Brasil and serve as inspiration for all employees. Performed in line with the Vencer Program - a series of initiatives in place since 2009 to make the company more competitive and prepared for the challenges of the future, they concentrated on Reforço Vencer, which maintains the dissemination of these values among employees.

With the modernization of the program's intranet website, a contest was launched for the nomination, by co-workers, of people who are examples of the five essential behaviors. The first stage ("infectious team spirit", in the first fortnight of August), had over 600 nominations.

The "energizers" of Programa Vencer, employees that use part of their work time to disseminate the EDP culture and to broadcast new projects, continued their activity in 2010, meeting with the human capital management leaders and the CEO of the *holding* company to get to know the new programs.

In December 2010, the workforce of EDP Brasil was composed of 2,363 employees.

Development actions

The investment in human development totaled R\$ 4.1 million in 2010.

Held for the third consecutive year, the performance appraisal cycle, with 360° analysis, covered 100% of the active employees until July 31. Qualitative, the initiative includes self-assessment, assessment by the manager, peers and subordinates, performed by the Intranet or Internet. Individual development plans are drafted on a basis of results.

The Succession Plan, initiated in 2009, identified the internal availability of employees ready to take on leadership positions or critical jobs. The plan was updated in 2010 and its effects can already be seen with 45% of leadership vacancies filled by existing employees. The younger employees join the company through the On Top internship program, which selects students from different areas - in 2010, 95 interns were hired through this initiative. Internally, the Program for Youths of High Potential was 100% reformulated for the Energizing Development Program model, which featured 85 candidates and 22 finalists approved.

To help employees organize their professional futures, Career Routes was made available to everyone via the Intranet, and its results can already be seen, with the rate of 28% of internal use in 2010.

The Leadership Development Program, based on the pillars of development, alignment and updating, was composed of specific actions for each level of management.

The Program for Development of Operations Managers ran from July to December, with the objective of training, education and development, covering topics such as People and Process Management. Another 5 Executive Managers took part in the Executive Development Program of Fundação Dom Cabral, an institution that contributes to the sustainable development of society through education and training. And we also had two officers that took part in AMP/IESE (Advanced Management Program).

Integrating the pillars of the Leadership Development Program, there was the continuation of the Roundtable meetings, in which executives of the EDP Group meet every three months with the company's CEO. The Cycle of EDP 2020 - Focus on Knowledge Speeches was implemented with the performance of 6 speeches and articles in 2010.

The Knowledge Management Program was launched in August, creating mechanisms for the sharing of information by the senior specialists. The first stage, of *technical coaching*, is being held as a pilot project in Generation - other units should take part in the program as from 2011.

Other educational initiatives, such as the policy of subsidy to language courses and the participation of employees of EDP Brasil in the corporate university in Portugal, were continued during the year.

Safety and Health at Work

The Integrated Environment, Health and Safety Policy establishes actions to minimize risks and accidents and to promote the health of employees and outsourced contractors. Those that merit special emphasis are awareness campaigns, training programs, technical visits and initiatives such as the Electricians' Rodeo, a traditional event of the sector that encourages occupational safety.

Research & Development (R&D) - Innovation as a highlight

EDP Brasil sees direct equivalence between the objectives of sustainability and of innovation. In this regard, in 2010 the group consolidated the Innovation Strategy Directorate and created the Innovation Team, in charge of multiplying initiatives, strengthening the dissemination of culture and of the innovative view with which employees identify opportunities in everyday processes. The team consists of representatives from the main business and support areas, which favors the circulation of information on the initiatives adopted.

To promote the involvement of the entire group, there were seminars, training courses, virtual tools open to the internal audience and technical conferences. The resources applied in 2010 were dedicated both to disruptive actions and to incremental developments in the Organization, resulting in practical initiatives that brought benefits for the company.

These initiatives include a structured aligned with the regulatory determinations that establish the requirement of allocated part of the net operating revenue to research and development and energy efficiency projects. The electric power distributors set aside 0.2% for research and development and 0.5% for energy efficiency; generating companies invest 0.4% in research and development. The results of these investments are disclosed to the scientific community and to the other concessionaires, thus disseminating spreading the knowledge acquired.

Distribution - To develop new technologies, the Research and Development Program for technological production is business oriented, improving business processes, increasing revenue,

boosting social responsibility and preserving the environment. Thus, the electrical system gains safety, quality and reliability, guaranteeing its supply and providing society with easy access to power at more affordable prices. The highlights of 2010 were research in electric mobility, tele-measurement and climatic changes. Actions with renewable energy aiming at energy efficiency merited special emphasis, as did the preparation of the Intelligent City plan, with an interconnected grid and tele-measurement, which should be put into practice in 2011. Fifteen projects started in the year.

Generation - The companies invested in various areas, ranging from safety in operations at the plants to the development of new energy sources such as solar photovoltaic. The main concern in the year was the development of projects related to the environment, focusing on simultaneous improvements for the company and for the society residing alongside the plant reservoirs. Focused on the development of new generation businesses, investments were made in new sources of clean energy, as a means of minimizing or avoiding impacts on the environment. Eleven projects were started in various fields of activity in 2010. The generation companies did not conclude any project.

Energy Efficiency

The promotion of energy efficiency activities ensures better use of electric power and is part of the Energy Efficiency Program, which determines that energy distributors must invest part of their revenue in such projects. These investments totaled R\$ 25 million in 2010, saving 22,358 MWh/year, equivalent to the average annual consumption of 9,300 households.

EDP emphasizes initiatives that favor low income consumers and non-profit entities, gathered together in the Good Energy in the Community and Good Solar Energy programs. These programs act in favor of the environment, by encouraging the use of alternative sources of energy and reduction of consumption. They promote safer use and benefit consumers and healthcare institutions with lower costs, with a positive effect on the level of default. Street lighting modernization projects, run by means of the National Program for Efficient Street Lighting (Reluzs), received investments of R\$ 4 million in 2010, with the replacement of approximately 10,203 street lighting points and reduction of demand and energy costs for city governments.

In Espírito Santo, the performance of the Good Energy in the Community program involved around 46 thousand consumer units, with an increase in the number of meetings with the community and speeches on energy efficiency. Through questionnaires applied by the NGO Ideaas, households are chosen to receive benefits of the initiative, with the donation of adequate equipment for the regular installation of electricity. In the 2009/2010 cycle, they represented 9,000 standards, 6,680 installation kits (wires, circuit breakers, sockets), 127,000 energy-saving light bulbs, with investments of R\$ 8 million. There are also draws and donations of refrigerators to residents whose equipment is in a very precarious condition.

Three initiatives merited special emphasis in São Paulo, the area of activity of EDP Bandeirante. The improvement of the lighting systems of three charities, with donations of equipment and labor for the replacement of inefficient light bulbs, lamps and reactors, cut electricity costs. The semaphore systems of Guarulhos, Mogi das Cruzes and Sao Jose dos Campos had 10,219 low-efficiency incandescent bulbs replaced by high efficiency LED bulbs, with savings of 2,607 MWh/year, which represents the average annual consumption of 1,086 residential units.

In partnership with Companhia de Desenvolvimento Habitacional Urbano do Estado de São Paulo (CDHU - Urban Housing Development Company), EDP Bandeirante is making improvements in 2,478 households of low purchasing power in the municipalities of Pindamonhangaba and Mogi das Cruzes. The Good Solar Energy program included the installation of solar panels on apartment buildings for water heating, the replacement of bulbs and showers, and awareness actions. Investments amounted to R\$ 13.3 million and the estimated consumption reduction is 1,290 MWh/year.

ENVIRONMENTAL RESPONSIBILITY

The environmental management of EDP Brasil is aligned with its eight principles of sustainable development and seeks, through innovative projects and initiatives, to mitigate the impacts of the activities of the subsidiaries. Nature conservation actions are developed with special emphasis on biodiversity, which gained a specific corporate policy in 2010.

In this context, the company established partnerships with universities in 2010 for the development of surveys geared toward the identification of best environmental preservation practices. The adaptation of assets and facilities to the quality certifications ISO 14001 (environment) and OHSAS 18001 (health and safety) was continued.

Socio-environmental actions of EDP Bandeirante were highlighted in the 2009 Sustainability Report of the Inter-American Development Bank (IDB), which declared the company an example to be followed in sustainable practices. Accordingly, the environmental management system of health and safety and the solutions to mitigate environmental impacts will be used as an example for other companies that will rely on the support of the IDB to implement projects in the area.

Investments of an environmental nature totaled R\$ 28.7 million, with special emphasis on biodiversity aspects (landscape protection, monitoring of fauna and flora, among others).

The following projects merit special emphasis as the most important:

- **Programa Econosco:** created in 2009 and aimed at encouraging the conscientious use of natural resources by the employees of EDP, recorded new actions of incentive to the reduction of consumption and generation of waste in 2010. The 50 project ambassadors - employees that work in the dissemination of the initiatives - took part in workshops held by Instituto EDP in partnership with Instituto Akatu. They addressed the topics of: transforming power of consumers; importance of recycling; conscientious consumption of water, paper, energy and fuels; and greenhouse gases that cause global warming.
- **Clean Development Mechanism (MDL) of the Kyoto Protocol:** it currently relies on five registered programs. Aware of the importance and amplitude of climate changes, EDP actively participates in various forums to contribute toward the construction of an efficient international system to fight global climate changes.

In the first half of 2010, the company sold 25 thousand tons of carbon credits in the voluntary market. Traded with the Swiss company First Climate, the credits were obtained through the repowering of HPP Mascarenhas, which will avoid the average emission of 50 thousand tons of CO₂. In late 2010, EDP received the certification of the first credits issued by the United Nations of the São João SHP project. The proceeds from the trading of carbon credits are fully allocated to social projects supported or developed by Instituto EDP.

AWARDS AND ACKNOWLEDGEMENTS

Sustainability Guide of "Exame" magazine: Recognized, for the third year running, as one of the 20 model companies in sustainability in the country. The guidebook of *Exame* magazine evaluates corporate activities from the social, economic and environmental aspects.

Capital Aberto Ranking: The ranking, organized by *Capital Aberto* magazine, rewards the Best Companies for Shareholders - EDP was among the nine winners of 2010, coming second in the category of companies with market value between R\$ 5 billion and R\$ 15 billion, and obtaining the highest score in corporate governance.

Celebrity of the Year: The CEO of EDP Brasil, Antonio Pita de Abreu, received the award for Personality of the Year from the Portuguese Chamber of Commerce in Brazil-Sao Paulo. The choice occurred through an election among the 800 entrepreneurs and executives that are members of the Chamber. In the award ceremony the entity paid tribute to Luis Inacio Lula da Silva, Brazilian President at the time, for his commitment to the country's economic growth.

"Rumo à Credibilidade" (On the Route to Credibility): Number one among the firms from the electricity sector in the Top 10 of the ranking organized by Fundação Brasileira para o Desenvolvimento Sustentável (FBDS - Brazilian Foundation for Sustainable Development) together with the strategy consulting firm SustainAbility, which acknowledges excellence in the production of sustainability reports. The company came fourth in the overall ranking.

ABT Award: Projeto Letras de Luz, a partnership of Fundação Victor Civita with Instituto EDP, received the gold trophy in the Social Responsibility category in the tenth edition of the ABT Award. The award is aimed at distinguishing and acknowledging best customer relationship practices on an annual basis.

The 500 best companies from Brazil: First place in the electricity sector in Innovation and Quality, fourth place in Corporate Governance and fifth place in Financial Sustainability in the evaluation performed annually by *Istoé Dinheiro* magazine in partnership with Trevisan Consultoria.

Brazilian Program of GHG Protocol (Greenhouse Gases): Awarded the Gold Seal in the inventory of greenhouse gas emissions in the year 2009.

Sodexo Vida Profissional award: Programa Conciliar received an award in the Quality of Life category. Focused on research and dissemination of best business practices in human resources, the award has its evaluation process conducted by Fundação Getulio Vargas.

EcoFrotas award: Received in the Excellence in Maintenance Management category for efforts in relation to the fleet of distributors, which had the lowest cost per kilometer covered and the best availability.

Aberje 2010 Award: TV ON, institutional channel of the EDP Group, was the winner in the Audiovisual Media category, from the region of Sao Paulo, in the award ceremony organized by Associação Brasileira de Comunicação Empresarial (Brazilian Business Communication Association). The award highlights initiatives in the categories of Communication and Relationship Management, Media and Small and Medium Organizations.

Ranking Latin America's Best Investor Relations: survey conducted by *Institutional Investor* magazine with market analysts, acknowledges CFO Miguel Amaro as the best in the electricity sector, according to sell side analysts, and the Executive Manager Maytê Albuquerque as the third best IR professional from the electrical sector, according to sell side and buy side analysts.

INDEPENDENT AUDITORS

In compliance with CVM Instruction nº 381, of January 14, 2003, about the need for disclosure by the Audited Entities, of information about the rendering of services by the independent auditor, the Company informs that the only services rendered in the year 2010, by the independent auditors were those related to the independent audit examinations of the financial statements.

FINANCIAL STATEMENTS

In compliance with the Brazilian Securities Commission's Instruction No. 480/09, article 25, we hereby declare that we have reviewed and agree with the financial statements for the years ended December 31, 2010 and the corresponding independent auditor's report 2010 and 2009. These were prepared according to the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), as required by CVM Instruction no. 457 of July 13, 2007. Historical results prior to 2009, possibly mentioned throughout this management report, do not include adjustments established by international accounting standards (IFRS).

ACKNOWLEDGMENTS

Management is grateful to all those that worked and contributed to allow EDP Energias do Brasil to achieve a prominent position in the national scenario. We especially wish to express our gratitude for the faith of our shareholders, the efforts and competence of our collaborators, the support and encouragement of customers, suppliers, partners and other *stakeholders*.



EDP - Energias do Brasil S.A.

**Independent auditor's report on the
financial statements**

Year ended December 31, 2010

**(A free translation of the original report in
Portuguese, as filed with the Brazilian
Securities and Exchange Commission (CVM),
prepared in accordance with the accounting
practices adopted in Brazil and International
Financial Reporting Standards - IFRS)**



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Independent auditor's report on the financial statements

To the Board of Directors and Shareholders of
EDP - Energias do Brasil S.A.
São Paulo -SP

We have audited the accompanying individual and consolidated financial statements of EDP - Energias do Brasil S.A. ("Company"), identified as Parent Company and Consolidated, respectively, which comprise the balance sheet as of December 31, 2010 and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, as well as a summary of the significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Company's management is responsible for the preparation and fair presentation of the individual financial statements in accordance with the accounting practices adopted in Brazil and of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and in accordance with the accounting practices adopted in Brazil, as well as for the internal control, which they deemed necessary to enable the preparation of these financial statements free of material misstatement, regardless of whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit, which was conducted in accordance with the Brazilian and International Standards on Auditing. These standards require compliance with ethical requirements by the auditor and that the audit is planned and performed for the purpose of obtaining reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing selected procedures to obtain audit evidence about the amounts and disclosures presented in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In the assessment of these risks, the auditor considers the relevant internal controls for the preparation and fair presentation of the Company's financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the



accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements taken as a whole.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the individual financial statements

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the financial position of EDP - Energias do Brasil S.A. as of December 31, 2010, and of its financial performance and its cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of EDP - Energias do Brasil S.A. as of December 31, 2010, its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB) and the accounting practices adopted in Brazil.

Emphasis of matter

As described in Note 2.1.1, the individual financial statements were prepared in accordance with accounting practices adopted in Brazil. In the case of EDP - Energias do Brasil S.A., these practices differ from IFRS applicable to the separate financial statements only with respect to the valuation of investments in subsidiaries by the equity method, while for the IFRS purposes they would be valued at cost or fair value.

Other matters

Statements of added value


We have also audited the individual and consolidated statements of added value for the year ended December 31, 2010, whose presentation is required by Brazilian Corporate Law for publicly-held companies and as a supplementary information under IFRS, as these standards do not require the presentation of the statements of added value. These statements were submitted to the same audit procedures previously described and, in our opinion, are fairly presented in all their material respects, in relation to the financial statements taken as whole.




São Paulo, February 21, 2011

KPMG Auditores Independentes
CRC 2SP014428/O-6

Original in Portuguese signed by



Carlos Augusto Pires
Accountant CRC 1SP184830/O-7



Rosane Palharim
Accountant CRC 1SP220280/O-9