

ADMINISTRATION REPORT – 2009

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Message from the CEO

The year 2009 was a year for reflections and several actions. Based on best corporate practices, FURNAS transformed hardships into opportunities. Seeking to increment equipment operating life time, inspection techniques were improved, new material was used, and processes were redefined.

FURNAS has also been contributing to the transformation industry and work market as seven hydroelectric power plants are under way, which is part of the Federal Government Growth Acceleration Program. Two of them are wholly owned, namely Simplício / Anta, and Batalha, and the left five power plants with other partners, under Specific Purpose Entities (*Sociedade de Propósito Específico* – SPE), namely Retiro Baixo, Baguari, Serra do Facão, Foz do Chapecó, and Santo Antônio. Construction works were foremost in the following power plants: Baguari (MG), which started operating in October 2009, when two generating units became fully operational; Santo Antônio (RO), with the beginning of the concrete work of the main spillway; Retiro Baixo (MG), where the filling of the reservoir is under way; and Serra do Facão (GO), whose installation license has been rectified by the licensing agency, named Brazilian Institute of Environment and Natural Renewable Resources (*Instituto Brasileiro do Meio Ambiente e dos Recursos Renováveis* – Ibama).

The Company's nearly 20 thousand kilometers long transmission system relies on 48 substations, now highlighted by the new Iriri Substation, which provides more reliability to the supply of energy to the Northern Region of Rio de Janeiro State, directly benefiting the local petroleum industry. The Company, moreover, won two transmission auctions, adding 800 km worth of new transmission lines and four substations to its energy grid.

Over R\$ 1.2 billion were invested in new installations including expansions and reinforcements of both generation and transmission park, with emphasis on the modernization of Marechal Mascarenhas de Moraes, Luiz Carlos Barreto de Carvalho and Furnas Hydroelectric Power Plants – HPP, all of them located on Rio Grande, in operation for over 40 years.

The Company's reservoirs were kept at high levels in the period under view, assuring the Country a safe and reliable energy supply. Generation installations were available at 88.1% of the time, and transmission 99.7%, evidencing the high availability of its generation park.

By a direct determination of the President, Mr. Lula, the Government decided to transform *Centrais Elétricas Brasileiras S.A. (Eletrobras)* into a huge Brazilian energy company, respected internationally. The Mines and Energy Minister, Mr. Edison Lobão, sponsored Eletrobras transformation process and corporate empowerment by setting up an integrated management process of business activities and energy generation, bringing in efficiency gains, strengthening its trademark and market share both domestically and abroad, and moving up share prices in the stock exchange market. FURNAS faces one more challenge, yet to become a victory – to participate in the Eletrobras System in synergy with its other subsidiaries, seeking to attain width to compete evenly with large energy companies abroad.

Following the implementation of Eletrobras System Transformation Plan, in 2009 highly relevant objectives were identified, whose targets are to be formulated in line with an integrated effort of its controlled companies. Among them, meeting and improving sustainability requirements, increasing return on investments, the due alignment of processes towards an integrated performance and competitive gains, along with the consolidation of the image of Eletrobras System as strategic agent.

Moreover, it was given sequence to the projects Enterprise Resources Company (ERP) – *Projeto Sintonia*, which involves most businesses processes of the Company under a single data bank; Strategic Planning, currently under way, contemplating nine different initiatives focusing management improvement; and Sarbanes-Oxley Law (SOX), carrying out a survey on internal control procedures backing financial reports complying with the directives of SOX.

The period under view saw several achievements concerning environmental, social and cultural areas. Several projects on education, health, labor training, and income generation were implemented in the surrounding communities of power plants and substations. Foremost among them, was Citizenship Village (*Aldeia da Cidadania*), which in nine campaigns addressing social inclusion, offering basic social services free of charge to communities in association with the public sector, institutions and volunteers, directly benefiting 35 thousand people, along with providing Fund for Childhood and Adolescence (*Fundo da Infância e da Adolescência*), with R\$2.8 million, benefiting 1,100 people in 13 municipalities.

The programs FURNAS Generations for Music (*FURNAS Geração Musical*) and FURNAS Cultural Space (*Espaço FURNAS Cultural*), where new and renowned talents are exhibited, are initiatives that consolidate the Company's effort to meet governmental targets towards stimulating the arts and culture.

The Company also executes the Light for All Program (*Programa Luz para Todos*) – under the discretion of the Ministry of Mines and Energy – in the Southeast Region and Goiás State, aiming at meeting the demand of communities not yet fully serviced by energy supply. Over 500 thousand families, or 2.5 million Brazilians, are expected to have been serviced in the States of Minas Gerais, São Paulo, Espírito Santo, Goiás, and Rio de Janeiro when the Program comes to its term.

I would like hereby to thank our Board and employees for their commitment and for the results attained. I also express my recognition for the contribution on the part of the Federal Government, the Ministry of Mines and Energy, our holding company, Eletrobras, shareholders, clients, suppliers, and other stakeholders. I hereby present FURNAS activities report for the Fiscal Year 2009.

Carlos Nadalutti Filho
Chief Executive Officer

Company Profile

FURNAS is a mix private/state-owned company established on February 28, 1957, by Decree no. 41.066, which authorized the Company to build Brazil's first large hydroelectric power plant.

As a subsidiary of Eletrobras, the Company was assigned the mission of serving a multi-state market by constructing and operating electric power plants, as well as transmission systems in high and extra-high voltages, connecting interstate systems and transmitting energy produced by bi-national projects.

Installations are spread in Southeastern and Midwestern Brazil, interconnecting eight states and the Federal District of Brasília, an area that houses half of the Brazilian population, which in turn accounts for 66% of the Country's Gross Domestic Product (GDP). To do so, the Company relies on a generation capacity that comprises 8 wholly owned hydroelectric power plants, 2 power plants in cooperation with private investors, 2 in the form of SPE, and 2 conventional thermal power plants.

FURNAS transmission system encompasses 48 substations with a transforming capacity of 102,012 MVA, and a transmission grid of 19,256 km. Included therein are the circuits of Itaipu Transmission System, in 750 kV AC and \pm 600 kV DC, and other strategic links optimizing energy supply to the Southern, Southeastern, Midwestern and Northern Regions of the Country.

I – MANAGEMENT

Company Business

Outlook of the Brazilian Economy and Market

The Brazilian economy started 2009 under the effects of the worldwide economic crisis, entering the so-called technical recession in the first half of the year. From the second half on, the economy started to recover from the effects of the recession, which was a direct consequence of governmental policies towards credit incentive and tax reduction. The increasingly higher reliance on the market contributed to the São Paulo Stock Exchange (*Bolsa de Valores de São Paulo* – Bovespa) performance, which upped by 82.66% in the fiscal year under view. Notwithstanding the improvement observed in some economic indicators, the GDP met 2009 fiscal year end with a slight 0.2% drop triggered by a 5.5% decrease in industrial performance, which brought down its participation in terms of value added.

Inflation as measured by the official indicator Amplified Consumer Price Index (*Índice de Preços ao Consumidor Amplo* – IPCA) was 4.3% below 2008 (5.9%) level as food prices in 2009 held below 2008 levels. Industrial production recovered slowly, although a 7.4% drop was registered in 2009, the largest annual loss since 1990. In spite of this scenario, unemployment rate held at 6.8%, which was the same in 2008.

As for exports, trade balance showed a positive US\$ 25.3 billion in 2009, close to 2008 same level, of US\$ 25 billion. Foreign investments totaled US\$ 25.9 billion, a 42.4% downfall compared to 2008 record level. Reserves, as measured by liquidity, including the outstanding balance of loans in foreign currency abroad, reached US\$ 239.1 billion in December 2009.

Electric energy consumption in 2009 was directly affected by the international crisis that particularly compromised industrial activities with sales in foreign markets, leveling at 388.2 TWh, a 1.1% drop over 2008, according to data released by Energy Research Company (*Empresa de Pesquisa Energética* – EPE). Residential energy consumption responded for 26% of total electric energy supplied and upped by 6.2%, the highest attained in this category since 1999, being triggered by 1.807 million new housing units joining the grid in 2009 along with a 2.8% increase in the average residential consumption, at 152.4 kWh/month. Commercial businesses, responsible for 17% of Brazilian market total electric energy consumption showed an excellent performance, growing by 6.1% in 2009. Industrial consumption, in its turn, registered 43% of the total electric energy consumption in the Country, an 8% drop over 2008, influenced by the downsizing of domestic industrial activities due to the consequences of the international crisis in the Brazilian economy.

Southeastern Brazil responded for 54% of the total consumption, its poorest performance in years, with a 2.4% drop in total consumption, a reflex of the industrial downsizing in domestic activities. Southern Brazil held a 17% participation, also showing a negative performance, or a 0.7% drop, caused by the industrial retraction in important industry segments reporting export losses. Midwestern Brazil, which answers for 6.3% of the domestic market, upped by 3.4% due to the improved performance of residential and commercial consumers. Northern Brazil, holding 6.2% of total domestic consumption, grew only by 0.3%, also a positive contribution of both commercial and residential consumers. Northeastern Brazil, corresponding to 17% of the domestic electric energy market, upped only by 0.2%, a reflex of the good performance of residential and commercial consumers and the widespread retraction of industrial activities.

Business Overview

Business Expansion

Generation

The Company is carrying out seven generations projects that are part of Growth Acceleration Program (*Programa de Aceleração do Crescimento – PAC*), launched in 2007 by the Federal Government, and considered of utmost importance to guarantee electric energy supply in Brazil.

The two installations listed below, both of which are FURNAS full ownership, present the following features:

- Simplício HPP (305.7 MW) and the Anta Small-scale Hydroelectric Power Plant (SHP) (28 MW), situated on the Paraíba do Sul river, on the border of Rio de Janeiro and Minas Gerais States. Simplício comprises three generating units, one forecast to start running in 2010 and two in 2011, while Anta counts on two generating units, to start running in 2011. It also contemplates the associated transmission lines involving the interconnection between Anta SHP and Simplício HPP, through 138 kV TL, 30 km long, and the connection to the National Interconnected System (*Sistema Interligado Nacional – SIN*) through one 138 kV TL, double circuit, 120 km long, between Simplício and Rocha Leão Substations;
- Batalha HPP (52.5 MW), lying on the São Marcos river, on the border of Minas Gerais and Goiás States, with two generating units forecast to start running in 2011. In April 2008, Ibama issued the Installation License. Moreover, it contemplates the connection to the SIN through a 75 km long, 138 kV TL, single circuit between the Substations Batalha and Paracatu 1 (owned by *Companhia Energética de Minas Gerais – Cemig*).

Besides the installations above, others are being built in cooperation with third parties, under SPE associations, as shown below:

- Retiro Baixo HPP (82 MW), a partnership between FURNAS (49%) and *Orteng Equipamentos e Sistemas* (25.5%), *Logos Engenharia* (15.5%) and *Arcadis Logos Energia* (10%) in the SPE Retiro Baixo. Lying on the Paraopeba river, in the municipal districts of Pompeu and Curvelo, State of Minas Gerais, with two generating units connected to Curvelo 2 (Cemig ownership), in a 43 km long, 138 kV, single circuit Transmission Line (TL), forecast to start running in 2010;
- Baguari HPP (140 MW), a partnership between FURNAS (30.6%) and *Companhia Energética de Minas Gerais* (Cemig) (69.4%) in the SPE *Baguari Energia S.A.*, which holds a 49% stake in SPE *Baguari Geração de Energia Elétrica S.A.* Located on Doce river, in the State of Minas Gerais, near the city of Governador Valadares, it has four generating units, two of which started running respectively in September and November 2009. The left two units are forecast to start operating in 2010;
- Serra do Facão HPP (212.58 MW), a partnership between FURNAS (100%) in the SPE *Serra do Facão Participações S.A.*, which has 49.5% over the shareholder's agreement between *Alcoa Alumínio* (35%), *DME Energética* (10%) and *Camargo Corrêa Energia* (5.5%) in SPE *Serra do Facão Energia S.A.* Lying on São Marcos river, in the districts of Catalão and Divinópolis, State of Goiás, with two generating units, forecast to start running in the last quarter of 2010;

- Foz do Chapecó HPP (855 MW), a partnership between FURNAS (40%), *CPFL Energia* (51%) and *Companhia Estadual de Energia Elétrica* (CEEE) (9%) in SPE *Chapecoense Geração S.A.* which has 100% of SPE *Foz do Chapecó Energia S.A.* Located on Uruguai river, in the districts of Águas do Chapecó and Alpestre, on the borders of the States of Santa Catarina and Rio Grande do Sul, it has four generating units, three of which forecast to start running in 2010 and the fourth one in 2011;
- Santo Antônio HPP (3,150.4 MW), a partnership between FURNAS (39%), *Fundo de Investimento em Participações Amazônia Energia* (20%), *Odebrecht Investimentos em Infra-Estrutura* (17.6%), *Andrade Gutierrez Participações* (12.4%), Cemig (10%) and *Construtora Norberto Odebrecht* (1%) in SPE *Madeira Energia S.A.* Lying on the Madeira river, 10 km away from Porto Velho, State of Rondônia, in the Amazon region, this HPP has 44 generating units forecast to start running between 2012 and 2015. In December 2007, concession for the construction was obtained through an auction conducted by Brazilian Electricity Regulatory Agency (*Agência Nacional de Energia Elétrica – Aneel*).

In order to include alternative energy sources in its energy matrix, FURNAS is researching eolic, thermal biomass and solar energy sources. In 2009, the Company participated in the Second Energy Reserve Auction, LER no. 003, of December 14, 2009, to explore eolic energy sources in *Consórcio Brasil dos Ventos*, a partnership between FURNAS (24.5%), *Centrais Elétricas do Norte do Brasil S.A.* (Eletronorte) (24.5%), and private partners (51%). Such partnership won 4 eolic energy generation installations, totaling a 162 MW installed capacity. Eolic parks that had its energy sold in the Auction were:

- Aratuá 1 Eolic Power Plant (EPP) (14.4 MW), in the municipality of Guamaré, in Rio Grande do Norte State, with 8 generating units, forecast to start operating in 2011;
- Miassaba 3 EPP (50.4 MW), in the municipality of Guamaré, Rio Grande do Norte State, with 28 generating units, forecast to start operating in 2011;
- Rei dos Ventos 1 and 3 EPP (48.6 MW each one), in the municipality of Jandaíra, in Rio Grande do Norte State, it counts on 27 generating units each, forecast to start running in 2011.

Within PAC, partnerships with several private and state-owned investors are being made in technical, economic and environmental viability studies towards hydroelectric power plants, which will eventually be submitted to Aneel's approval, and issuance of the due Previous Environmental Licensing that will back the auctioning of concession rights. Those viability studies referred above are listed as follows:

- Água Limpa HPP, with an estimated 380 MW, and lying on the Mortes river, in the State of Mato Grosso, is a partnership with *Energética-Tech Consultoria, Projetos e Consultoria de Engenharia Ltda.* (PCE), Eletronorte, *Alstom-Hydro Energia Brasil Ltda.*, *Construtora Andrade Gutierrez, Enercamp Engenharia e Comércio Ltda.* and *Dreen Brasil*;
- Mirador HPP (feasibility studies are being revised) with an estimated 50 to 80 MW, on Tocantzinho river, in the State of Goiás, a partnership with PCE, *Centrais Elétricas Rio das Almas S.A.* (Rialma), *Energética-Tech* and *Delta Construção*.

Additionally to the feasibility studies within PAC, FURNAS has also entered into partnerships with several private and state-owned investors in hydroelectric projects, which are listed below:

- Inventory Studies of the Jequitinhonha river and its main tributary Araçuaí river, in the State of Minas Gerais, with an estimated 1,000 MW potential, a partnership with Cemig and *Neoenergia (Neoinvest)*;
- Technical , economic, and environmental feasibility studies;
- Maranhão HPP, with an estimated 125 MW, on the Maranhão river, State of Goiás, a partnership with PCE, Rialma, *Construtora Queiroz Galvão* and *Energética-Tech Consultoria*;
- Buriti Queimado HPP, with an estimated 142 MW, on the Almas river, State of Goiás, a partnership with PCE, Rialma and *Construtora Queiroz Galvão*;
- Porteiras HPP, with an estimated 86 MW, on the Maranhão river, State of Goiás, lying downstream of Maranhão HPP.

According to the approval of Law no. 11.651 of April 7, 2008, Eletrobras is entitled to go into partnerships with institutions dealing with electric energy production or transmission abroad. In this sense, the *Holding*, FURNAS and a private partner established the constitution of a new SPE, with the following characteristics:

- Inambari HPP (2,000 MW), a partnership between Eletrobras (29.4%), FURNAS (19.6%) and *Construtora OAS* (51%) in *SPE Inambari Geração de Energia S.A. (IGESA)*. This partnership is carrying out feasibility studies for the implementation of an HPP in Peru, in the district of *Madre de Dios*, 300 km away from the Brazilian border, and an associated transmission system, including a project to export electric energy to Brazil.

Transmission

The projects listed below, which are also part of PAC and wholly owned by FURNAS, have the following characteristics:

- Tijuco Preto – Itapeti and Itapeti – Nordeste, a 50 km long TL, operating in 345 kV, will interconnect Tijuco Preto Substation, in the State of São Paulo, and Itapeti and Nordeste Substations, under the ownership of *Companhia de Transmissão de Energia Elétrica Paulista* (CTEEP) in order to back and safeguard electricity supply for the São Paulo Region. Installation License is still pending and construction shall begin as due licensing on the part of environmental agencies is issued;
- Macaé – Campos TL, third circuit, 345 kV, 90.5 km long, which is to back and safeguard electric energy supply for Northern Rio de Janeiro and Espírito Santo States. Installation License was granted by *Fundação Estadual de Engenharia do Meio Ambiente do Rio de Janeiro* (FEEMA-RJ) in July 2008, and transmission operation is forecast to start in February 2010;
- Bom Despacho 3 – Ouro Preto 2 TL, 500 kV, single circuit, 180 km long, will interconnect Ouro Preto 2 and Bom Despacho 3 Substations, both located in Minas Gerais State. This installation will provide more reliability in electric energy supply for Serra da Mantiqueira Region (MG). The aforementioned installation refers to block C of Aneel Auction no. 006, won by FURNAS, dated October 2008. Construction is still pending, waiting the Installation License on the part of environmental agencies;

- Mascarenhas – Linhares TL, 230 kV, single circuit, 99 km long and Linhares Substation, operating in 230/138 kV, which will interconnect Mascarenhas and Linhares Substations, both in the State of Espírito Santo, contributing to improve electric energy supply to Northern Espírito Santo State. These installations refer to block E of Aneel Auction no. 005, won by FURNAS, dated November 2009.

Besides the projects mentioned above, the expansion of the transmission system is under way, in cooperation with the aforementioned third parties, under SPE association, identified in this report under the heading of Special Purpose Entity (SPE), with the following characteristics:

- Furnas – Pimenta 2 TL, 345 kV, an association of FURNAS (49%) and Cemig (51%) in the *SPE Centroeste de Minas*. Situated in the State of Minas Gerais, the construction of this 62.7 km long TL started after the due environmental licensing issued on April 28, 2009. Start of operation is expected in early 2010;
- Porto Velho – Araraquara TL, a partnership comprising FURNAS (24.5%), CTEEP (51%), and *Companhia Hidro Elétrica do São Francisco* (CHESF) (24.5%) in the *SPE Interligação Elétrica do Madeira S.A.* (IE Madeira), which refers to block D of Aneel Auction no. 007, dating back to November 2008. Lying between the States of Rondônia and São Paulo, this will be a ± 600 kV DC, 2,375 km long TL. Aneel Concession Contract no. 013 was fully signed on February 26, 2009. Start of operation is due 36 months after the signing of the Concession Contract;
- Rectifier Substation AC/DC, 500/ ± 600 kV, 3,150 MW and Inverter Substation DC/AC, $\pm 600/500$ kV, 2,950 MW, association of FURNAS (24.5%), CTEEP (51%) and CHESF (24.5%) in the SPE IE Madeira. This installation refers to block F of Aneel Auction no. 007, held in November 2008. The Substations will be located in Porto Velho and Araraquara, respectively. Aneel Concession Contract no. 15 was signed on February 26, 2009. Start of operation date for these stations is due 50 months after the signing of the Concession Contract;
- Connection of Biomass HPP and SHP to SIN – related to Generation Centers Transmission Installations for Shared Connection (ICG) and Generation Centers for Exclusive and Individual Installations (IEG) – an association of FURNAS (49%), *Delta Construção* (25.5%) and *Fuad Rassi Engenharia, Indústria e Comércio* (25.5%) in the *SPE Transenergia Renovável S.A.* This installation refers to block C of Aneel Auction no. 008, held in November 2008. It comprises a 230 and 138 kV transmission system located in Mato Grosso do Sul and Goiás States that is to integrate Biomass HPP and SHP to SIN. Aneel Concession Contract no. 009 was signed on April 23, 2009, and the start-up running date is due 18 months after the signing of the Concession Contract;
- Itatiba Substation, 500 kV, a partnership headed by FURNAS (49.0%), along with *J. Malucelli Construtora de Obras S.A.* (25.5%), and *Delta Construção* (25.5%) in the *SPE Transenergia São Paulo S.A.* concerning the 500 kV Campinas – Ibiúna TL sectioning through the construction of a new substation housing two 500/138 kV, 400 MVA autotransformer banks, seven of which are 133 MVA single-phase units, one spare unit, and a 200 Mvar, 138 kV shunt capacitor. This installation refers to block G of Aneel Auction no. 001, realized on May 8, 2009. Aneel Concession Contract no. 024 was signed on November 19, 2009. Start-up is expected in 22 months after the signing of the Concession Contract;
- TL Serra da Mesa – Niquelândia, and Niquelândia – Barro Alto, both 230 kV, a partnership involving FURNAS (49.0%), J. Malucelli (25.5%) and Delta (25.5%) in the *SPE Transenergia Goiás S.A.* It comprises the construction of the 230 kV Serra da Mesa

– Niquelândia, and Niquelândia – Barro Alto TL second circuit, the first being a 100 km long, and the second 88 km long, both localized in the State of Goiás. This refers to block K of Aneel Auction no. 001, which took place on May 5, 2009. Aneel Concession Contract no.028 was signed on November 19, 2009. Start-up activities are forecast for 20 months after the signing of the Concession Contract;

- Rio Verde Norte – Trindade TL, 500 kV, 193 km long, double circuit; Trindade – Xavantes TL, 230 kV, 37 km long, double circuit; 230 kV Trindade – Carajás TL, 230 kV, 29 km long, single circuit; and Trindade Substation, 500/230 kV, are all located in the State of Goiás. Trindade Substation will eliminate overcharges in Bandeirantes and Anhanguera Substations, and both will integrate Trindade Substation to SIN, providing for improved electric energy supply reliance, and social and economic development to the Region. This refers to block A of Aneel Auction no.005, dated November 27, 2009, which was won by Consórcio Goiás Transmissão, whose ownership is as follows: FURNAS (49%), J. Malucelli (31%), and *Engevix Engenharia S.A.* (20%);
- Mesquita – Viana 2 TL, 500 kV, 248 km long, simple circuit; Viana 2 – Viana TL, 345 kV, 10 km long, double circuit; and Viana 2 Substation, 500/345 kV, all of which lie in the States of Minas Gerais and Espírito Santo. The project will bring improved reliability to electric energy supplied to the State of Espírito Santo envisaging an adequate performance of the system in case of contingencies in the major sources supply. These refer to block G of Aneel Auction realized on November 27, 2009, which was won by *Consórcio MGE Transmissão*, whose ownership is as follows: FURNAS (49%), J. Malucelli (20%), and Engevix (31%).

Besides the constructions headed by PAC, FURNAS was dully authorized by Aneel to provide reinforcement to its transmission installations, with allowed revenue, namely:

- Mascarenhas de Moraes Substation, located in the State of Minas Gerais, expansion transforming capacity of 345/138 kV, in 400 MVA, with the installation of a second bank, and replacement of bus-bar and maneuver equipment with overcapacity, in 138 kV sector;
- Barro Alto Substation, located in the State of Goiás, installation of a second transformer bank, expanding transforming capacity of 230/69 kV, in 50 MVA; installation of the second capacitor bank, in 230 kV, 27.7 Mvar; and safeguarding reinforcements previously done in order to back above mentioned expansions;
- Samambaia Substation, located in the Federal District, expansion of transforming capacity, in 225 MVA, with the onset of the third 345/138 kV bank;
- Tijuco Preto Substation, located in the State of São Paulo, installation of the fourth 765/345 bank, in 1,500 MVA, as permitted in 2008, will allow for the start-up of the 345 kV sector, with two bus-bar sections interconnected by two reactor banks limiting short-circuit current;
- Foz do Iguaçu Substation, located in the State of Paraná, installation of a 500 kV bus-bar and switchgear bays meeting grid requirements, replacing overdue switchgear bays and the whole structure for the start-up of Foz do Iguaçu – Cascavel Oeste TL, 500 kV;
- Guarulhos Substation, located in the State of São Paulo, installation of two capacitor banks in 345 kV sector, one, 150 Mvar and the other, 100 Mvar;

- Luiz Carlos Barreto de Carvalho – Estreito C1 and C2 TL, 345 kV, located in the States of Minas Gerais and São Paulo, Mascarenhas de Moraes – Estreito TL, and Furnas – Estreito TL, both sectioned by Estreito Substation and localized in the State of Minas Gerais, providing for the replacement sections of cable arresters;
- Bandeirantes Substation, located in the State of Goiás, replacement of equipment with overcapacity in 230 kV sector.

System Operation

The year of 2009 was very favorable in operational terms, mainly regarding hydrology. Hydroelectric Power Plant reservoirs were kept at high levels, a very important factor to maintain the quality and reliability standard in rendering of electric energy generation, transmission and commercialization services.

New installations and the improvement of the available ones aggregated better reliance to the National Interconnected System (*Sistema Interligado Nacional – SIN*).

Generation installations were available 88.1% of the time (83.2% when considered the interruptions due to the modernization process), and transmission was available 99.7% of the time. These indicators were the result of investments made mainly in maintenance and operations of the generation park, with 12 plants (both full and shared ownerships) and in the transmission installations with 48 substations and almost 20 thousand km of transmission lines.

In employee development area, continuity was given to the improvement of the Train Operators Simulator of Operational Centers, for creating scenarios from historical data values of analogical and digital electric system, processed by the Control and Supervision System (*Sistema de Supervisão e Controle – SOL*) on a real-time basis. This System is capable of configuring the electric grid and performing a power flow analysis program, taking into account the manual inputs in topological data made by the instructor. The instructor simulates maneuvering in equipment and analogical magnitudes are automatically recalculated. The results are presented in the SOL System environment identically to real-time data, simulating exactly what happens in the control room.

In the material management area the following activities were highlighted: new alternatives were identified concerning optimizing low cost battery storage; installation of digital multimeters to measure electrical magnitudes, replacing analogical equipment; and a satellite link system for movable telecommunication units, providing safety and agility in decision making processes in emergency situations.

In the transmission area the main events were related to the start in operation of new installations, listed below, providing increased reliability and better performance to the operation of SIN:

- Iri Substation – energized in October 2009, this substation is the result of the sectioning of the 138 kV Campos – Rocha Leão 2 TL to guarantee improved reliability in energy supply to Northern Rio de Janeiro State, directly benefiting the local oil industry;
- Estreito Substation – energized in December 2009, this substation is the result from the sectioning of the transmission lines that interconnected Furnas, Luiz Carlos Barreto de Carvalho, and Macarenhas de Moraes HPP. FURNAS is the accessing agent of this substation, owned by *Grupo Plena Transmissoras S.A.* This installation provides the reinforcement of the North-South Interconnected System, as well as the improvement of charge flow from Tucuruí HPP (in the State of Pará) and from those HPP on the Medium Tocantins river bed;

- Resende Substation – energized in April 2009, sectioned the 500 kV Adrianópolis – Cachoeira Paulista 2 TL. Ownership belongs to *Grupo Votorantim* with the purpose of supplying its steel mill located in the State of Rio de Janeiro. Operated by FURNAS, will be incorporated into its assets after approval of technical constraints.

In the area of interconnected operation and remote control installations, were highlighted the following activities:

- Viana Substation – transference of 345 kV, 60 MVA, reactors bank from Vitória Substation, providing the interconnected operation of 345 kV Campos – Viana TL;
- Guarulhos, Itutinga, and Rocha Leão Substations – transference of remote controls from São Paulo, Minas Gerais, and Rio de Janeiro Regional Operating Centers;
- Interconnected System – implementation of Emergency Control Schemes (*Esquemas de Controle de Emergências – ECE*) for Itaipu and Tucuruí HPP and for the 765 kV FURNAS transmission trunk, allowing for the SIN energy optimization, significantly improving services in Southern Brazil.

Maintenance of Installations

FURNAS seeks to combine the expertise of its technical staff to the implementation of rigorous maintenance philosophies, aiming to increase the rates of availability of equipment, with a direct impact on operational reliability of the SIN.

Thus, practicing faithful execution of the equipment planning maintenance of its generation and transmission park, ensures adequately the demand attendance of the Electric System.

In accordance with this guidance, the modernization of the hydroelectric power plants Furnas, Luiz Carlos Barreto de Carvalho (Estreito) and Mascarenhas de Moraes was given continuity.

It is also worth mentioning the following maintenance activities:

- after two years, the *Sistema Nacional de Observabilidade e Controlabilidade* (Sinocon) System was resumed under the discretion of National Electricity System Operator (*Operador Nacional do Sistema Elétrico – ONS*), and will attempt to upgrade supervision and control systems in the Company;
- decommissioning and commissioning of generating units;
- transformers recovery;
- component development and nationalization;
- increase in operational availability of equipment to obtain solutions with lower cost by improving inspection techniques, with emphasis on the use of the thermography technique; adoption of new materials and redefinition of processes involving the implementation of specific workshops, such as for the repair of compressors and circuit-breakers, along with the development of components for several equipment;
- adoption of modern and differentiated maintenance techniques for energized equipment, such as: oil handling in transformers, and maintenance in disconnecting switches, with no need for equipment switch off (situation when no discount is provided on the variable parcel);

- purchase of an integrated system composed of several software aiming to start equipment and system engineering reliability studies to optimize operational performance;
- acquisition of new resources to modernize the telephony system in its Main Office in Rio de Janeiro, providing for improved data digitalization of power plants, transmission lines and substations, ensuring the reliability of FURNAS generation and transmission systems;
- replacement of the supervision and control systems of gas turbines; finalization of recovering work on the gas turbine of Generating Unit (GU) 1, at Santa Cruz Thermoelectric Power Plant (TPP);
- coordination of services allowing the GU to play the role of synchronous compensators, enabling immediate resumption of power supply at Serra da Mesa HPP.

In what regards the actions performed in substations, the highlights were: general revision of 20 circuit-breakers and 12 circuit-breaker modules, modernization of 8 disconnecting switches; repair of 11 power transformers; and repair/revitalization of 7 reactors.

Also worth mentioning:

- acquisition, commissioning and distribution of 20 portable VHF radios to be used in transmission lines maintenance;
- purchase and installation of telephony equipment for redundancy of the operation centers;
- monitoring the installation and commissioning of synchronous equipment in the project Synchronous Integrated Network (*Rede Integrada de Sincronismo – Riso*), and the new equipment for infrastructure supervisory;
- acquisition and habilitation of satellite telephone equipment for transmission lines emergencies.

Commercialization of Electric Energy

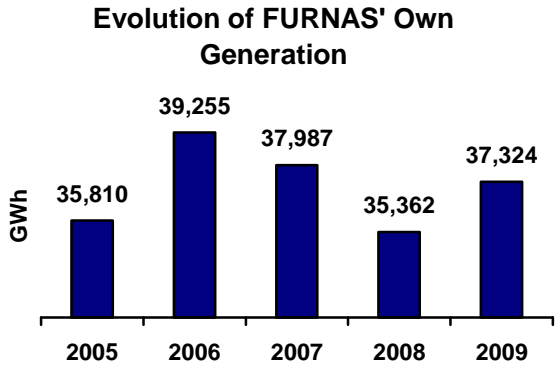
Electric energy commercialization in Brazil is ruled by law no. 10.848, of March 15, 2004, and Decree no. 5.163, of July 30, 2004. The domestic market is organized in two different contexts instituted to make energy purchase and sale contracts, namely:

- Context of Regulated Agreement (*Ambiente de Contratação Regulada – ACR*), open to generation and distribution agents;
- Context of Free Agreement (*Ambiente de Contratação Livre – ACL*), open to generation agents, traders and free consumers.

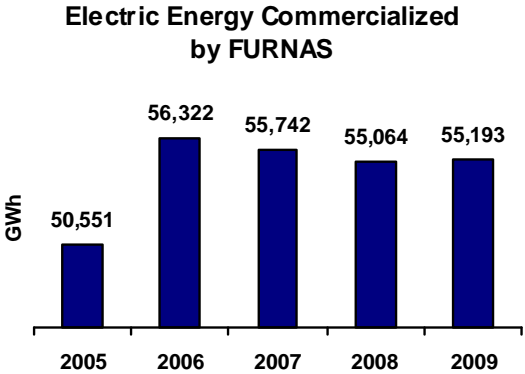
At ACR, energy commercialization takes place through public auctions, regulated by Aneel, directly coordinated by the Agency or the Electric Energy Trading Chamber (*Câmara de Comercialização de Energia Elétrica – CCEE*), and leading to regulated bilateral agreements called Contracts of Electric Energy Commercialization in Regulated Context (*Contratos de Comercialização de Energia Elétrica no Ambiente Regulado – Ccear*), celebrated by each selling generation agent (public services concessionaires or independent producers) on one side and, on the other, every purchaser (energy distributors) that took part in the auction. FURNAS has been participating in these regulated auctions, either the ones focused on energy from existing generation installations (power plants already in operation) or those from new generation projects.

At ACL, free negotiation takes place involving independent producers, traders and free consumers. Public service concessionaries, under federal control, which is the case of FURNAS, are subject to the legal requirement for auctions or public calls for energy sale and purchase. In this Context, resulting agreements are bilateral, between one supplier and one purchaser.

Sourcing of energy from existing installations came from plants fully owned by the Company together with energy purchased from CPFL Geração, Proman, EPE – Pantanal Energia (considered unavailable as of November 2009, by Aneel Determination no. 4.332), Cien, and Eletrobrás Termonuclear S.A. (Eletronuclear). In the case of Cien, although the purchase contract remains in force, Aneel determination no. 4.843, dated December 12, 2009, authorized energy and power reduction as associated with Ccear, due to the extinction of energy supplied by this company in the FURNAS ballast. In the case of Eletronuclear, such purchase, as registered by Aneel Resolution no. 252/2005, is subject to the established by Decrees no. 2.655/1998 and 4.550/2002, and Regulation MME no. 320/2004.



Note: Adjusted data during the time given, in order to consider only the electric energy parcel fully owned by FURNAS in Serra da Mesa (48.46%), Manso HPP (70%), and Baguari (15%). In the case of Peixe Angical HPP, although FURNAS has a 40% participation in the installation, energy generated is wholly owned by SPE Enerpeixe S.A.



Commercialization of Transmission Services

Commercialization of transmission services takes place in two contexts, namely: in public services (Concession), and where the exclusive interest of agents of the electric sectors prevail (Extra Concession).

Public Services (Concession) Context

Public electric energy transmission services are characterized in the Concession Contract by the availability of transmission installations.

- Basic Grid

The transmission installations classified by Aneel as integrating the Basic Grid, are made available to ONS upon receipt of Allowed Annual Revenue (AAR), as registered in the Contract of Transmission Rendering Services (*Contrato de Prestação de Serviços de Transmissão – CPST*). AAR is adjusted yearly by Aneel specific resolution, based on General Market Price Index (*Índice Geral de Preços de Mercado – IGP-M*), and also by incorporating new installations.

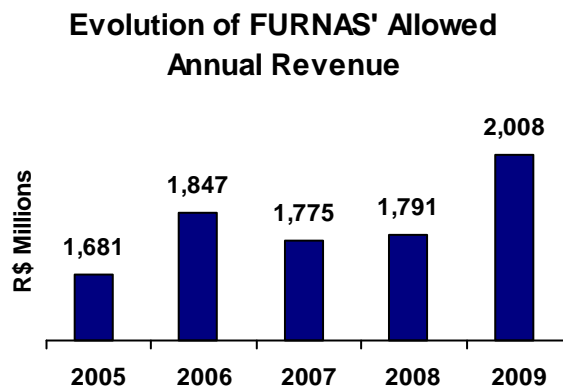
For the new transmission installations authorized to operate by Aneel from May 31, 2000 on, a tariff review process shall be made every four years, corresponding to the AAR parcel.

The first tariff review process, which should take place in 2005, was carried out in 2007, and reduced FURNAS AAR for the period 2007-2008, retroactively to 2005-2006 and 2006-2007. From the second half of 2007 on, therefore, besides the reduction of the 2007 AAR, an adjustment parcel is being discounted, concerning those sums paid in excess in the two previous periods. The second tariff review, which should take place in July 2009, was postponed to 2010.

In 2009, revenue inflows stemmed mainly from the start of commercial operation of the Basic Grid transmission installations, namely:

- Estreito Substation: sectioning of 345 kV Furnas – Luiz Carlos Barreto de Carvalho TL;
- Campinas Substation: installation of 150 MVA, 345/138/13.8 kV autotransformers bank;
- Iri Substation: sectioning of 138 kV Campos – Rocha Leão 2 TL.

The following chart presents AAR evolution in the last five years for the transmission installations within the Basic Grid.



- Transmission Installations Outside the Basic Grid

Other transmission installations, which do not integrate the Basic Grid, are made available to the agents of the Electric Sector directly upon receipt of the corresponding AAR, dubbed here “connection charges”, as registered in the Connection to the Transmission System Contract (*Contrato de Conexão ao Sistema de Transmissão – CCT*).

According to the rules, CCT’s are negotiated directly with free consumers, energy generation agents and energy import/export agents. In the case of distribution agents, “connection charges” are defined and updated on a yearly basis through Aneel’s Specific Ratifying Resolution, based on the fluctuation of IGP-M.

- Sharing of Installations

In transmission public services concession, sharing of installations and infrastructure with third parties is mandatory, where revenues are guaranteed, as is the case, in a Sharing of Installations Contract (*Contrato de Compartilhamento de Instalações – CCI*) or Sharing of Right of Way Contract (*Contrato de Compartilhamento de Faixa de Passagem – CCFP*).

Revenue increase produced by these contracts is as follows:

Nature of Contract	R\$ Thousands				
	2005	2006	2007	2008	2009
Connection to the Transmission System (CCT) *	11,352	13,180	14,221	14,784	15,842
Sharing of Installations (CCI)	2,633	2,031	2,284	6,582	4,543
Sharing of Right of Way (CCFP)	155	-	-	-	-
Total	14.140	15.211	16.505	21,366	20,385

* Includes only CCT contracts not regulated by Aneel, and directly traded with companies that access the System.

Extra Concession Context

The Concession Agreement allows the development of other activities upon receipt of “other revenues”, agreed upon by specific contracts, which are not part of the public electric energy transmission services regulated by Aneel but conducted by a specific contractual instrument. Such is the case of, among others, the following Contracts: Rendering of Operation and Maintenance Services (*Contrato de Prestação de Serviços de Operação e Manutenção – CPSOM*), Rendering of Maintenance Services (*Contrato de Prestação de Serviços de Manutenção – CPSM*), and Sharing of Infrastructure (*Contrato de Compartilhamento de Infraestrutura – CCIF*), which are made with agents that are not part of the Electrical Sector.

Revenues evolution, as produced by the above-mentioned agreements, is broken down as follows:

Nature of Contract	R\$ Thousands				
	2005	2006	2007	2008	2009
Rendering of Operation and Maintenance Services (CPSOM)	2,717	1,563	1,684	2,461	2,880
Rendering of Maintenance Services (CPSM)	1,177	1,036	1,163	1,201	1,291
Sharing of Infrastructure (CCIF)	-	2,000	1,700	-	59
Total	3.894	4,599	547	3,662	4,230

Commercialization of Technical Support, Operational and Administrative Services

In 2009, FURNAS provided technical and managerial services in the fields of generation and transmission for public and private companies, both domestic and foreign, and proprietary engineering services for some SPE. During the period under view, 47 proposals were issued.

Main Services Rendered

Client	Service
Angola and Namibia Republics	Studies for the technical-economical feasibility of 360 MW Baynes HPP, on Cunene river, Angola and Namibia border, in Africa
Enerpeixe S.A. – Brazil	For Peixe Angical HPP: <ul style="list-style-type: none"> – preparation and delivery of the Operation Manual; – operation and maintenance of HPP, substation and associated transmission; – dam structural check.
Cachoeira Paulista Transmissão de Energia S.A. – Brazil	Operation and maintenance of 180 km long, single circuit, 500 kV Cachoeira Paulista – Tijuco Preto TL

Client	Service
<i>Companhia de Transmissão Centroeste de Minas S.A. – Brazil</i>	During construction of 75 km long, single circuit, 345 kV Furnas – Pimenta 2 TL: <ul style="list-style-type: none"> – technical-administrative support to owner's activities; – technical and environmental management of execution and quality control.
National Electricity System Operator (<i>Operador Nacional do Sistema Elétrico – ONS</i>) – Brazil	Development of programs and procedures associated with the evolution of hardware and software resources
<i>Petrobras – Petróleo Brasileiro S.A. – Brazil</i>	Installation of signalization spheres on several FURNAS transmission lines, on line bays over Transpetro pipelines
<i>Serra do Facão Energia S.A. – Brazil</i>	For Serra do Facão HPP: <ul style="list-style-type: none"> – proprietary engineering services, concerning the installation of the HPP, substation and associated transmission, and construction works in the reservoir area; – restudy of the backwater of the reservoir.
<i>Foz do Chapecó Energia S.A. – Brazil</i>	Proprietary engineering services concerning the installation of Foz do Chapecó HPP, substation and associated transmission
<i>Votorantim Metais – Unidade de Aço (Siderúrgica Barra Mansa) – Brazil</i>	500 kV Adrianópolis – Cachoeira Paulista TL sectioning
<i>Thyssenkrupp CSA Companhia Siderúrgica (TKCSA) – Brazil</i>	Connection of industrial unity to the Basic Grid
<i>Telvent do Brasil S.A. – Brazil</i>	Model tests for performance evaluation of the 500 kV Marabá – Itacaiúnas TL protection system
<i>Foz do Rio Claro Energia S.A. – Brazil</i>	For Foz do Rio Claro HPP: <ul style="list-style-type: none"> – proprietary engineering services for implementing the plant; – hydraulic studies developed by means of reduced model.
<i>Eletrosul Centrais Elétricas S.A. – Brazil</i>	Reimbursements of costs incurred by FURNAS for resettlements to be carried out by <i>Consórcio Energético Cruzeiro do Sul</i> in order to eliminate the interferences between Mauá HPP reservoir and circuits 1 and 2 of the 750 kV Itaberá – Ivaiporã TL and the bi-pole of the 600 kV – DC Foz do Iguaçu – Ibiúna TL
<i>SPE Baguari Geração de Energia Elétrica S.A. – Brazil</i>	Quoting prices of testing models for protection system performance assessment in 230 kV transmission lines that will interconnect Baguari HPP to SIN, composed of relays using the Electric Systems Simulator
<i>Siemens Ltda. – Brazil</i>	Testing models for synchronizing system and circuit breaker performance assessment, in energization works using the Digital Simulator
<i>Santo Antônio Energia S.A. (SAESA) – Brazil</i>	Consulting on environmental management and the supply services necessary for the implementation of Santo Antônio HPP
<i>Transenergia – Brazil</i>	Proprietary engineering services for the Basic Project and Sharing of Installations contracts – Phase 1
Several Clients	Services involving concrete technology and soil mechanics; Personnel training courses and quality control of services at the Electric Systems Simulator.

Evolution of Electric Installations in Operation

Generating Plant – Installed Capacity, Ownership and Assured Energy

Amounts of assured energy for each Power Plant correspond to the maximum amounts of energy and electric output associated to each installation available to evidence the compliance with load demands or energy commercialization through contracts.

Revision of generating plants assured energies was effected in 2004, when MME defined criteria for physical guarantee of generating installations, under the assumption of a supply deficit limited to 5%.

Power Plant	Installed Capacity (MW)	Ownership of Installation (%)	Assured Energy (Average MW)				
			2005	2006	2007	2008	2009
Hydroelectric							
Full Ownership							
Itumbiara	2,082	100.00	1,015	1,015	1,015	1,015	1,015
Marimbondo	1,440	100.00	726	726	726	726	726
Furnas *	1,216	100.00	598	598	598	598	598
Luiz Carlos Barreto de Carvalho *	1,050	100.00	495	495	495	495	495
Marechal Mascarenhas de Moraes *	476	100.00	295	295	295	295	295
Corumbá 1	375	100.00	209	209	209	209	209
Porto Colômbia	320	100.00	185	185	185	185	185
Funil	216	100.00	121	121	121	121	121
Shared Ownership							
In Partnership							
Serra da Mesa	1,275	48.46	671	671	671	671	671
Manso	212	70.00	92	92	92	92	92
Special Purpose Entity SPE							
Peixe Angical	452	40.00	-	63	271	271	271
Baguari	140	15.00	-	-	-	-	80
Thermoelectric							
Full Ownership							
Santa Cruz **	932	100.00	547	496	496	496	496
Roberto Silveira (Campos)	30	100.00	21	21	21	21	21
São Gonçalo (out of service)	-	100.00	-	-	-	-	-

* In modernization process.

** Excess of 166 MW over 2008 due to the incorporation of power of the second gas unit.

Note: FURNAS partnership in the installations:

- Serra da Mesa HPP: CPFL Geração de Energia S.A. (51,54%).
- Manso HPP: Produtores Energéticos de Manso S.A. – Proman (30%).
- Peixe Angical HPP: EDP Energias do Brasil – EDP Brasil (60%) in SPE Enerpeixe S.A.
- UHE Baguari: Neoenergia (51%), and Cemig (34%) in SPE Baguari Geração de Energia Elétrica S.A.

Substations – Voltage and Transforming Capacity

In 2009, changes in installed transforming capacity (MVA) of FURNAS own substations in tensions of ≤ 230 and 345 kV were observed as follows:

Voltage (kV)	MVA				
	2005	2006	2007	2008	2009
≤ 230	4,048	5,213	5,095	5,095	5,181
345	25,021	25,246	24,985	24,985	25,260
500	44,888	47,598	47,421	47,421	47,421
750	23,050	23,050	24,150	24,150	24,150
Total	97,007	101,107	101,651	101,651	102,012

Transmission Lines – Operating Voltages, Ownership and Extension

The extension of the transmission lines in operation, either wholly owned or in association with other companies, under SPE, is informed under separate headings, as below.

Full Ownership

In 2009, transmission lines extension under the ownership of FURNAS totaled 19,256 km, described in the chart below. The decrease is due to the reduction of 31 km in line length, related to the deactivation of 13,8 kV Luiz Carlos Barreto de Carvalho – Mascarenhas de Moraes TL, and a 9 km long increase referring to the energization of Luiz Carlos Barreto de Carvalho – Estreito TL, circuit 2 (5 km), and Furnas – Estreito TL (4 km).

Voltage (kV)	km				
	2005	2006	2007	2008	2009
≤ 230	4,349	4,349	4,349	4,349	4,318
345	6,069	6,070	6,070	6,070	6,079
500	4,549	4,549	4,549	4,549	4,549
± 600 (DC)	1,612	1,612	1,612	1,612	1,612
750	2,698	2,698	2,698	2,698	2,698
Total	19,277	19,278	19,278	19,278	19,256

Shared Ownership – Special Purpose Entity (SPE)

There was no addition of transmission line in partnerships since 2008.

Transmission Line	Voltage (kV)	Total (km)	FURNAS Participation (%)	Start in Operation (year)
Irapé – Araçuaí **	230	61*	24.5	2007
Itutinga – Juiz de Fora **	345	144*	25	2007
Montes Claros – Irapé	345	139*	24	2006
Peixe Angical – Peixe 2 ***	500	20	40	2006

* Effective length in kilometers which, after construction, showed a slight difference as forecast in Aneel's Concession Contracts.

** TL part of PAC.

*** Peixe Angical – Gurupi TL was sectioned in 2008, developing into 20 km long Peixe Angical – Peixe 2 TL, owned by SPE Enerpeixe, and 72 km long Peixe 2 – Gurupi TL, owned by *Integração Transmissora de Energia S.A. – Intesa*.

Note: FURNAS partnerships in the property of the installations:

Irapé – Araçuaí TL: *Companhia Técnica de Energia Elétrica – Alusa* (41%), *Companhia Energética de Minas Gerais – Cemig* (24,5%) and *Orteng Equipamentos e Sistemas – Orteng* (10%), in *SPE Companhia Transirapé de Transmissão*.

Itutinga – Juiz de Fora TL: *Alusa* (41%), *Cemig* (24%) and *Orteng* (10%), in *SPE Companhia Transudeste de Transmissão*.

Montes Claros – Irapé TL: *Alusa* (41%), *Cemig* (25%) and *Orteng* (10%), in *SPE Companhia Transleste de Transmissão*.

Peixe Angical – Peixe 2 TL: *EDP Energias do Brasil* (60%), in *SPE Enerpeixe S.A.*

Supervision and Control of Generating Plants and Substations

Since 1997, FURNAS has been installing Digital Systems for Supervision and Control in every new generation and transmission installation, as well as in the expansion of pre-existing installations.

In 2009, the Company put into operation 3 new substations – Iriri, Estreito, and Resende (owned by Votorantim Group) – besides expansion plans realized in the several existing substations. In addition, Campos – Macaé 3, and Furnas – Pimenta 2 TL projects were given sequence. FURNAS also started several installations not only as a shareholder, but also in the role of proprietary engineering, which is the case of the Serra do Facão, Foz do Chapecó, and Santo Antônio HPP.

Additionally, is in progress the project of modernization of the Supervision and Control System (Sindic) of the DC link between Foz do Iguazu and Ibiúna substations.

Telecommunication Transmission System

This system, composed of radio and optical sub-systems, encompasses 6,192 km of digitalized routes, servicing 84% of all FURNAS operating units, including wholly owned substations and power plants, in partnership or through SPE, and also FURNAS Operation Center, at the Company's Main Office, in Rio de Janeiro. Five per cent are attended by the Company's own analogical system, and 11% by third parties.

In 2009, 941 km of OPGW cables were installed on transmission lines forming the trunk servicing Northern Rio de Janeiro and Espírito Santo State and on the transmission lines of Goiás and Mato Grosso States. The Telecommunication System, therefore, totaled 9,416 km in length.

Investments Included in the Pluriannual Plan (PPA)

Execution of the Budgetary Actions included in the Pluriannual Plan (PPA) 2008-2011 of the Federal Government, corresponded in 2009 to investments that reached R\$ 1,433.3 million, budgetary values reported to the Department of Coordination and Control of State Enterprises (*Departamento de Coordenação e Controle das Empresas Estatais – Dest*), whose projects are listed below:

	R\$ Million
	Accomplished
Generation	
Implementation of Simplício HPP / Anta SHP (RJ) and Associated Transmission	609.6
Implementation of Batalha HPP (MG/GO) and Associated Transmission	213.0
Modernization of Luiz Carlos Barreto de Carvalho HPP (MG)	101.9
Modernization of Furnas HPP (MG)	39.8
Maintenance of Electric Energy System	9.4
Modernization of Mascarenhas de Moraes HPP – Phase 1 (MG)	0.8
Subtotal	974.5
Transmission	
Reinforcements in the Transmission System in São Paulo and Minas Gerais States	95.1
Maintenance of Electric Energy Transmission System	86.6
Reinforcements in the Transmission System in Rio de Janeiro and Espírito Santo States	81.8
Reinforcements in the Transmission System in Goiás and Mato Grosso States and Federal District (Brasília)	37.6
Implementation of Macaé – Campos 3 TL (RJ)	35.9
Implementation of Tijuco Preto – Itapeti – Nordeste TL (SP)	15.1
Bom Despacho 3 – Ouro Preto 2 TL (MG)	10.4
Subtotal	362.5

	Accomplished
Other	
Maintenance and Adequacy of Computing, Information and Teleprocessing Assets	53.2
Maintenance and Adequacy of Movable Property, Vehicles, Machinery and Equipment	18.6
Environmental Preservation and Conservation of Generation and Transmission Electric Energy Installations	16.6
Maintenance and Adjustment of Real Estate	7.4
Feasibility Studies for Generation of Electric Energy Expansion	0.4
Feasibility Studies for Transmission of Electric Energy Expansion	0.1
Subtotal	95.8
Total	1.433.3

Besides the projects Simplício HPP / Anta SHP, and Batalha HPP, and the associated transmission, described under Business Expansion – Generation item, which accounts for almost 60% of investments for the period, it is detached the modernizations of Luiz Carlos Barreto de Carvalho, Furnas and Mascarenhas de Moraes HPP, in operation, respectively, from 1969, 1963 and 1947 on, which used 10% of total investments. Modernization of these plants involves the rehabilitation of turbines, generators and associated systems, and the implementation of new control, command, supervision, monitoring and protection systems. The purpose is to allow for improved operational safety and reliability of equipment and electromechanical systems, extending the plants working life.

Investments in Reinforcements in the Transmission Systems of the States of São Paulo and Minas Gerais, Rio de Janeiro and Espírito Santo, Goiás, Mato Grosso and the Federal District and Maintenance of the Electric Energy Transmission System account for about 21% of the total realized in the year. Actions developed in the states are supposed to promote the implementation of reinforcements geared towards the adequacy of electricity supply in substations and transmission lines, and take into consideration the information contained in the Plan of Expansions and Reinforcement in the Basic Grid (*Plano de Ampliações e Reforços na Rede Básica – PAR*), of the National Electricity System Operator (*Operador Nacional do Sistema Elétrico – ONS*), and the Transmission Expansion Program (*Programa de Expansão da Transmissão – PET*), of the Energy Research Company (*Empresa de Pesquisa Energética – EPE*), in the period 2006-2010, of extreme importance for the performance and safety of the Brazilian Interconnected System (*Sistema Interligado Nacional – SIN*). The Maintenance of Electric Energy Transmission System Action responds for maintaining, rehabilitating and improving the transmission installations of FURNAS, with the purchase of parts and equipment needed to avoid unavailability, and increase reliability. Moreover, it also covers reparation payments for land liberation of transmission lines and substations, implementation and expansion of remote terminals of the Supervisory Control and Data Acquisition System (Scada) / Automatic Generation Control (*Controle Automático de Geração – CAG*) and the oscillography network of the substations.

Investments in Maintenance and Adequacy of Computing, Information and Teleprocessing Assets account for 4% of the total achieved in 2009. These actions safeguards the expansion of Telecommunications System and adequacy of the Company's infrastructure to back technological support and a management policy of quality and reliability.

Main Relationships of FURNAS

Relationship with the Ministry of Mines and Energy (MME) and the Holding Eletrobras

FURNAS, as a subsidiary of Eletrobras, is a member of the Upper Board of Eletrobras System (*Conselho Superior do Sistema Eletrobras – Consise*), which gathers the CEO's of all Group companies to formulate and implement corporate strategies of common interest.

Eletrobras System Transformation Plan

In 2009, it was given sequence to the implementation of the Eletrobras System Transformation Plan (*Plano de Transformação do Sistema Eletrobras – PTSE*) within its Controlled Companies, consisting of 41 projects distributed in four vectors defined by MME: Corporate Governance, Reorientation of Distribution Business, Institutional Reformulation of Eletrobras and Reorganization of the Corporate Management Model.

The implementation of this plan has the objective of building a future outlook in line with the new institutional environment in the Brazilian Electric Sector, with a focus on corporate efficiency to reach better results. The realization of projects that integrate PTSE will enable to reinvent the way businesses are conducted and executed in the companies within the Eletrobras System. These efforts rally integration, competitiveness and profitability in order to contribute to improved energy supply levels and economic and social development in Brazil.

It is worth noting that all previous businesses done together with the Holding Company remain in place, aligned with the new reality, as described below:

Participation in Committees

Within the scope of Consise, FURNAS participates in the following Committees:

- Eletrobras Strategic Planning Committee (*Comitê de Planejamento Estratégico – Copese*), with the objective of providing background information in order to improve the relationship between the Holding and its controlled companies, through macro guidance that permeates the strategic planning of each company, respecting their specific characteristics;
- Operation, Planning, Engineering and Environment Committee (*Comitê de Operação, Planejamento, Engenharia e Meio Ambiente – Copem*), develops strategic policies and orientations to attain a coordinated and harmonious conduct in its companies in order to obtain higher efficiency and action range in the domestic energy scenario. FURNAS is represented in the Committee by two Executive Officers: the Engineering Officer and the System Operation and Energy Commercialization Officer. It participates, through its technical structure, in the studies already initiated about market planning and electric energy offering in specific subcommittees, as follows:
 - Energetic Studies Subcommittee – subsidizes strategic planning and marketing for the companies of the Eletrobras System. It is constituted by work groups started in 2007 and coordinated by Eletrobras together with regional controlled companies, focusing on energy demand studies (Demand Work Group). One group concluded the Report Analysis on Competitive Environment and Demand Dynamics of Electric Energy in Brazil for the period 2007/2008, and the other group should conclude by 2010 studies on economic potentials of the Brazilian regions. Still under the discretion of this subcommittee, FURNAS partakes in the following Work Groups: Water Resources and Hydroelectric Potential; and Supply. In 2009 the Supply Work Group developed a study for the expansion of energy supply between 2009 and 2025, aiming at obtaining a long-term scenario to be used in future analyses and business opportunities for the Eletrobras System;

- Transmission Studies Subcommittee – develops and furnishes to the Supply Work Group information on transmission issues that are necessary for the development of the Supply Expansion Program of the Eletrobras System, such as: exchange limits between regional subsystems and costs associated with transmission expansion;
 - Environmental Subcommittee – rallying in work groups constituted by managers and experts in the companies environmental areas to update and develop a common agenda where the following issues should be given attention: Legislation and Regulatory Marks; Greenhouse Gases Emissions; Environmental Costs; Water Resources; Environmental Management Tools; Environmental Communication; and Use of Reservoirs Borders in Hydroelectric Power Plants.
- Corporate Integration Committee for Research and Technological Development (*Comitê de Integração Corporativa de Pesquisa e Desenvolvimento Tecnológico – Cicop*) – stimulates and coordinates research, the development of technological innovation in the Companies within the Eletrobras System, developing partnerships with universities, research centers and industries, fostering applied research and technological development. In this sense, Cicop seeks to provide for a better investment policy for R&D in the Eletrobras System, no matter if funding goes toward the Controlled Companies (as determined by laws no. 9.991/2000, and 10.848/2004), or those systematically applied in the Electric Energy Research Center (*Centro de Pesquisas de Energia Elétrica – Cepel*), or can be captured in Sector Funds administered by the Ministry of Science and Technology, particularly the National Fund for Scientific and Technological Development.
 - Sustainability Committee – aligns the actions of Subsidiaries, within corporate governance, joint participation with the same holding, in questionnaires that are used as tools for managing. To give support to the Holding to reach level 2 American Depositary Receipt (ADR), at New York Stock Exchange (NYSE), FURNAS provides information required in Dow Jones Sustainability Index (DJSI), and complies with the Sarbanes-Oxley Law (USGAAP and Form 20F). With the same purpose, it also participates in the São Paulo Stock Exchange Index (*Índice de Sustentabilidade Empresarial da Bolsa de Valores de São Paulo – ISE – Bovespa*).

It is also worth mentioning the work conducted to provide to Eletrobras Financial Office information on FURNAS budgetary execution in addition to the presentation of the Budget Proposal for 2010, together with the General Disbursements Plan (*Plano de Dispendios Globais – PDG*).

Participation in Government Programs

- Growth Acceleration Program (*Programa de Aceleração do Crescimento – PAC*)

In what refers to the participation of the Electric Sector in PAC, launched by the Federal Government in 2007, FURNAS is a strong inductor in the installation of generation and transmission projects as described in this Report, in Business Expansion and Evolution of Electric Installations in Operation items.

- National Electricity Conservation Program (Procel)

It is also important to highlight the Company's participation in the Procel, described under the heading Energy Conservation of this Report.

- Light for Everybody Program

The Light for Everybody Program (*Programa Luz para Todos*), launched by the Federal Government in 2004, coordinated by MME, and executed by Eletrobras through its Subsidiaries in partnership with state governments, energy concessionaries, and rural electrification cooperatives, pursues to provide electric energy for rural localities with a low Human Development Index (HDI), enabling a better reach for health-related services, education, water supply and sanitation.

FURNAS was assigned the Program coordination in Southeastern Brazil and the State of Goiás, and until December 2009, 413 thousand families were benefitted in these regions, more than 2 million people. A key to the success of the Program is the rapid demand growth due to the regularization of irregular farming properties and families relocating back in the country resuming their family farming business, benefitted by improved market conditions for farming and cattle raising businesses.

The Program also triggers positive impacts concerning the quality of life of those families who are benefitted by it, and who now can have access to products running on electric energy. Energy supply does not only provide for the purchase of electrical appliances and electronics, it also allows communities to invest in the purchase of agricultural equipment and implements, such as milk coolers, cattle feed equipment and irrigation equipment which aid in upping productivity in the directly benefitted properties.

Setting up Production Community Centers (*Centros Comunitários de Produção – CCP*) is one of the complementary projects within the Program and seeks to instill cooperation among people to improve production and product quality, as well as family income generation.

The Program has helped build 260 CCP throughout Southeastern Brazil and Goiás State. CCP are guided chiefly towards seedling nurseries and kitchen garden products; fish farms; dressmaking; milk processors; rice machines, and coffee driers. It also stimulates the education of farm technicians on the efficient and productive use of energy.

- Energetic Development Program for States and Municipal Districts (Prodeem)

Started in 1994 by the National Department for Energy Development (*Departamento Nacional de Desenvolvimento Energético – DNDE*), under the discretion of the MME, aims to assist populations that are not serviced by the conventional electric energy grid to resort to renewable and pollution-free energy sources. Energy systems used by the Program are mostly photovoltaic panels that exposed to the sun light produce electric energy in Direct Current (DC), which can be directly used or stored in batteries for later use.

Since 2004 FURNAS is responsible for executing the Revitalization and Education Program for Energy Development (*Programa de Capacitação e Revitalização – PCR/Prodeem*) in the States and Municipalities of Minas Gerais, Rio de Janeiro, São Paulo, Espírito Santo, and Goiás.

PCR/Prodeem gives continuity to energy supply in order to meet basic social demands in schools, health services, communities and water pumping, utilizing photovoltaic systems of energy generation, thus benefiting the communities not served by the grid of conventional electricity.

Under the scope of this Program, in 2009 FURNAS provided maintenance at 19 and deactivation of 33 photovoltaic systems in communities that started being serviced by rural distribution grids, through Light for Everybody Program. At year end 2009, 173 systems were in operation, and 240 were deactivated. The equipment off, after the ruling and authorization of MME will be made available for other companies of the Electric Sector or other entities.

Moreover, FURNAS started revitalizing and disassembling 323 photovoltaic systems of Phase V of PCR, the last stage of the Plan, which encompasses the States of Espírito Santo, Goiás, and Minas Gerais. As at December 2009, 72 systems within this stage had been concluded.

Photovoltaic modules of energy generation stored in FURNAS until year-ended 2009 totaled 2,017 units, with a nominal potency of 138,498 W, fully operational and at the disposal of MME.

Relationship with the Energy Research Company (*Empresa de Pesquisa Energética – EPE*)

FURNAS participates in technical activities for the development and analysis of the documents related to energy planning, as well as provides relevant data and information available in the following work groups: Market, Transmission Expansion and Environment. On a monthly basis, the Company reports data on its electricity market to feed a data bank of EPE Simple System. The Company also participated in 2009 in the following activities: quarterly meetings at the Permanent Commission of Analysis and Follow-up on the Electric Energy Market of the Southeast / Mid-west Subsystem (*Comissão Permanente de Análise e Acompanhamento do Mercado de Energia Elétrica do Subsistema Sudeste / Centro-Oeste – Copam*); analysis of documents produced by EPE to subsidize the proceedings of A-3 and Reserve Energy (eolic energy) auctions that took place in 2009.

Within transmission planning, in 2009 FURNAS participated in study groups to: produce the Ten-year Transmission Plan; energy supply and services to the States of Rio de Janeiro, Espírito Santo, Goiás and the Federal District; reinforcements in the SIN to distribute energy plants of Madeira river and Belo Monte, and reactive compensation of the Southeast Region transmission system for the period preceding the start in operation of Belo Monte HPP; and expansion of the South and Southeast interconnection.

Relationship with the Electric Energy Trading Chamber (*Câmara de Comercialização de Energia Elétrica – CCEE*)

CCE has the role of making the commercialization of SIN electric energy feasible both in the Context of Regulated Agreements, and in the Context of Free Agreements, besides keeping book values, and providing for processing all operations realized in the short-term, which are subject to external audit, as accorded by Aneel's Normative Resolution no. 109, dated October 26, 2004 (Convention on Electric Energy Commercialization). Commercialization Rules and Proceedings governing the marketing activities performed in the CCEE are approved by Aneel. CCEE plays a strategic role in conducting electric energy purchase and sale operations, registering and managing contracts made with generators, dealers, distributors, and free consumers.

FURNAS, as holder of a public service concession for generating electric energy, participates in the "Generation" category, on a proportional basis to the volume of commercialized energy, calculated from the results of the previous 12 months.

Relationship with the National Electricity System Operator (*Operador Nacional do Sistema Elétrico – ONS*)

ONS is a non-profit, private entity, founded on August 26, 1998, and is responsible for coordinating and controlling operations of electric generation and transmission installations within SIN, under the supervision and regulation of Aneel. ONS is constituted by associate members and participants. FURNAS participates as a Generation and Transmission Agent.

In 2009, the following activities should be highlighted:

- action together with ONS to increase the reliability of the SIN and optimize performance in parallel with the preservation of its assets integrity, as well as the participation in studies to define the system's operation philosophy;
- participation in the electric operation planning of SIN and Plan of Expansions and Reinforcement in the Basic Grid (*Plano de Ampliações e Reforços da Rede Básica – PAR*) for the period 2009-2011;
- under the discretion of the Expansion and Reinforcement Office, participation in study groups on Equipment with Nominal Characteristics Exceeded, SIN Reliability, and Analysis of Regional Interconnection.

Relationship with the Brazilian Electricity Regulatory Agency (*Agência Nacional de Energia Elétrica – Aneel*)

FURNAS works with Aneel regarding issues related to the Brazilian legalization process of generation and transmission projects involving among others, inventory of hydrographic basins; technical, economic, and environmental feasibility studies; basic environmental plan; construction permission; managerial resources; deadline extension for energization of installations; communication of completion/energizing of projects; production of information on implementation of reinforcements and improvements in equipment, and on the R&D Program; cooperation and follow up of inspections in installations in operation; requests for approval and review of energy prices; and registration of energy purchase and sale contracts.

Public hearings and consulting sponsored by Aneel handling different issues of interest for the Electric Sector are often backed up by FURNAS. In 2009 it's worth mentioning the public hearings in instances comprising notices and attachments of Auctions A-3, Reserve Energy (eolic source) and Belo Monte HPP.

Relationships with Environmental Control Agencies

The Company liaises with several environmental control agencies, markedly the Brazilian Institute of the Environment and Natural Renewable Resources (*Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis – Ibama*), the National Indian Foundation (*Fundação Nacional do Índio – Funai*), the Brazilian Institute of Historic and Artistic Patrimony (*Instituto do Patrimônio Histórico e Artístico Nacional – IPHAN*), and the Chico Mendes Institute for Biodiversity Conservation (*Instituto Chico Mendes da Conservação da Biodiversidade – ICMBio*), as well as state and municipal agencies alike as it has several installations spread throughout Brazil.

Partnerships

Object of Partnership	Partner	Assured Energy and Power (%)	
		FURNAS Participation	Partner Participation
Contract for construction of Serra da Mesa HPP and leasing to FURNAS, by the partner, of assets and installations under its ownership and put into service in the HPP (general contract of April 26, 1995)	CPFL	48.46	51.54
Contract for sharing of Manso HPP concession (February 10, 2000)	Proman	70.00	30.00

Special Purpose Entities (SPE)

As a subsidiary of Eletrobras, the possibility of FURNAS having a shareholder participation in SPE for electric energy projects became viable since July 2003, with the changes introduced in its Corporate By-Laws. The following partnerships, whose partners and features are described, respectively, under the headings Business Expansion and Evolution of Electric Installations in Operation of this Report.

Company (SPE)	Installation	FURNAS Equity Participation (%)
Generation		
<i>Enerpeixe S.A.</i>	Peixe Angical HPP*	40.0
<i>Companhia Retiro Baixo Energética</i>	Retiro Baixo HPP	49.0
<i>Baguari Geração de Energia Elétrica S.A.</i>	Baguari HPP *	**
<i>Foz do Chapecó Energia S.A.</i>	Foz do Chapecó HPP	***
<i>Serra do Facão Energia S.A.</i>	Serra do Facão HPP	****
<i>Madeira Energia S.A. (MESA)</i>	Santo Antônio HPP	39.0
<i>Inambari Geração de Energia S.A. (IGESA)</i>	Inambari HPP	19.6
<i>Consórcio Brasil dos Ventos *****</i>	Aratuá 1 EPP Miassaba 3 EPP Rei dos Ventos 1 and 3 EPP	24.5
Transmission		
<i>Companhia Transudeste de Transmissão</i>	Itutinga – Juiz de Fora TL *	250
<i>Companhia Transirapé de Transmissão</i>	LT Irapé – Araçuaí TL*	24.5
<i>Companhia Transleste de Transmissão</i>	Montes Claros – Irapé TL *	24.0
<i>Companhia de Transmissão Centroeste de Minas</i>	Furnas – Pimenta 2 TL	49.0
<i>Transenergia Renovável S.A.</i>	Connection of Biomass HPP and SHP to SIN	49.0
<i>Interligação Elétrica do Madeira S.A. (IE Madeira)</i>	Porto Velho – Araraquara TL, Rectifier 500 / ±600 kV and Inverter ±600 / 500 kV Substations	24.5
<i>Transenergia São Paulo S.A.</i>	500 kV Itatiba Substation	49.0
<i>Transenergia Goiás S.A.</i>	230 kV Serra da Mesa – Niquelândia TL and 230 kV Niquelândia – Barro Alto TL	49.0
<i>Consórcio Goiás Transmissão</i>	500 kV Rio Verde Norte – Trindade TL 230 kV Trindade – Xavantes TL 230 kV Trindade – Carajás TL 500 / 230 kV Trindade Substation	49.0
<i>Consórcio MGE Transmissão</i>	500 kV Mesquita – Viana 2 TL 345 kV Viana 2 – Viana TL 500 / 345 kV Viana 2 Substation	49.0

* Installation in operation.

** FURNAS has 30.6% of SPE *SPE Baguari Energia S.A.*, which owns 49% of *SPE Baguari Geração de Energia S.A.*

*** FURNAS has 40.0% of *SPE Chapecoense Geração S.A.*, which holds 100% in *SPE Foz do Chapecó Energia S.A.*

**** FURNAS has 100% in *SPE Serra do Facão Participações S.A.*, which holds 49.5% in *SPE Serra do Facão Energia S.A.*

***** Eolic Power Plant (EPP) obtained at the Second Reserve Energy Auction – LER 003/2009. Constitution of SPE is under way.

Relationship with International Entities in the Energy Sector

Brazilian Committee of the World Energy Council (*Comitê Brasileiro do Conselho Mundial de Energia – CBCME*)

Associated to the World Energy Council (WEC)

WEC, founded in 1923, headquartered in London, England, congregates entities in the energy area to study and promote provision and sustainable use of worldwide energy resources. CBCME, established in 1928, is a non-governmental, non-profit entity, in which FURNAS participates as a maintaining member, since it was founded back in 1957. The Company harbors the Committee headquarters in its Main Office in Rio de Janeiro, and supports the accomplishment of national and international events.

In 2009, CBCME organized and coordinated the following seminars: International Seminar on Biofuels (*Seminário Internacional sobre Biocombustíveis*), at Petrobras, Rio de Janeiro (Brazil); International Seminar on Energy Efficiency (*Seminário Internacional de Eficiência Energética*), in Maceió (Brazil); coordination of studies on Energy Integration in Latin America and Caribbean (*Integração Energética da América Latina e do Caribe*), in FURNAS Main Office, Rio de Janeiro (Brazil), Lima (Peru) and Bogotá (Colombia); study launching of Deciding on our Future: Energy Scenarios until 2050 (*Decidindo o Futuro: Cenários de Política Energética para 2050*), at Eletronuclear, in Rio de Janeiro (Brazil); publishing of the book Energy in Brazil, at the Brazilian Embassy in London (England); and effective participation in the executive meeting of WEC, in Reykjavik (Iceland).

Brazilian National Committee of Electric Energy Production and Transmission (*CIGRÉ – Brazil*) **Associated to the International Council of Large Electric Grids (*Conseil International des Grands Réseaux Électriques – CIGRÉ*)**

CIGRÉ is a worldwide organization, founded in 1921, dedicated to the development, use and dissemination of knowledge relating to electricity transmitted at high voltage – with the objective of promoting information exchange, and technical, technological and engineering development.

CIGRÉ-Brazil was created in 1971 and currently has 16 committees related to several technical areas of interest for the electric sector, three of which are coordinated by FURNAS. Technicians from planning, engineering, operation and maintenance areas participate in the Committee, acting in work groups, courses and seminars, where specific technical subjects are studied and debated by specialists.

In 2009, FURNAS participated in the 6th Southern Africa Regional Conference & Joint A2, A3, B3 Study Committee Colloquium, presenting a paper entitled “800 kV-AC and 600 kV-DC Brazilian Transmission Systems – Experience and Future Trends”, which rallied around 600 technicians of the world, benefitting the partakers with a fruitful exchange of experiences. In the same place the 2009 was held the meeting of Study Committee A3 (High Voltage Equipment) of CIGRÉ.

Brazilian Committee of Dams (*Comitê Brasileiro de Barragens – CBDB*) **Associated to the International Committee on Large Dams (ICOLD)**

Created in 1961, CBDB is a non-governmental organization, aimed at exchanging information and experience in dams planning, design, construction and operation. In Brazil, it represents ICOLD, set up in 1928, and which has committees in 88 member-countries. CBDB’s headquarters are installed in a place made available by FURNAS, in its Main Office, in Rio de Janeiro (Brazil). Nowadays, CBDB has approximately 1,000 individual associates, 25 corporate associates, and 18 collective members throughout Brazil. One of its core activities is to publish books and issue reports that are ultimately an impressive array of technical publications.

In 2009, CBDB organized the LXXVII Annual ICOLD Meeting together with the XXIII International Congress on Dams, the largest event under the responsibility of the Committee, which took place in Brasília (Brazil), and was attended by 1,461 people, 841 foreign participants from 79 countries, 70 of which are ICOLD members. During the Congress, two books were launched, Main Brazilian Dams III, which translates the expressive Brazilian experience in the construction of dams, and Diversion of Large Brazilian Rivers, registering the Brazilian experience with river diversion. The Technical Exhibit Fair counted on 51 exhibitors from Brazil, and abroad. The Symposium on Dams and Reservoirs for Multiple Use had 39 papers published in its annals, and was attended by around 800 people, attesting the importance of related issues for the technical and scientific community. CBDB also sponsored the Symposium on Rockfill Dams (*Simpósio sobre Barragens de Enrocamento*), in China, a partnership with the Chinese National Committee on Large Dams (Chincold).

International Hydropower Association (IHA)

The IHA was founded in 1995 under the sponsorship of the International Union for Education, Science and Culture (Unesco) and is headquartered in Sutton (England), with associates in over 80 countries. Its core activity is to cater to the ever-increasing world needs for energy by raising power plants that operate in line with social sustainability and the due care for the environment, based on three main grounds: sustainability, investment and market, and climate changes.

Since October 2007, the Company participates in the development of the Assessment of the Greenhouse Gas (GHG) Status of Freshwater Reservoirs document, which will provide guidelines for the emissions of greenhouse gases by hydroelectric reservoirs, and it will also subsidize the Intergovernmental Panel on Climate Change (*Painel Intergovernamental de Mudanças Climáticas – IPCC*), notably as regards the criteria for projects of the Clean Development Mechanism.

In 2009, the Company partook in the World Congress on Advancing Sustainable Hydropower, realized in Reykjavik (Iceland) presenting the outcome of the project Carbon Outstanding Balance in FURNAS Reservoirs, in the Section Hydropower and GHG Emissions. In December, it participated in the analysis of the document concerning Hydropower Sustainability Assessment Protocol.

CORPORATE PERFORMANCE

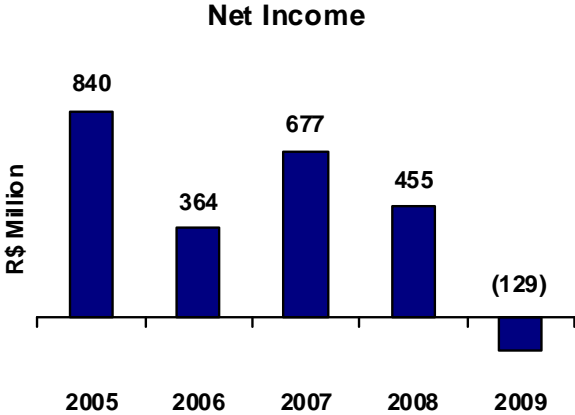
As made effective in Brazil, laws no. 11.638, of December 28, 2007, and 11.941, of May 27, 2009, brought changes to law no. 6.404/1976, causing significant impacts in the presentation of Financial Statements from 2007 on.

The following indicators show corporate performance evolution, in the period 2005-2009.

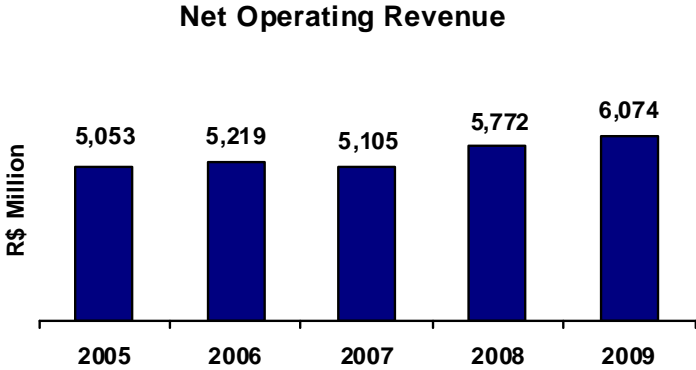
Indicators of Economic and Financial Performances

The changes under view comply with the recent rules governing the Accounting Convergence Committee (*Comitê de Pronunciamentos Contábeis – CPC*) and seek to make Brazilian rules comply with international ruling as laid down by the International Financial Reporting Standard (IFRS).

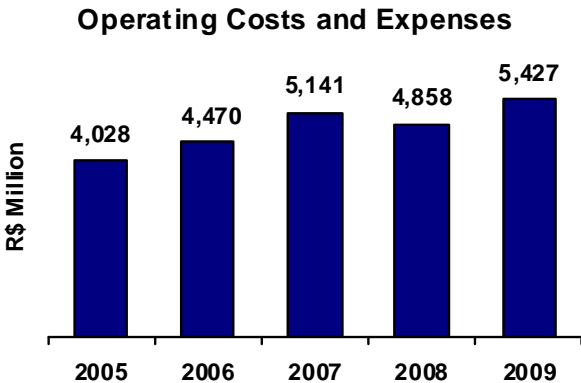
As a consequence, the Company is conducting more accurate risk assessment analysis of its financials, which resulted into a net loss in 2009.



In 2009, Net Operating Revenue grew 5% over the previous year, which was caused by the increment of revenues brought by transmission activities and the readjustment of contracted values for the period.

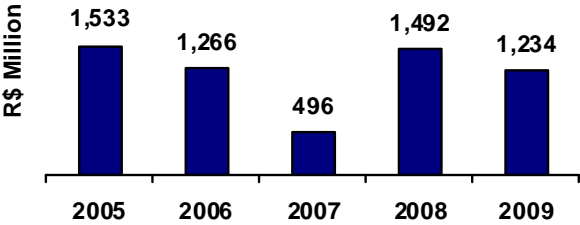


The 11.7% increase in Operating Costs and Expenses in 2009 is due to the constitution of provisions for risk exposure arising from more rigid process of evaluation of their accounts.



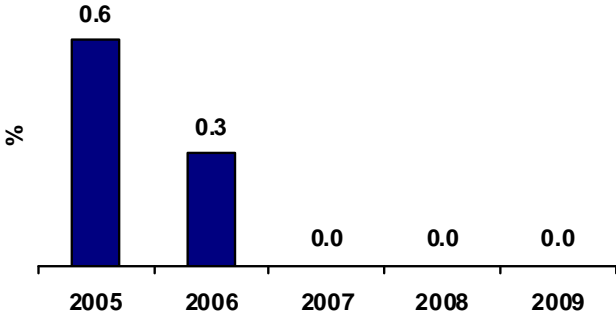
In 2009, although showing reduced levels due to new provisions and risks, EBITDA was consistent with those levels seen in previous fiscal years, except for 2007, which reflected the Periodic Tariff Revision effects as well as from the decrease of provisions put in place for doubtful debts concerning receivables.

**Earnings Before Interest, Taxes,
Depreciation and Amortization
(EBITDA)**



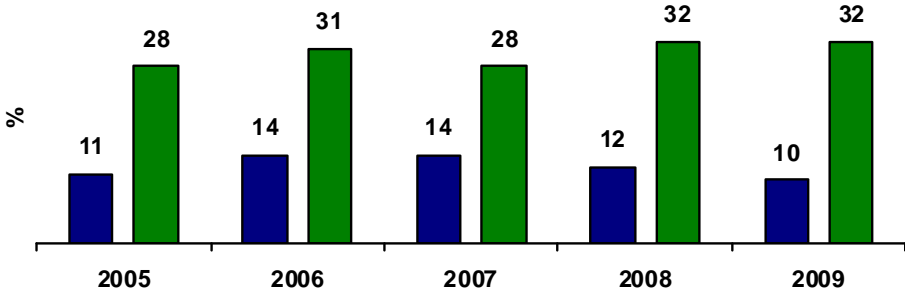
Default rate is being kept at marginal levels, almost zero in the last three years, due to efficient management and effective control practices.

Default Over Gross Revenue



Reduced short-term and long-term indebtedness imply in additional leverage opportunities for the Company in order to face occasional needs of its investment program. Short-term and Total Indebtedness.

Short-term and Total Indebtedness



■ Short-term Indebtedness = Current Liabilities / Total Assets
 ■ Total Indebtedness = (Current + Non Current Liabilities) / Total Assets

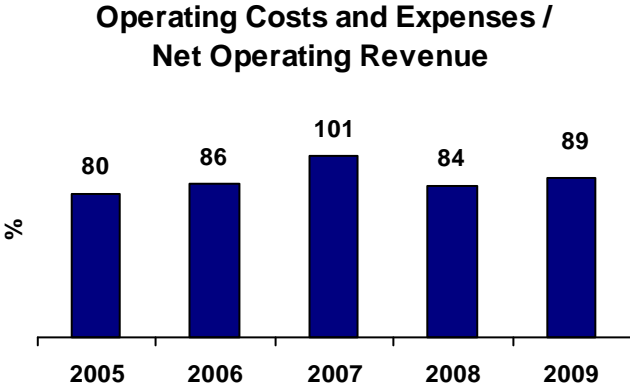
Indicators of the Contract of Corporate Performance Targets (*Contrato de Metas de Desempenho Empresarial – CMDE*)

With the objective of attaining and strengthening the changes in corporate culture and practices as determined by the Federal Government, Eletrobras and its Controlled Companies signed a contract in 2009 to streamline action-taking policies towards meeting performance targets to foster financial, operational and strategic improvement within the Companies in the Group.

We thus show the evolution of these indicators over the last five years so that from 2010 on they may be an assessment parameter for meeting performance targets.

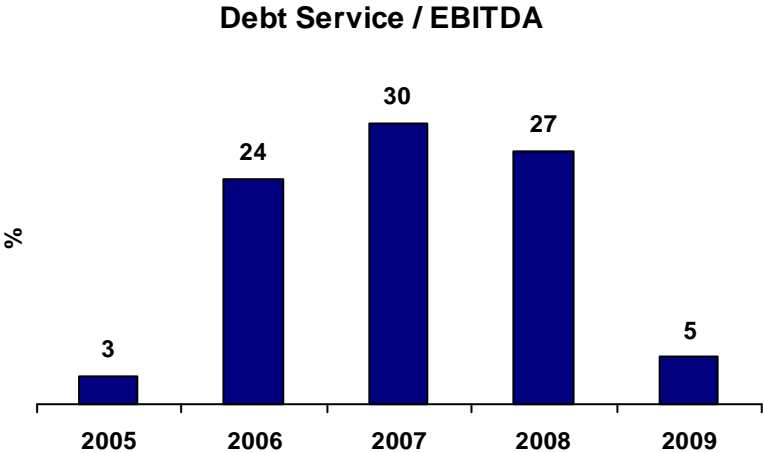
Operating Costs and Expenses / Net Operating Revenue (NOR)

Target: to stimulate cost reduction



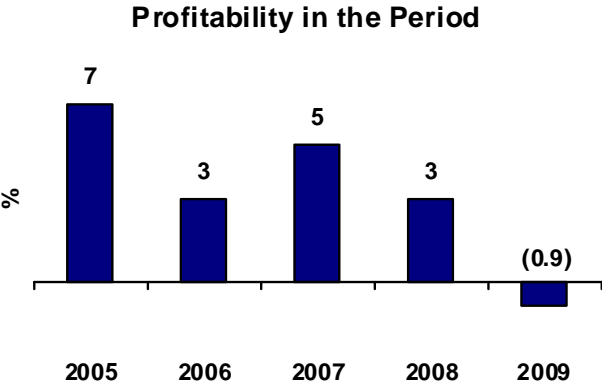
Short and Long-term Funding and Loans (Debt Service) / EBITDA

Target: to keep debt service according to forecast



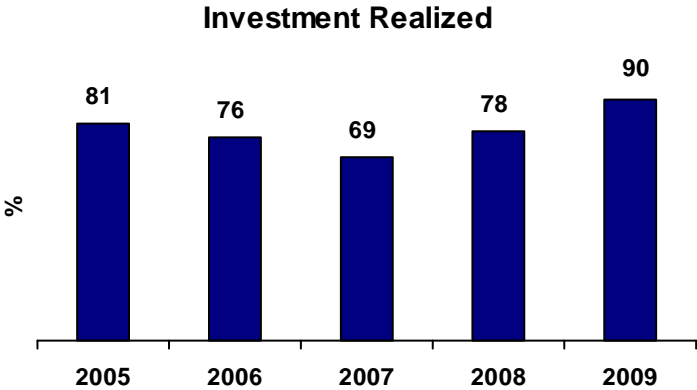
Net Result / Shareholder's Equity

Target: to increase profitability in relation to shareholder's equity



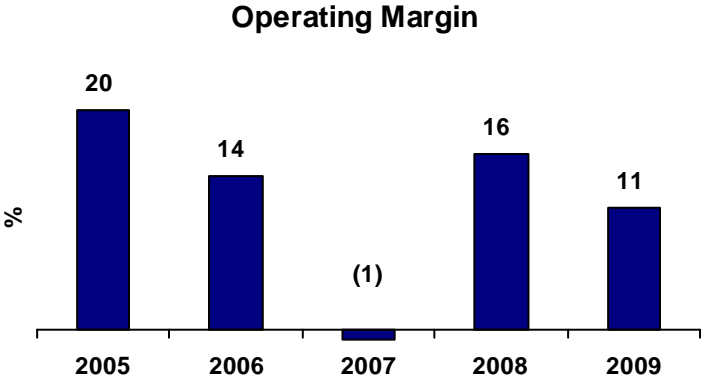
Investment Realized / Investment Approved by Budgetary Laws

Target: to increase investments realized in relation to historical values



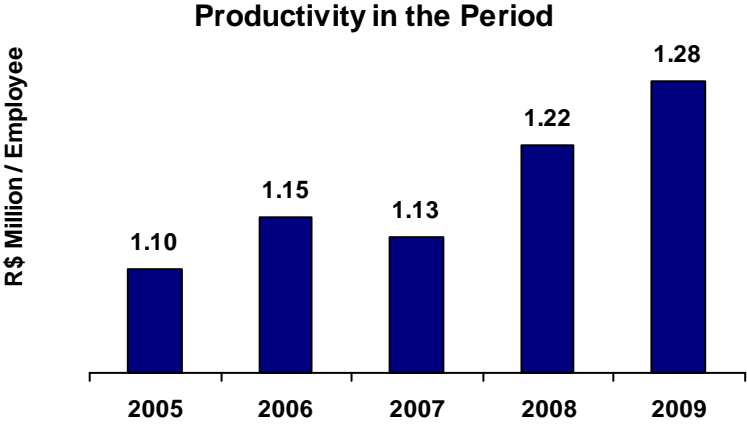
Operating Result / Net Operating Revenue (NOR)

Target: to increase operating margin



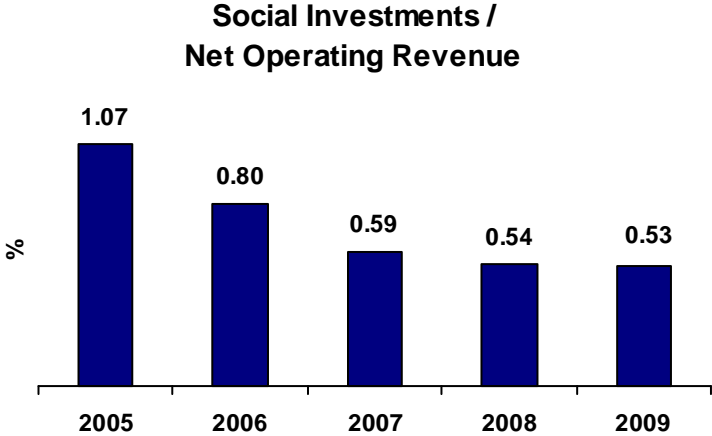
Net Operating Revenue (NOR) / Number of Employees

Target: to increase productivity levels



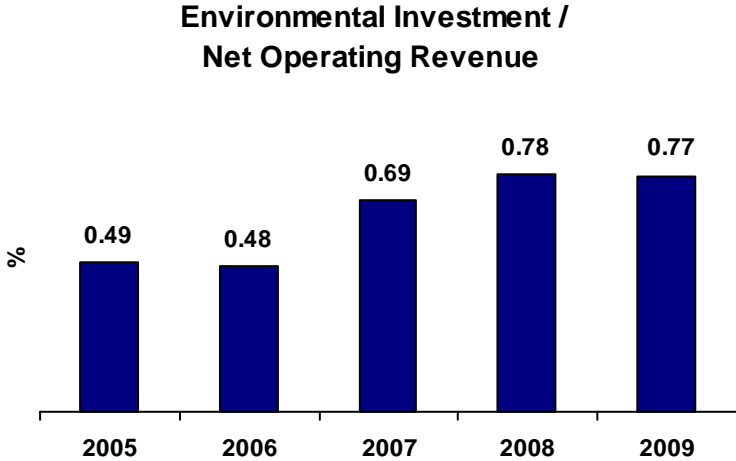
Social Investments / Net Operating Revenue (NOR)

Target: to keep a minimum level of social investment in relation to NOR



Environmental Investment / Net Operating Revenue (NOR)

Target: to keep a minimum level of environmental investment in relation to NOR



Continuous Improvement and Innovation

Research and Development (R&D)

The R&D program seeks to implement a broader technological innovation policy (concerning products, processes and management). This way, the Company contributes to building an interchange network among the different agents of the Brazilian Electric Sector, universities, research institutes, Government and suppliers, in order to assure the sustainability of the Sector. Therefore, it promotes the strengthening of national research and industry and the development of Brazilian educational institutions while focusing on social responsibility as a corporate citizen, resulting in providing energy at lower prices and higher quality.

FURNAS contributes to sharing experiences among the companies of Eletrobras System convinced that such measures may reduce operating costs and coordinates the Technology and Innovation Management task force of Corporate Integration Committee for Research and Technological Development (*Comitê de Integração Corporativa de Pesquisa e Desenvolvimento Tecnológico – Cicop*).

As established by Laws no. 9.991/2000 and 10.848/2004, the Company annually provides 0.4% of its Net Operating Revenue to the National Fund for Scientific and Technological Development (*Fundo Nacional de Desenvolvimento Científico e Tecnológico – FNDCT*), and an additional 0.4% to the development of internal R&D projects according to procedures established by Aneel. In addition, it contributes, institutionally, to maintain Cepel, receiving in return, right of participation in its portfolio of research projects.

With a view to making a transparent selection of partners in technology, in 2009 FURNAS realized the first Public Bidding for Proposals in order to meet R&D demands. Additionally, to contemplate those unattended demands during the first bidding, the Company initiated the first approach towards inviting universities and research institutes renown for their academic excellence.

According to Aneel's ruling, since the onset of the R&D program, R\$ 145 million were allocated to 213 own projects, 86 of which were fully concluded.

Innovations and Patents

Investments towards technological production gave the Company access to ten patents, three of which are registered abroad, and three patent applications await examination in the Country. Inventions, developed exclusively or in partnership, are filed at the National Institute of Industrial Property (*Instituto Nacional da Propriedade Industrial – INPI*). For the period under view, no patents were pending or filed.

Development of Management Excellence

The Company began its Management Excellence trajectory when it built, in 1957, Furnas HPP to meet the Country's increasing urbanization process. Along its trajectory, FURNAS set up its Quality Management System counting on the participation of its technical staff and control teams who helped the Company set breakthroughs in the Quality Area. The criteria for excellence of the National Quality Foundation (*Fundação Nacional da Qualidade – FNQ*) and standards certification of management systems ISO series frame the Company's management model.

Units with Certified Management Systems

Currently, the Company has 60 units with certified management systems, involving approximately 1,800 people, in norms NBR ISO 9001:2000 (Quality), NBR ISO 14001:2004 (Environmental), and OHSAS 18001:2007 (Safety and Occupational Health). From 2008 to 2009 there were no changes in what regards the number of certified management systems.

Accredited Laboratories

Accreditation grants the formal recognition regarding the competency of a laboratory or organization to develop specific tasks, according to the established in NBR ISO/IEC 17025:2005 Norm – General Requisites for Test Laboratories and Calibration.

The Company has 3 laboratories accredited by the National Institute of Metrology, Normalization and Industrial Quality (*Instituto Nacional de Metrologia, Normalização e Qualidade Industrial* – Inmetro); 1 of them participates in the Brazilian Network of Test Laboratories (*Rede Brasileira de Laboratórios de Ensaio* – RBLE), and the other 2 in the Brazilian Calibration Network (*Rede Brasileira de Calibração* – RBC), which are able to realize 133 types of accredited services (60 types of calibrations, and 73 types of tests). The downfall in the number of accredited services (tests), down to 133 from 140 in 2008 was caused both by the unification of technical standards as practiced by the Brazilian Association of Technical Standards (*Associação Brasileira de Normas Técnicas* – ABNT) and exclusion of some no longer performed testing services.

Relationship with Quality Management Entities

FURNAS maintains partnerships in the management area, as a member of the National Quality Foundation (*Fundação Nacional da Qualidade* – FNQ), where it partakes in annual general meetings and in the Competitive Brazil Movement (*Movimento Brasil Competitivo* – MBC), where it is an active member of the Interested Parties Committee, setting guidelines for MBC to stimulate organizations to seek a better competitiveness level.

Within the National Program of Public Management and Debureaucratization (*Programa Nacional de Gestão Pública e Desburocratização* – Gespública), under the discretion of the Ministry of Planning, Budget and Management, the Company partakes in the supervising committee of the National Public Planning Award (*Prêmio Nacional da Gestão Pública*), which analyzes implemented action-taking and defines related policies for future cycles, besides lending volunteering employees to work as examiners of reports issued by candidate management organizations.

The Brazilian Association for Technical Standards (*Associação Brasileira de Normas Técnicas* – ABNT) is the sponsor of the Brazilian Committee on Quality (*Comitê Brasileiro da Qualidade* – CB 25) and participates actively in meetings with its management and consulting councils and in the ISO (Committee for Conformity Assessment – CASCO and Technical Committee – TC 176), and in study commissions and work groups that draw and revise foreign and domestic technical documents on standardization. In 2009, the Company participated in drawing and revising the following documents on standardization: ISO 9000; ISO/IEC 17021-2, 17024 and 17043.

CORPORATE GOVERNANCE

Good corporate governance is one of the main standards safeguarding reliability and transparency in companies. Since 2003 FURNAS has been improving internal practices according to the requirements of federal government, society and market, all of which expressed in the following documents, all published in the Organizational Manual and available on the intranet: Laws and Bylaws of the Company, the Board of Directors, the Supervisory Board, the Board of Executive Officers, as well as the management policies.

In 2009, following the implementation of the Eletrobras System Transformation Plan, relevant objectives were identified, which allow targets formulation whose attainment depends on the integrated effort of the Companies within the Eletrobras System. Such purposes, listed below, are developed within the Corporate Governance of every Controlled Company:

- to improve compliance with sustainability requirements – in a direct way, seeking a better effectiveness in the role of the members of the Board of Directors and Supervisory Board; and indirectly through the action of the Sustainability Committees in the search for measurable results indicators for participation in strong visibility in domestic and international markets (ISE Bovespa, and DJSI, among others), and reach level 2 at the Bovespa Corporate Governance index;
- to increase the average return on investments in the Eletrobras System; to participate actively in electric energy generation and transmission market; and to make possible future installations beyond 2012 – with the purpose of re-establishing the structuring role of Eletrobras System as an inducer of sustainable development in Brazil;
- to structure the activity portfolio of the Eletrobras System abroad;
- to streamline and optimize processes that may allow for an integrated performance and competitive gains (Integrated Risk Management; Supply Logistics; Integrated Ombudsman System; SOX Certification; R&D and Innovation);
- to promote the office force in the Eletrobras System as the very agent and main beneficiary of the transformation process – the objective is to provide the retention of talent and expand its human and technological capital;
- to consolidate the image of the Eletrobras System as an strategic agent for the sustainable growth of the Country – the objective is the adhesion of workforce into the changes in corporate culture and the consolidation of the new System image towards stakeholders, aggregating value to the brand.

On December 30, 2009, FURNAS and Eletrobras signed the Contract of Corporate Performance Targets (*Contrato de Metas de Desempenho Empresarial – CMDE*) for the period 2010-2014, according to which the Company is committed before the Holding to meet annually strategic guidelines as determined for the following fiscal year. CMDE has the role of establishing proceedings to follow up corporate performance, promoting improved efficiency and efficacy levels, meeting targets and results assessed by specific and quantitative indicators, attaining corporate management excellence, maintaining increasingly positive economic and financial results, and complying with the conditions established in the concession contract, resolutions, and determinations laid down by Aneel and the related legislation.

Still in 2009, three fundamentally important projects addressing the improvement of the Company's management and thus Corporate Governance were given sequence in full alignment with those directives defined by the Holding in its Transformation Plan, namely:

- FURNAS Corporate Strategic Planning – developed in line with Eletrobras, this plan is under way. It encompasses nine initiatives focusing on management improvement, as follows: institutional, projects, processes and systems, procurement, risks, knowledge, people, change and sustainable growth strategy. Each one is based on strategic action-taking, indicators and targets defined by work groups constituted by the representatives of each Executive Office in the Company;
- ERP – Enterprise Resource Planning – starting in October 2008, with an 18 month duration, it holds most part of the business processes in the Company in a single data bank, providing information on real time, utilizing SAP 6.0 tool. From 2010 on, this system will provide for a better process control of project management, controlling, corporate finances, assets maintenance, human resources, and supplies. The implementation of ERP introduces a revolutionary change in the way the Company works, in line with the best practices on the market;
- SOX Project – sequence was given to raising the internal controls on financial statements in line with the directives of SOX Law so that the Holding may keep negotiating Level 2 American Depositary Receipts (ADR), at the NYSE, which began in October 2008.

Corporate Structure

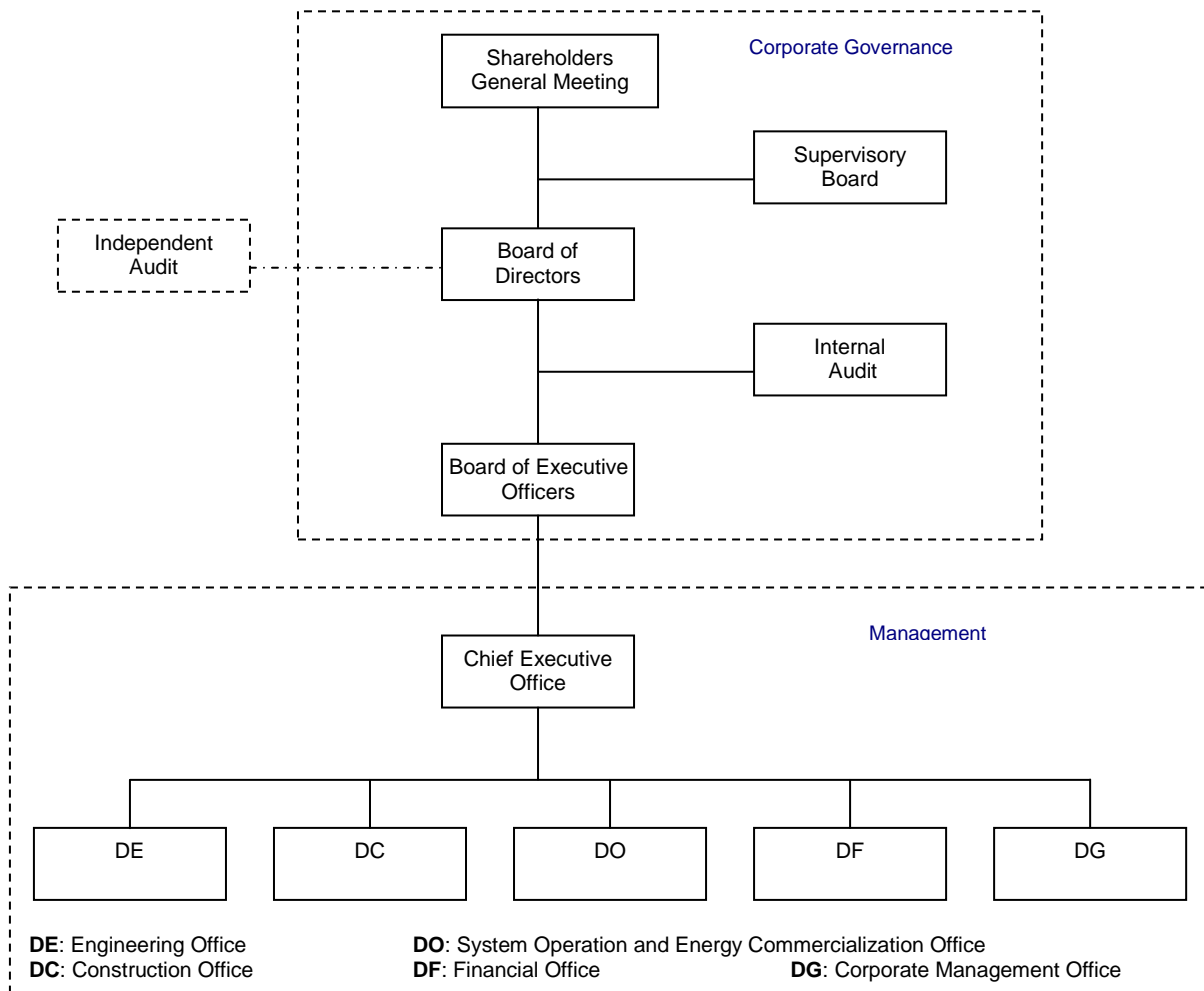
FURNAS, a mix state-owned company, as a subsidiary of Eletrobras complies with SOX requirements and provides information for the Holding's stock listing on the ISE, of the São Paulo Stock Exchange (Bovespa), and DJSI of the NYSE.

In 2009, FURNAS Corporate Capital, totaling R\$ 6,000,000,000.00 (six billion Reais), is broken down as follows:

Shareholder	Common Share		Preferred Share	
	Quantity	%	Quantity	%
Eletrobras	50,618,949,528	99.82	14,088,223,014	98.56
Others	91,699,472	0.18	205,174,986	1.44
Total	50,710,649,000	100.00	14,293,398,000	100.00

Corporate Governance Structure

The Corporate Governance practices are represented by the relationship between the Upper Management, constituted by the Shareholders General Meeting, the Board of Directors, the Board of Executive Officers, the Supervisory Board and the Internal Audit (counting also with the External Independent Audit) as shown below, and by the Ombudsman Acting:



Shareholders General Meeting

In addition to the established by Brazilian laws, the Shareholders General Meeting will be held extraordinarily whenever the Board of Directors deems necessary, and specially to: alienate the Corporate Capital shares; proceed to go public; increase the Corporate Capital; issue debentures, titles or securities; promote capital spin-off, mergers or incorporation; and trade shares or other securities.

In 2009, the Ordinary General Meeting (OGM) took place on April 29 and one Extraordinary General Meeting (EGM) was held to deliberate on the election of the members of the Board of Directors and Supervisory Board.

Board of Directors

The highest instance of Administration in FURNAS, it is a joint committee, composed of 1 Chairman and 5 Directors, all of whom are shareholders, with a three-year period mandate, elected by the OGM, and able to be reelected. One representative is appointed by the

Ministry of Planning, Budget and Management, and the remaining ones by MME; one of them is chosen to be the Chairman upon previous approval by the President of the Republic of all the names appointed. This collegiate met in 16 occasions during this fiscal year to deliberate on strategic planning, expansion projects, new assets acquisition, among other issues.

Board of Executive Officers

It is composed of a Chief Executive Officer and 5 Executive Officers who ultimately head all management processes, and they are elected by the Board of Directors, with a three-year period mandate, to exercise management activities in the following areas, besides the CEO: Corporate Management; Finance; Engineering; Construction; and System Operation and Energy Commercialization. Regulatory and statutory decisions enacted by the Board of Executive Officers are made at weekly meetings and are the basis of the deliberative process regulating issues under the discretion of each executive area. In 2009, 50 meetings were held.

Supervisory Board

It is composed of 3 effective members and their respective substitutes, with a one-year mandate, elected by the OGM, and able to be reelected. One of its effective members and the respective substitute are appointed by the Ministry of Finance, as the National Treasury representative, and the remaining ones by MME, with previous approval by the President of the Republic. This collegiate met 10 times to supervise the acts of the Upper Management and verify compliance with their legal and statutory duties.

Internal Audit

It promotes the examination of the activities performed by the Company organizational units, with a view to analyzing their management actions and verifying their procedures, controls, computerized systems, registers, data and document files, along with their compliance with guidelines, internal regulatory acts and precepts of the legislation in force.

Ombudsman Acting

Operating under the discretion of the CEO, it seeks to establish on an ongoing basis a communication channel to intermediate and facilitate services and relationship with citizens, employees and FURNAS. In this sense, it coordinates and executes those activities concerning filing and analyzing complaints, suggestions, praising, demands or reports concerning proceedings and activities practiced by the Company in order to provide answers and solutions that must observe legal and ethical principles.

During 2009, as a second instance communication channel and information doorway, the Ombudsman Acting filed and replied 514 manifestations, which included: general information (39%); complaints (30%); requests (16%); deletions (8%); suggestions (5%); and praises (2%). Out of them, 72% were produced outside the Company.

Corporate Governance Practices

Support to Decision-Making Process

The following support structures to the Decision-Making Process are communicated through Internal Memo and are made available on the intranet:

- internal rules: defined as a consequence of the work of the ruling representatives, assigned by each Executive Officer and approved by the Board of Executive Officers;
- temporary work groups: prompted by the Board of Executive Officers to analyze and define policies related to matters where conflicts of interest may occur;
- management corporate policies: used as reference tools of the decision-making process by the Board of Executive Officers;
- permanent collegiates: composed of representatives of each Executive Office to give support to the Board of Executive Officers in complying with management corporate policies.

Regarding risk controls, the Company applies the practices below:

- credit risk: a control kept by the Financial Officer that tracks the Company evaluation by risk assessment agencies;
- market risk: a control kept by the System Operation and Energy Commercialization Office through the Energy Commercialization Committee;
- operational risk: control of relevant risks, mitigated by insurance contracts or by self-insurance, according to the criteria defined by the Insurance Committee, based on the probability of asset loss, according to FURNAS contingency history and the economic and market viability of these two alternative modalities of asset protection.

Official Corporate Reports Process

The process of the Official Rendering Accounts is comprised by the following practices:

- structuring of the contents in accordance with the information prerequisites referred to in the regulatory mark of the Electric Energy Sector and the main regulations pertaining to shareholders, external supervisory bodies appointed by the Government, funding agencies backing development and capital market;
- publishing the Annual Report in Portuguese, English and Spanish, with the same content of the Administration Report, as a rendering of accounts to society;
- emission of the Monthly Report for the Board of Directors and the Supervisory Board, as a support tool for their monthly meetings;
- issuance of the Monthly Report to the Board of Executive Officers (RMDE) to give support to the Upper Management in the monthly communication of the planning and evaluation of the Company corporate performance.

Corporate Information Disclosure Process

Digital Media

From 2009 on, new digital media were incorporated to widen interactivity between the Company and stakeholders, among them:

Twitter is active since August 2009, with 106 tweets and over 500 followers.

In 2009, FURNAS site registered 71,026 visitors, or an average 194 visitors per day. Three hundred updates occurred, along with the disclosure of 215 corporate news and 64.342 accesses. The site houses the Company's financials such as the Annual Report (in Portuguese, English and Spanish), the Administration Report (in Portuguese and English), and the Sustainability Report (in Portuguese), besides other documents such as the policies on Hydric Resources, Forestry Resources, the Environment and Social Responsibility, along with: Statistical Yearbook, Electric Energy Market Reviews, Market and Economy Management Information, Social Balance, FURNAS Magazine, and the R&D Magazine.

The second edition of the hotspot "Focus on FURNAS" conveyed fiscal year end information on FURNAS main achievements, prospects, challenges, and the consolidation of Digital News, a weekly on-line journal, that is an important communication vehicle.

During 2009, the "Talk to Us" link received 7,611 emails requesting information on a diversity of issues totaling around 600 requests a day.

Printed Media

FURNAS Magazine is a monthly publication of subjects related to the Company, with 8,500 issues distributed freely, and its internal public is composed of all the employees, and externally it is distributed to all the federal, state, and municipal authorities, journalists, universities, research centers, companies active in the electric sector, and individual subscribers. It is available at the Company visiting areas, fairs, congresses and seminars.

Institutional and Legal Advertising

The Company invested in institutional advertising, in gross selling newspapers and magazines, and radio stations in the main Brazilian cities. All the advertising pieces were previously approved by the Institutional Communication Secretariat of the Brazilian Presidency of Republic (*Secretaria de Comunicação Social da Presidência da República – Secom-PR*).

Institutional campaigns addressed issues such as: Corporate Image, Environment, Social Responsibility, Energy Generation and Transmission, New Installations and Regional Activities.

Legal Advertising provided services to the different areas in the Company, disclosing accounts, meeting minutes, notices to tenders and changes, edicts, statements, public calls etc.

Corporate Videos

To preserve institutional information and publicize its corporate image, since its foundation the Company has edited 150 programs and has a collection of 1,700 institutional videos registering activities in generation, transmission, environment and social responsibility areas.

Code of Ethics

The Company Code of Ethics and Standards of Professional Behavior aim at affirming the principles and values guiding its actions and ensuring the correctness and transparency in conducting institutional activities. The Code was also devised to:

- protect FURNAS physical and intellectual property;

- prevent and manage conflicts of interest;
- preserve the Company image and reputation;
- contribute to create a friendly atmosphere in corporate and external relationships.

Effective since July 12, 2005, FURNAS Code of Ethics is part of the Company's official documents, and may be accessed internally or externally, on the intranet and internet. A Code of Ethics governing the Eletrobras System is being built and revised so as to comply with Decree no. 6.029 of 2007 and Resolution no. 10 of the Commission of Public Ethics, dated September 29, 2008, and the principles and indicators on Corporate Sustainability.

In order to enforce the Code, the Permanent Commission on Ethics is the forum that registers and investigates reports on possible unethical behavior, and it is also responsible for updating the Code and managing the issue in the Company. The Commission is part of the Ethics Management System of the Federal Government (*Sistema de Gestão da Ética do Poder Executivo Federal*), thereby creating a link between FURNAS and the Commission of Public Ethics. In 2009, the Executive Secretary of the Ethics Commission was created in order to put into practice the work plan developed by it and provide technical and material support to perform its activities.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

Because it fosters economic development by generating, transmitting, and commercializing part of electric energy, FURNAS is actively pursuing the commitment to social welfare and the due respect and care for the environment and the communities it services.

Statement of Value Added

It constitutes an important source of information since it presents the elements that allow an analysis of the company economic performance, breaking down wealth generation, as well as the social outcome of its distribution.

	R\$ Million				
	2005	2006	2007	2008	2009
1. Generation of Value Added					
Revenue from Energy Sales and Services	5,486	5,738	5,563	6,314	6,668
Other Operating Revenue	0	0	0	6	0
Non-Operating Revenue	3	3	5	0	0
Less:					
Inputs					
Cost of Electric Energy Purchased	(2,099)	(2,111)	(2,248)	(2,136)	(2,330)
Material	(49)	(47)	(47)	(53)	(53)
Third Party Services	(376)	(389)	(435)	(485)	(490)
Other Operating Costs	(560)	(671)	(833)	(994)	(962)
Other Non-Operating Costs	(30)	(14)	(10)	0	0
2. Gross Value Added	2,375	2,509	1,995	2,652	2,833
Reintegration Quotas	(509)	(517)	(532)	(578)	(587)
Provision Posted / Reversed	(8)	(235)	(446)	34	(195)
3. Net Value Added Generated	1,858	1,757	1,017	2,108	2,051
Financial Revenues (Transfers)	649	354	1.325	431	181
Equity	0	0	0	54	28
Adjustments in Law no. 11.638/2007	0	0	0	60	0

	2005	2006	2007	2008	2009
4. Value Added to be Distributed	2,507	2,111	2,342	2,653	2,260
5. Distribution of Value Added					
Work Remuneration	427	488	592	639	881
Government (Taxes and Contributions)	585	374	495	444	(79)
Financial Charges and Monetary Variation	447	544	270	750	1.243
Employee's Share on Profits	48	55	62	70	0
Shareholder's Remuneration	241	108	165	254	0
Others	140	285	247	236	344
Retained Earnings	619	257	511	260	(129)
Total	2,507	2,111	2,342	2,653	2,260

Human Resources

Human Resources Policy

FURNAS shares with its employees the same principles on ethics, social responsibility and quality within its organizational scope and counts on their partnership in obtaining better results and maximizing them through an ongoing commitment with their work and diligence towards dully accomplishing the Company's mission, with the desired excellence standard.

Freedom to Join Unions

The Company enforces a freedom-to-join-union policy, through which employees may choose the union of their preference on the basis of their union base or occupation. Nowadays, the Company deals with 14 different unions, represented by 2 entities (*Intersindical FURNAS* and *União Intersindical FURNAS*). Agreements stemming from the dealings negotiated abide 100% of the workforce.

In the negotiations for the Collective Bargaining Agreement 2009/2010, the Union Relationships Area safeguards the solution of labor claims, preserving the Company's interests while maximizing employee's satisfaction.

It's worth mentioning the efforts made by the Holding together with its subsidiaries to streamline benefits and advantages evenly throughout the Eletrobras System. Pay scales, from January 2009, presented inter-levels of 3%, aiming to implement a single Position and Remuneration Plan.

The policy regarding the participation of employees in profits, after each financial year end considers that they are entitled to participate providing they have reached the goals set in the Terms of Agreement. The amount to be disbursed to the employees may not exceed 25% of the dividends paid off to shareholders, and which may not exceed the equivalent to the last two paychecks of the then prevailing fiscal year. The guidelines for disbursement of profit share are negotiated with the representative bodies of employees and are bound to the established in Resolution no. 10/1995 of the Council of Coordination and State Enterprises Control (*Conselho de Coordenação e Controle das Empresas Estatais – CCE*) and Law no. 10.101/2000.

Employee's Profit Sharing

The policy regarding the participation of employees in profits, after each financial year end considers that they are entitled to participate providing they have reached the goals set in the Terms of Agreement. The amount to be disbursed to the employees may not exceed 25% of the dividends paid off to shareholders, and which may not exceed the equivalent to the last two paychecks of the prevailing fiscal year. The guidelines for disbursement of profit share are negotiated with the representative bodies of employees and are bound to the established in Resolution no. 10/1995 of the Council of Coordination and State Enterprises Control (*Conselho de Coordenação e Controle das Empresas Estatais – CCE*) and Law no. 10.101/2000.

Effective Workforce

The increase observed in 2009, of 34 employees, was due to the difference between the 65 admissions through a public examination/legal decision and 31 dismissals.

Level	Quantity				
	2005	2006	2007	2008	2009
Managerial	350	359	362	379	371
Graduate	1,329	1,314	1,302	1,378	1,407
Technical	1,777	1,781	1,828	1,888	1,895
Medium Support	772	744	710	750	757
Basic	353	327	332	329	328
Total	4,581	4,525	4,534	4,724	4,758

Personnel Training and Development

In 2009, the Area of Personnel Management, based on modern concepts of human resource management, re-structured activities through processes in order to adequate itself to market trends. Based on this new structure, the Company promoted several activities focusing on employee professional improvement, favoring 4,844 professional course attendances, providing professional improvement in: Project Management; Customer Service; Total Quality Management; Team Development; Decision-making Process; Oral and Written Communication; Leadership and People Management; Negotiations; Information Technology; Basic Life Support; Regulatory Standard Security in Facilities and Services in Electricity (NR10); Defensive Driving; Distance English and Spanish Language Courses; the Power of Creativity and Innovativeness, among others.

Moreover, the Company offered post graduation courses on Project Management at the State University of Rio de Janeiro (*Universidade do Estado do Rio de Janeiro – UERJ*); Energy Integration, at the Federal University of Rio de Janeiro (*Universidade Federal do Rio de Janeiro – UFRJ*); Strategic Management and Technological Management at State University of Campinas (*Universidade Estadual de Campinas – Unicamp*), both in partnership with the Corporate University of the Eletrobras System (*Universidade Corporativa do Sistema Eletrobras – Unise*).

Courses especially designed for the managerial level were designed, namely:

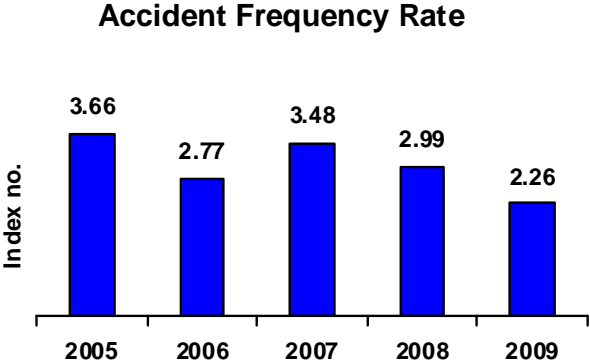
- Regulation and Businesses in the Electric Energy Industry, in partnership with *Fundação Getúlio Vargas (FGV)*;
- Advanced Management – APG Amana-Key and Expo Management;
- Specialization in Corporate Management (*Programa de Especialização em Gestão Empresarial – PGE*): attended by 60 managers.

Courses for managers substitutes were given sequence, namely on Basic Management (*Curso de Gestão Básica – CGB*), in partnership with the Brazilian Institute for Business Management (*Instituto Brasileiro de Gestão de Negócios – Ibgen*).

Accident Frequency Rate

The following chart shows the Accident Frequency Rate in the last five years.

This indicator is obtained dividing the number of accidents with removal, for the total of a million person-hours on exposure to risky situation.



Accident Severity Rate

The Company has been seeking to establish a management methodology in its operating areas to improve safety measures in the workplace and industrial hygiene standards thereby strengthening accident prevention and reduction, markedly in severe cases.

This indicator results from dividing the number of non-worked days, plus debited days, by the total of million person-hours exposed to risky situations.



Obs.: The rate informed in 2005 is due to two fatalities.

Social Responsibility

Corporate Citizenship and Social Responsibility Policy

FURNAS social commitment has been given a new conformity in the last 16 years in what regards promoting and strengthening its activities before shareholders, employees, suppliers and clients as well as those organizations within the Electric Sector, society and stakeholders.

By acknowledging the impacts it provokes and the capacity to contribute to sustainable development, FURNAS seeks to build a reputation of excellence in corporate citizenship.

The Company has therefore established a sound dialogue with the communities lying in the outskirts of its installations and consolidated partnership to optimize social investments and contribute to its development and, consequently, strengthen its business.

Commitments and Partnerships

The Company participates in Committee of Organizations Against Hunger Pro Life (*Comitê de Entidades no Combate à Fome e pela Vida – Coep*), which it helped found in 1993. Coep congregates public and private organizations, developing an active role in social mobilization and articulation, fostering initiatives towards sustainable human and social development. Coep's members are over one thousand state-owned and private companies, organized in 27 state and 29 municipal committees.

Coep joined two important initiatives started by the United Nations Organization (UNO) towards social responsibility and sustainability: the Global Pact and the Eight Objectives of the Millennium. Since 2001, it has been a member of the Global Pact and several documents produced by the Company are on the program site to reassure its commitment with the ten principles of the Pact. The Objectives of the Millennium are FURNAS landmark for action-taking within the communities in the vicinities of its installations.

The commitment with promoting equal rights for men and women alike is another landmark towards social participation. Such practices has been effective since 2004, when the "Gender Group" was initiated to eliminate all sorts of barriers in the access to job placements, remuneration, promotion, and stability. The efforts made were dully recognized in 2009 when the Special Secretary for Women's Policies (*Secretaria Especial de Políticas para as Mulheres – SPM*) awarded FURNAS with the Pro-Gender Equity Seal (*Selo Pro-Equidade de Genero*) due to the Company's initiatives brought about in 2007-2008 to foster both equal rights for men and women, and a new concept in people management and corporate culture.

The Company also partakes actively in the "Dialogue Process for the Sustainable Development of Furnas HPP Lake Outskirts" (*Diálogo de Concertação para o Desenvolvimento Sustentável no Entorno do Lago da UHE Furnas*), an initiative of the General Secretary, and the Secretary for Economic and Social Development, both under the discretion of the Brazilian Presidency. This dialogue process envisages integrated action-taking to revitalize Furnas HPP reservoir and its vicinities, covering 52 municipalities. In 2009, the Company signed a Technical Cooperation Agreement worth R\$ 3.9 million for sanitation projects in 35 municipalities, involving final disposition of residues and urban pluvial drainage.

Social Investment

The Company social investment seeks to provide opportunities for social inclusion, prioritizing the realization of sustainable projects and action-taking towards an independent life that contribute to the autonomous development of communities and to strong partnerships.

In 2009, 76 social projects were brought into effect, all of which were based on four fronts: Education and Training, Promotion of Citizenship, Health and Nutrition, and Labor and Income, benefiting around 66 thousand people by promoting new opportunities and social inclusion.

FURNAS realizes development programs for the communities in the vicinities of its installations framed by the Eight Objectives of the Millennium as it understands that the best way to contribute to local development is through the participation of local institutions and communities as actors of a transformation process, while guiding this process and assuming responsibilities.

In this regard, it should be mentioned the project entitled “Integration Nucleus”, being developed since 2005 in partnership with the Brazilian Institute of Social and Economic Analysis (*Instituto Brasileiro de Análises Sociais e Econômicas – IBASE*) and with Coep Community Network, which seeks to prompt relationship with communities, governmental authorities and local agents as a means to promoting social and economic development, giving support to income generation and social emancipation. Five communities have already developed their own nucleus: Jardim Gramacho, in Duque de Caxias (RJ), communities Quilombolas of Araçatiba, in Viana, and Retiro, in Santa Leopoldina, both in the State of Espírito Santo; João Carro, in Chapada dos Guimarães (MT), and Vista Alegre, in Cristalina (GO).

By means of a systematized institutional support, FURNAS has contributed with financial resources or assets for activities towards the improvement of the quality of life in the communities in its vicinities. In order to safeguard a transparent support process, the Company’s intranet page bears information on the criteria, procedures, and deadlines for addressing requests as well as those institutions that were benefitted by the program.

Cultural Projects

As FURNAS understands that culture is an agent of social inclusion, it has therefore developed the program “FURNAS Sociocultural – Lightening the New” (*FURNAS Sociocultural – Iluminando o Novo*), to foster visual arts and social and cultural projects for the various geographical basis where it operates. The program encompasses five initiatives, listed below:

- Cultural Sponsorship Projects

The focus is to build the Brazilian cultural identity, and to value popular culture and social inclusion. In 2009, the Company sponsored 19 cultural projects, under the benefit of *Rouanet* Law, which subsidizes cultural projects. The projects were reviewed and assessed by a group of experts. The Company’s internet page provides information on the sponsored projects.

- FURNAS Cultural Space

Located in the Company’s Main Office, in Rio de Janeiro, the Cultural Space houses paint, engraving and photography exhibits, as well as video events, and sculptures of artists new to the market, public and media alike, revealing new talents. In 2009, 7 exhibits took place, rallying in 11 thousand people.

- FURNAS Musical Generation

FURNAS Musical Generation Program (2008 version), in its third edition, occurred in April 2009, at the Tom Jobim Hall, in Jardim Botânico, Rio de Janeiro. Two performances were attended by 865 people; the first had 8 finalists under the category Classical Music; and the second, 8 finalists under Brazilian Instrumental Music.

- FURNAS Social and Cultural Breeding Program

This program was established in order to provide education for artists from low-income communities, and from public art schools. The Breeding Program for artists lasts twelve months, or four months in the case of cultural organization projects. In this meantime, artists are given theoretical and practical experience in top educational partners' institutions. At the end of the breeding term, innovative artistic products are expected to have been developed with the financial support from FURNAS.

In 2009, new talents found their work displayed in two collective exhibitions attended by over 3 thousand people, one of which was held at FURNAS Cultural Space, and the other at *Largo das Artes*, downtown Rio de Janeiro, where the exhibit catalogue was also launched in a ceremony attended by 350 people.

Corporate Volunteering

Volunteering is deemed strategic for the Company and is becoming more and more visible year after year. The purpose of this program is to incentive employees to devise and develop projects addressing life improvement for low-income citizens.

In 2009, volunteers developed a series of campaigns in communities near the Company's area of influence, being foremost among them:

- The Citizenship Hamlet (*Aldeia da Cidadania*) – benefitting over 30 thousand people, focusing on promoting citizenship and civil rights, through the issuance of documents and other community services on a free basis in health and environmental education;
- Community Kitchen Gardens – benefitting over 6 thousand people within the vicinities of the Company's installations in 8 community kitchen gardens producing crops in the States of Minas Gerais, (3), Goiás (1), Mato Grosso (1), São Paulo (1), and Rio de Janeiro (2), contributing to the improvement of healthful eating habits of the local communities;
- Seedling Orchards – this project was worked out in nine municipal schools, four nursery schools, three associations, and a state penitentiary, benefitting around 9 thousand people. Lying in a 200 m² area in Foz do Iguaçu Substation, in the State of Paraná, the farm harvests and distributes around 160 thousand legume and vegetable seedlings.

Environmental Responsibility

Environmental Policy

As an electric energy generation and transmission Company, which is a basic input for economic and social development, FURNAS acknowledges that its activities may interfere with the environment, so it is committed to an environmentally-friendly action-taking. Such a policy has been made effective by the Board of Executive Officers since March 1998, and has therefore been upheld ever since.

The implementation of this policy brought benefits regarding sustainable development, not only due to the Board of Executive Officers formal commitment, but also because of the awareness raised in the Company towards working with the due care for the environment, along with the disclosure of such policy, the compliance with NBR ISO 14001:2004 rules, the adherence to Eletrobras System Environmental Policy and society demands.

Water Resource Policy

This policy safeguarding corporate sustainability has been effective since March 2007 and seeks to establish guiding principles for the Company to choose the best criteria towards the usage of water resources in accordance with Brazilian Policy on Water Resources (*Política Nacional de Recursos Hídricos*) and FURNAS related policies.

Forest Resource Policy

FURNAS Forest Resource Policy, effective since April 2008, addresses management criteria, handling and conservation of forest resources.

The Company recognizes as inherent to its core business environmental conservation and the development of actions concerning the use of natural resources in a sustainable way, the conservation of biological diversity and the processes associated with forest ecosystems, which is the very core of such policy.

The development of this policy is based on the consideration of legal aspects, practices and experiences historically considered and, especially, in the search for harmonious integration of the Company's installations and the environment.

Main Activities

FURNAS has been a member of the Brazilian Program on Greenhouse Gas Protocol since 2008, as a founding member. This program seeks to promote voluntary activities on managing emissions of greenhouse gases by organizations.

In 2009, with the announcement and realization of the United Nations Climate Change Conference (COP-15) in Copenhagen, Denmark, diverse social agents, in Brazil and abroad, became more and more aware of how important it is to become organized and voice their opinion and suggestions, and to take a stand so as to influence positively in the way negotiations are carried out. In this sense, several were the instances where FURNAS partook, such as providing the referendum for the Positions Papers of the Brazilian Corporate Council for Sustainable Development (*Conselho Empresarial Brasileiro para o Desenvolvimento Sustentável – CEBDS*) and the Environment Forum of the Electric Sector.

In 2009, the following Environmental Licenses were obtained:

- Previous License: 345 kV Tijuco Preto – Itapeti – Nordeste TL;
- Installation License: 345 kV Furnas – Pimenta 2 TL and Viana Substation (2nd Expansion);
- Operating License: Iri and Vitória Substations.

Moreover, the following actions must also be highlighted:

- at Serra da Mesa HPP: an agreement is under way with National Indian Foundation (*Fundação Nacional do Índio – Funai*) to cooperate with the Support Program for the tribe Avá-Canoero;

- at Serra da Mesa, Corumbá, Manso, Furnas, Mascarenhas de Moraes, Porto Colômbia, Luiz Carlos Barreto de Carvalho, Funil, Itumbiara, and Marimbondo HPP, and Santa Cruz and Campos TPP: sequence was given to the monitoring and management of environmental programs;
- at Luiz Carlos Barreto de Carvalho, Marimbondo, Furnas, Mascarenhas de Moraes, Corumbá, Itumbiara and Porto Colômbia HPP: ongoing environmental recovery of remaining areas;
- at Santa Cruz TPP, and Ouro Preto 2 – Vitória, Cachoeira Paulista – Adrianópolis 3, Bateias – Ibiúna, Foz – Ivaiporã 3, Itaberá – Tijuco Preto 3, and Serra da Mesa – Samabaia 1 TL: negotiations are under way concerning contracts of environmental compensation with the licensing environmental agencies;
- Ouro Preto 2 – Vitória TL: activities were given sequence towards expropriations, and environmental monitoring;
- at Itaberá – Tijuco Preto 3: activities were given sequence as to the established in the Commitment Term of Adjustment of Conduct addressing native Brazilian communities. The Environmental Recovery Project and Subsistence (*Projeto de Recuperação Ambiental e Subsistência* – PRAS), a partnership between FURNAS, Funai and tribes of the Guarani Brazilian native ethnic group (SP), offered 215 native Brazilian families a meaningful improvement to their quality of life, while respecting their cultural references. This project gives support to tribes of the following ethnic groups: Tenonde Porã, Krukutu, Tekoa Pyay, and Ytuporã by addressing and enforcing sustainability in their agricultural activities.

Environmental Indicators

The five indicators presented below show the complexity associated with allocation, deployment and operation of generation and transmission electric energy installations, and allow for monitoring the improvements made in the Company's performance in dealing with environmental issues. The information presented considers the period from 2005 to 2009, on a cumulative basis.

Area of Monitored Water Surface

Reservoir areas concern the 10 hydropower plants in operation, which are monitored in terms of limnological parameters and water quality, as well as ichthyofauna composition. This area has a 5,411 km² water surface, periodically monitored. It is also worth mentioning that both Peixe Angical and Baguari HPP reservoirs are not directly monitored by the Company, being therefore excluded from this indicator.

Extension of Protected Areas

The Brazilian environmental legislation related to the compensation for environmental projects has been in force since 1987. FURNAS pioneered in complying with it, while by then Serra da Mesa and Corumbá HPP whose construction began in mid-1980. Since then, the Company has contributed to environmental conservation.

As compensation for its installations deployment, FURNAS has invested in the consolidation of conservation units established by the Government, such as national, state and municipal parks, biological reserves, ecological stations and areas of environmental protection, and native Brazilian reserves. It is a significant investment for biodiversity conservation in the Brazilian ecosystems where the Company has been active (*Mata Atlântica*, the Southeast/Northeast rain forest, and *Cerrado*), covering an area of approximately 1,260 hectares (ha). There was no increase in protected areas as compared to 2008.

Environmental Education Activities

Since 2000, FURNAS has invested, not only in terms of social communication concerning the populations affected by its projects, but also formally, in environmental education, in partnerships through state and municipal departments of education and with non-governmental organizations. In the period 2005-2009, 252,907 students had the chance to attend environmental education programs distributed in 136 municipal districts in the areas under the influence of the Company's installations. The increase recorded in 2009, or 52,712 more students over 2008 refers to the inclusion of energy conservation programs developed by the Company, as broken down below:

Accumulated until the Year	Student Educated	Quantity Municipality Served
2005	109,857	122
2006	110,337	122
2007	126,062	126
2008	200,195	136
2009	252,907	136

Waste Treatment

- Ascarel (Polychlorinated Biphenyls – PCB)

FURNAS maintains its commitment to de-phase equipment using PCB in its installations. For such, it hires specialized companies and holders of environmental licenses for the activities for decontamination of transformers and incineration of contaminated waste. Along with it, it also develops projects for replacement of such equipment.

The following table presents a historical summary of these activities.

Year	Net Weight (kg)
2005/2006	14,040
2007/2008	196,200
2009	2,430

- Mineral Insulating Oil and Hydraulic Oil

The Company regenerates the mineral insulating oil of transformers by means of physical-chemical treatment. When this recovery becomes technically unfeasible, it is sold in public auctions, restrictedly, to re-refiners accredited by the National Petroleum Agency (*Agência Nacional do Petróleo – ANP*), as Regulations no. 127 of July 30, 1999, and no. 128 of August 28, 2001.

As for the hydraulic oil, whose volume is marginal, waste disposal is made together with non-regenerative mineral insulating oil.

The volume sold in the last five years is given below:

Year	Volume (thousand liters)
2005	415
2006	281
2007	429
2008	552
2009	173

Atmospheric Emissions

- Sulfur Hexafluoride Gas (SF₆)

SF₆ gas is applied in the Company circuit breakers in order to extinguish electric arch in armored substations. This gas has a global warming potential approximately 23 thousand times higher than carbon dioxide (CO₂).

Since 2007, the Company has kept a program to reduce SF₆ emissions through rehabilitation and treatment when maintenance is performed on circuit breakers.

Year	Quantity Recovered (kg)
2007	45
2008	523
2009	289
Total	857

Awards

The Company was given two awards for its performance in the environmental area, both regarding Itaberá – Tijuco Preto 3 TL, namely:

- Von Martius Award on Sustainability 2009, second in the category Humanity;
- III Brazilian Award on the Environment, under the category Environmental Education.

Energy Conservation

Using energy in a conscious way is fundamental for the Country as energy shortages do have enormous social and economic costs. To spread information on sustainable energy usage, FURNAS is involved in several initiatives to foster a conscious use of collective goods, such as energy, to build a fairer and more harmonious society.

Educational activities carried out by the Company have two focus:

- educational: makes new generations sensitive to adopt conscious and sustainable consuming practices. Such activities are realized in the municipalities where the Company is active, through its regional construction and operation units;
- technical: promotes studies and carries out improvements in electrical installations and systems in public and private areas in order to make them energy efficient.

Such educational and technical activities, promoted to fight the waste of electric energy, are carried out with the support from its staff and through partnerships, including Eletrobras; state and municipal secretaries of education, energy, environment, and culture; public and private universities; commercial and industrial associations; members of the civil defense; public parks; electric energy concessionaries; non-governmental organizations; and the Brazilian Zoological Society, under federal, state, and municipal discretion.

All actions are developed in line with the Brazilian legislation; Procel, which is coordinated nationwide by Eletrobras; and the directives of energy efficiency defined by MME.

In 2009, 74 educational projects addressing the conscious use of electric energy and water were executed, involving one million people. Part of them are provided on an ongoing basis in the states where FURNAS owns installations. The main programs under this heading were:

- “The Nature of the Landscape – Energy: a Life Resource” (*A Natureza da Paisagem – Energia: Recurso da Vida*): it is an environmental education program implemented in areas impacted by the Company’s installations. This course qualifies teachers of basic and middle schools who become disseminators of those concepts and practices addressing energy conservation;
- “FURNAS / Procel in Schools” (*FURNAS / Procel nas Escolas*): it is a methodology based on guided visits to the Company’s installations and ludic-pedagogic activities on energy conservation based on systematized educational methodologies;

- “FURNAS for the Children of Employees” (*FURNAS para Filhos de Empregados*): it is an educational approach that intends to provide interaction between children and their parents workplace, while offering active knowledge on energy conservation;
- “Energy Circuit” (*Circuito da Energia*): it aims to give students of the public system guidance to be the own developers of concepts on electric energy and its rational use, based on interactive and diversified experiences;
- “Energy Patrol” (*Patrulha da Energia*): it aims to streamline the issues related to energy conservation and rational use of water in schools and communities by training a group of students to be monitors and guide colleagues.

In order to meet the same objectives, folders and bulletins conveying appropriate information were made available and publicized in radio programs, TV, internet and newspapers on everyday practices that may curb energy waste.

Other projects carried out in 2009 on an occasional basis are described below:

- agreement made with the Brazilian Astronomical Society (*Sociedade Astronômica Brasileira*), and the Brazilian Space Agency (*Agência Espacial Brasileira*): to organize yearly contests where contenders should prove their knowledge on energy and water conservation, the culture that enforces the “know how to care”, and the “do not waste”, among others. In 2009 this contest involved the local education secretaries of 5,500 municipalities in 26 states in Brazil besides 428 Regional Education Authorities with the participation of around 870 thousand students, 76 thousand teachers from 10 thousand schools throughout the Country;
- “The Energy of Wisdom” (*Energia da Sabedoria*): designed for senior citizens, this project is a sensitization and awareness building initiative that helps fight electric energy waste as well as other environmental issues on this subject.

Additionally, the following technical activities were developed:

- optimization of the illumination system at Bandeirantes, Araraquara, and Campinas Substations, and at the Corporate Education Unit at the Main Office (Prisma), which allowed for a 350 MWh/year reduction, and a drop in demand worth around 92 kW;
- installing more efficient illumination equipment such as high performance light bulbs in streets and turnpikes in Goiânia – through an agreement between Eletrobras, FURNAS and Goiânia City Hall – that initiated the Project Shine on Goiânia (Projeto Reluz Goiânia) bringing in a significant reduction in consume and maintenance costs. In 2009, 73.68% of the planned activities were fully realized, providing for an economy worth 6,245 MWh/year. This was the first public illumination project that was given international accreditation (NBR ISO 9001 and 14001, and OHSAS 18001);
- elaboration of 45 energy consume diagnosis in schools, public buildings and water and sewage supply systems in the states where the Company is active. Such diagnosis identified a potential economy of 475 MWh/year and a potential demand reduction of 240 kW;
- onset of studies to replace well pumps, and to install solar panels for water heating in kitchens, dining rooms and bathrooms to decrease costs with electric energy at the Main Office.

Social and Environmental Information

	2009			2008		
1. Wealth Generation and Distribution	R\$ Thousand			R\$ Thousand		
Total Value Added	2,259,727			2,653,327		
Distribution of Value Added The Statement of Value Added is fully presented in the Financial Statements	(3.5)% government 0% shareholders	39% employees 49.3% financiers 15.2% others		16.7 % government 9.6 % shareholders	26.7% employees 47% financiers	
2. Human Resources	2009			2008		
2.1. Remuneration						
Gross Payroll (GP) (R\$ Thousands)	1,016,709			820,101		
- Employees (R\$ Thousands)	1,013,084			816,273		
- Managers (R\$ Thousands)	3,625			3,828		
Higher and lower remuneration ratio (%):						
- Employees	22			17		
- Managers	1			1		
2.2. Benefit Granted	R\$ Thousand	% over GP	% over NOR	R\$ Thousand	% over GP	% over NOR
Payroll charges	201,903	19.86	3.32	160,953	19.63	2.79
Food	38,695	3.81	0.64	37,558	4.8	0.65
Transportation	1,113	0.11	0.02	995	0.12	0.02
Private social security	90,687	8.92	1.49	76,633	9.34	1.33
Health	86,717	8.53	1.43	82,287	10.03	1.44
Safety and occupational health	8,040	0.79	0.13	6,287	0.77	0.11
Education	2,896	0.28	0.05	1,860	0.23	0.03
Culture	1,986	0.20	0.03	3,274	0.40	0.06
Training and professional development	18,157	1.79	0.30	21,452	2.62	0.37
Day-care center or day-care assistance	5,673	0.56	0.09	683	0.08	0.01
Participation in profits or results	0	0.00	0.00	70,479	8.59	1.22
Others	200,499	19.72	3.30	42,381	5.17	0.73
Total	656,366	64.57	10.80	504,842	61.56	8.76
2.3. Staff Indicators	2009			2008		
Total number of employees	4,758			4,724		
Number of admissions	65			250		
Number of dismissals	31			60		
Number of trainees	598			632		
Number of employees with special needs	237 *			255		
Number of outsourced employees	1,676			1,723		
Number of employees according to sex:						
- Men	4,088			4,066		
- Women	670			658		
Number of employees according to age:						
- Under 18 years old	0			0		
- From 18 to 35 years	664			748		
- From 36 to 60 years	3,766			3,732		
- Above 60 years	328			244		
Number of employees by educational level:						
- Illiterate	0			0		
- Basic level	345			346		
- Medium level	682			675		
- Technical level	1,245			1,303		
- Graduate level	1,441			1,501		
- Postgraduate level	1,045			899		
Managerial positions according to sex (%):						
- Men	86.79			87.86		
- Women	13.21			12.14		

2.4. Contingencies and Labor Liabilities	2009	2008
No. of labor lawsuits brought against the Company	1,096	587
No. of labor lawsuits considered valid	2	5
No. of labor lawsuits considered invalid	24	12
Total amount of compensations and fines paid due to legal decisions (R\$ Thousands)	113,767	25,628

3 Interaction with Society	R\$ Thousand	% over OR	% over NOR	R\$ Thousand	% over OR	% over NOR
3.1. Relationship with the Community						
Total investments in:						
- Education	6,643	(1.43)	0.11	5,735	0.87	0.10
- Culture	6,083	(1.31)	0.10	7,166	1.09	0.12
- Health and infrastructure	8,501	(1.84)	0.14	6,685	1.02	0.12
- Sports and leisure	15	0.00	0.00	21	0.00	0.00
- Food	3,338	(0.72)	0.05	3,126	0.48	0.05
- Work and revenue generation	987	(0.21)	0.02	133	0.02	0.00
- Others	6,485	(1.40)	0.11	8,625	1.32	0.15
Total Investments	32,052	(6.91)	0.53	31,491	4.80	0.54
Taxes (without payroll charges)	(79,418)	17.15	(1.31)	443,732	67.68	7.69
Financial compensation for the use of water resources	163,786	(35.36)	2.70	152,953	23.33	2.65
Total – Relationship with the Community	116,420	(25.12)	1.92	628,176	95.81	10.88

3.2. Interaction with Suppliers	It is mandatory that suppliers declare not to use personnel under 18 years old for night shifts, hazardous or unhealthy work and that they do not hire people under 16 years old. And it is also required that they mention in case they have people 14 years old and above as apprentices. Moreover, bidding documents include “Principles and Norms of Corporate Conduct in the relationship between FURNAS and Suppliers” available at www.furnas.com.br/forneceedores .
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4. Interaction with the Environment	R\$ Thousand	% over OR	% over NOR	R\$ Thousand	% over OR	% over NOR
Investments and expenditures with maintenance in the operational processes to improve the environment	13,882	(3.00)	0.23	12,260	1.87	0.21
Investments and expenditures with preserving and/or recovering degraded environments	26,719	(5.77)	0.44	25,864	3.94	0.45
Investments and expenditures with environmental education to the Company employees, outsourced and free lance personnel, and managers	64	(0.01)	0.00	1	0.00	0.00
Investments and expenditures with environmental education to the community	2,913	(0.63)	0.05	3,055	0.47	0.05
Investments and expenditures with other environmental projects	3,927	(0.85)	0.06	3,568	0.53	0.06
Number of environmental, administrative and legal suits brought against the Company	0	0.00	0.00	0	0.00	0.00
Amount of penalties and compensations related to environmental issues, defined in the administrative and/or judicial spheres	0	0.00	0.00	0	0.00	0.00
Environmental liabilities and contingencies	0	0.00	0.00	0	0.00	0.00
Total – Interaction with the Environment	47,505	(10.26)	0.78	44,748	6.81	0.77

5. Other Information	2009	2008
Net Operating Revenue (NOR)	6,073,939	5,771,647
Operating Results (OR)	(463,193)	655,640

* Refers to 23 effective employees and 214 professionals contractually bound to the Equal Right Association for the Disabled Person (Associação para Valorização de Pessoas com Deficiência – Avape).

II – INTERNAL CONTROL

The Internal Control in Public Administration, according to the concept used by *Tribunal de Contas da União* (TCU) / *Controladoria-Geral da União* (CGU), is composed of a set of interrelated plans, activities, methods, indicators and procedures, used to ensure the compliance with the administrative acts and to achieve the objectives and targets established.

The Process of Rendering Accounts follows the normative instructions issued by TCU/CGU, showing the mitigation of possible risks to which the Company may be submitted, the identification of the materiality of the objective elements related to its equity and assets, and the transparency of its acts and performance, in accordance with FURNAS relevance as a leading actor in the Electric Sector.

Evaluation of Controls and Procedures by the Internal Audit

The Internal Audit, directly subordinated to the Board of Directors, acts preventively in matters related to internal controls, with the support of the Board of Directors and Supervisory Board at their monthly meetings, and by the Board of Executive Officers at their weekly meetings.

In 2009, 64 procedures were carried out abiding by the Internal Audit Activities Annual Plan (*Plano Anual de Atividades de Auditoria Interna – Paint*), providing, among other advantages, the improvement of internal regulations, and consequently, the strengthening of internal controls as well as the compliance with the prevailing legislation and the recovery of values.

The Paint is developed from a risk matrix, which identifies processes requiring continuous monitoring and analysis of associated internal controls.

In the elaboration of the risk matrix, the operational characteristics of FURNAS are considered, with emphasis on the following indicators: materiality, relevance, vulnerability, risk, previous critical occurrences, legislation and image.

In 2009, FURNAS gave continuity to supporting the compliance with SOX Law, which provides eligibility for the Eletrobras System to seek certification, through the Internal Audit's mapping 27 business, and 3 information technology processes regarding internal controls. We should stress that the Internal Audit participated actively in the SOX compliance processes seeking certification, which involved executing and following consulting an external audit processes.

The issues concerning routinely conducted audit in 2009 reported non-conformities and improvement channels to the respective managers for due diligence.

In its attempt to adopt the best market practices, the Internal Audit participated in seminars, congresses, specialization courses and interchange (benchmarking) with other internal audits, risk areas, and other areas of interest.

Opinion of the Supervisory Board

The Supervisory Board, in compliance with its legal and statutory attributions issued two opinions in the year of 2009. The first after the analysis of the Administration Report and the Financial Statements of fiscal year 2008, and the second referring to the Company's budget for fiscal year 2009. All opinions were favorable, with the recommendation of approval by the shareholders.