

ADMINISTRATION REPORT – 2010

Upper Management

Composition on December 31st, 2010

Board of Directors

Armando Casado de Araújo

Chairman

Carlos Augusto Vidotto

Carlos Nadalutti Filho

Francisco Romário Wojcicki

Luiz Paulo Fernandez Conde

Vladimir Muskatirovic

Board of Executive Officers

Carlos Nadalutti Filho

Chief Executive Officer

Cesar Ribeiro Zani

Luís Fernando Paroli Santos

Luiz Henrique Hamann

Márcio Antônio Arantes Porto

Mário Márcio Rogar

Supervisory Board

Titular Members

Antônio de Pádua Ferreira Passos

Chairman

Marisete Fátima Dadald Pereira

Sonia Regina Jung

Substitute Members

João Vicente Amato Torres

Israel da Silva

Ronaldo Sergio Monteiro Lourenço

At the Extraordinary Shareholders General Meeting dated February 15, 2011, the composition of the Board was changed as follows: Mr. Márcio Pereira Zimmermann substituted Mr. Armando Casado de Araújo as Chairman, and Mr. Flavio Decat de Moura replaced Mr. Carlos Nadalutti Filho as Chief Executive Officer.

Message from the CEO

Since its foundation in late 1950, FURNAS, the Company, has been used to overcoming challenges. It is prepared to promote acquisitions and build new installations generating job opportunities and income for local communities, attesting therefore its commitment to the development of the Country.

In 2010, the Company invested over R\$1.2 billion in energy generation and transmission, modernized hydroelectric power plants, and diversified its energy matrix, operating alternative wind energy sources in Northeastern Brazil, and guaranteeing the interconnection of biomass power plants and Small Hydroelectric Plants to the Brazilian Interconnected System in Midwestern Brazil. The Company was also able to provide energy supply and safeguard energy exchange in most of the Brazilian territory.

The Company's reservoirs showed unfavorable levels as far as hydrology is concerned. After the onset of the rainy season in November, those levels were brought back to normal, which is an important factor to keep the quality and reliability of energy generation, transmission and commercialization standards. Generation installations were fully operational at 88% of the time and transmission held at 99.7%, which translates their high availability.

Besides the 11 power plants already within the Company's system, eight new generation units under the Growth Acceleration Program were kept under way in 2010. Simplício/Anta and Batalha HPP, under FURNAS whole ownership, should be concluded in 2011 and 2012 respectively. Among those installations built through partnerships, namely Special Purpose Entity, four power plants became fully operational in 2010: Baguari, Foz do Chapecó, Serra do Facão and Retiro Baixo. In Northern Brazil, Santo Antônio HPP hit year end 2010 totaling 40% of construction and is forecast to start operation in 2012 with 44 generating units and a 3,150.4 MW installed capacity. Besides these installations, FURNAS and selected partners acquired in an auction held by the Brazilian Electric Energy Regulatory Agency the concession

for the construction and operation of Teles Pires HPP, also located in Northern Brazil, with an installed capacity of 1,820 MW, forecast to start operations in 2015.

Energy generation also included wind plants at the 2nd Reserve Energy Auction – Miassaba 3 and Rei dos Ventos 1 and 3 – in Northeastern Brazil, carried out under SPE, posing a new challenge for FURNAS. Those new plants count on 82 energy generating units, or 147.6 MW, upping the Company's operating availability.

The Company's transmission system is backed by 51 substations and an almost 20 thousand km long transmission grid. Concerning new installations, the Company partakes in 11 projects, 3 of which are wholly owned. Those installations built through partnerships, namely SPE, the Collector Porto Velho – Araraquara 2 TL, in direct current, ± 600 kV, and 2,375 km long, and the respective rectifying and inverter substations are foremost among them. These new installations should transmit energy generated at Santo Antônio HPP, in the State of Rondônia to the State of São Paulo.

Giving sequence to what was planned in the Eletrobras System Transformation Plan in 2010, FURNAS participated in the making of the Business Plans designed for the activities concerning energy generation, transmission and commercialization, together with the System's member companies. The strategies that are part of the Business Plans, and the revisions they were submitted to within the Strategic Plan to conform it to the Holding's planning policies will produce a better environment to conduct businesses more efficiently.

Also noteworthy is the implementation of the Corporate Management Integrated System – SAP-ERP, which meant a revolutionary change in the way the Company works, now in line with the best management practices.

Achievements were also plentiful in areas such as the environment, social responsibility and support to the Brazilian culture, all of which stems from action taking in communities in the vicinity of the Company's power plants and substations. In 2010, 58 social initiatives were carried out in four segments: Schooling and Education, Promotion of Citizenship, Health and Nutrition, and Work and Income Generation, benefitting around 60 thousand people, promoting better living conditions and social inclusion. By meeting the targets established by the Federal Government concerning incentives toward artistic and cultural production, the Company fostered the Cultural Program of the Companies of the Eletrobras System, backed by the *Rouanet* Law, channeling R\$ 1.5 million to fund the artistic productions in scenic arts, audiovisual production and cultural heritage.

The Company also coordinates the Program Light for All – under the responsibility of the Ministry of Mines and Energy – in the Brazilian Southeast and in the State of Goiás, designed to supply those communities devoid of electric energy. In 2010, 484 thousand connections were made, benefitting over 2.4 million people.

At 2010, FURNAS net profit totaled R\$ 635 million, a testimony of the successful efforts made in management and cost control policies, or a 77% growth over previous year.

The unpredicted delay in the regulation of Article 12 of Law no. 12111, of November 9, 2009, prevented FURNAS from appropriating R\$ 270 million worth of receivables, which would ultimately improve the Company's results.

I hereby express my dearest acknowledgment for the support provided by the Federal and States Administrations in those areas where FURNAS is active, as well as the Ministry of Mines and Energy, Eletrobras, shareholders, the Board of Directors, directors, clients, suppliers, and especially the Company's employees, who play an essential role in our achievements. I therefore present the results of 2010.

Flavio Decat de Moura
Chief Executive Officer

Company Profile

FURNAS is a mix private/state-owned company established on February 28, 1957, by Decree no. 41066, which authorized the Company to build Brazil's first large hydroelectric power plant.

As a subsidiary of Eletrobras, the Company was assigned the role of serving a multi-state market by constructing and operating 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 Northern, Southeastern, Midwestern and Southern Brazilian Regions, interconnecting ten states and the Federal District of Brasília, an area that houses approximately 63% of the Brazilian population, which in turn accounts for 81% of the Country's GDP. To meet this call, the Company relies on a generation capacity that comprises 8 wholly owned hydroelectric power plants, 2 in cooperation with private investors, 5 in form of SPE, and 2 conventional thermal power plants. Through an auction held by Aneel in 2010, and in partnership with private investors, the Company took control of Teles Pires HPP (MT/PA).

FURNAS transmission system encompasses 51 substations (44 of which are wholly owned, 2 in partnerships and 5 under SPE) with a transforming capacity of 103,304 MVA, and a transmission grid of 19,398 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 Country.

The Company engages in several programs toward the preservation of biodiversity and ecosystems, as well as of archeological and historical and cultural sites, besides campaigning actively for energy conservation, social initiatives and support to the Brazilian culture.

BUSINESS OVERVIEW

Business Expansion

Generation

The Company is carrying out 8 generations projects that are part of PAC, launched in 2007 by the Federal Government, and considered of utmost importance to guarantee electricity supply in Brazil. Two of them are FURNAS full ownership, and 6 in partnership with private investors.

In 2010, 4 of these installations, developed in partnerships under SPE, came into operation, as follows: 3rd and 4th GU at Baguari HPP, all GU at Serra do Facão and Retiro Baixo HPP's and the first 3 units at Foz do Chapecó HPP. Said units are listed under the heading Evolution of Electric Installations in Operation of this Report.

The installations listed below, still under construction, have the following features:

Full Ownership

- Simplício HPP (305.7 MW) and Anta SHP (28 MW) – situated on the Paraíba do Sul river, are on the border of Rio de Janeiro and Minas Gerais States. Simplício comprises three GU forecast to start running in 2011, while Anta counts on two GU, to start running in 2012. It also contemplates the associated 30 km long, 138 kV transmission line involving the interconnection between Anta SHP and Simplício HPP, and the connection to the SIN through one 120 km long, double circuit 138 kV TL, 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 GU to start running in 2012. In April 2008, Ibama issued the Installation License. Moreover, it contemplates the connection to the SIN through a 75 km long, single circuit 138 kV TL, between the Batalha and Paracatu 1 Substations, owned by Cemig.

Specific Purpose Entity (SPE)

- Santo Antônio HPP (3,150.4 MW) – partnership comprising FURNAS (39%), *Fundo de Investimento em Participações Amazônia Energia* (20%), *Odebrecht Investimentos em Infra-Estrutura* (17.6%), *Andrade Gutierrez Participações* (12.4%), *Cemig Geração e Transmissão* (10%) and CNO (1%) in SPE MESA. Lying on the Madeira river, 10 km away from Porto Velho, State of Rondônia, in the Amazon Region, this HPP has 44 GU forecast to start running between 2011 and 2015.
- Teles Pires HPP (1,820 MW) – a partnership among FURNAS (24.5%) *Neoenergia S.A.* (50.1%), Eletrosul (24.5%), and *Odebrecht Participações e Investimentos S.A.* (0.9%) in the *Consórcio Teles Pires Energia Eficiente*, which was winner at Aneel Auction no. 004, realized on December 17, 2010. This installation, localized on the border of Mato Grosso and Pará States, has six GU and should start operations in 2015.

With a view to including alternative energy sources in its energy matrix, FURNAS participated at the Wind Reserve Energy Auction no. 003/2009, in the *Consórcio Brasil dos Ventos*, becoming then entitled to enter into the following three installations:

- Miassaba 3 WPP (50.4 MW) – in the Municipality of Guamaré, Rio Grande do Norte State. A partnership among FURNAS (24.5%), Eletronorte (24.5%), *Bionergy Geradora de Energia Ltda.* (10%), J. Malucelli (10%), and *Miassaba Geradora Eólica S.A.* (31%), under the SPE *Brasventos Miassaba 3 Geradora de Energia S.A.*, comprising 28 GU, and to start running in 2011. Reserve Energy Contract no. 86 was signed between SPE *Miassaba Geradora Eólica S.A.* and CCEE on November 23, 2010;

- Rei dos Ventos 1 and 3 WPP (48.6 MW each) – in the Municipality of Galinhos, in Rio Grande do Norte State. A partnership among FURNAS (24.5%), Bionergy (10%), J. Malucelli (10%) and Eolo Energy S.A. (31%), under the SPE *Brasventos Eolo Geradora de Energia S.A.* and *Rei dos Ventos 3 Geradora de Energia S.A.*, each one with 27 GU, to start operations in 2011.

Still under the PAC, partnerships with private investors and FURNAS are being made in technical, economic and environmental viability studies toward the development of hydroelectric energy plants, eventually submitted to Aneel's approval, namely:

- Água Limpa – with an estimated 380 MW output. Lying on the Mortes river, in the State of Mato Grosso, it is a partnership with *Energética-Tech Consultoria, PCE-Projetos e Consultoria Ltda.*, *Eletronorte, Alstom-Hydro Energia Brasil Ltda., Construtora Andrade Gutierrez* and *Enercamp Engenharia e Comércio Ltda.*;
- Mirador (feasibility studies are being revised) – with an estimated 50 to 80 MW output, on Tocantzinho river, in the State of Goiás; a partnership with PCE, Rialma, Energética-Tech and Delta;
- Porteiras – with an installed capacity estimated at 86 MW, it lies on Maranhão river, in the State of Goiás, immediately downstream Maranhão HPP;
- Tabajara – with an installed capacity of 350 MW, it is localized on Ji-Paraná river, State of Roraima, a partnership with *Construtora Queiroz Galvão S.A.* and *Eletronorte*;
- Toricoejo – with 76 MW power output, it lies on the Mortes river, State of Mato Grosso, a partnership with *Eletronorte, Alupar Investimento S.A.* and *Dreen Brasil*.

Additionally to the projects under the PAC, FURNAS develops the following feasibility studies:

- inventory studies of the Jequitinhonha river and its main tributary Araçuaí river, in the State of Minas Gerais, with an estimated 1,092 MW potential, a partnership with Cemig and Neoenergia (Neoinvest). The studies are being analysed by Aneel;
- technical, economic, and environmental feasibility studies of the following HPP's;
 - Maranhão HPP, with an estimated 125 MW output, on Maranhão river, State of Goiás, a partnership with PCE, Rialma, Queiroz Galvão and Energética-Tech;
 - Buriti Queimado HPP, with an estimated 142 MW capacity, on the Almas river, State of Goiás, a partnership with PCE, Rialma, and Queiroz Galvão.

After the approval of Law no. 11651/2008, the Holding is entitled to go into partnerships with institutions dealing with electric energy production or transmission abroad. Thus, the new IGESA SPE was brought into effect, with the participation of Eletrobras (29.4%), FURNAS (19.6%), and *Construtora OAS* (51%), to carry out feasibility studies for the implementation of Inambari HPP (2,000 MW) on the Inambari river in Peru, district of *Madre de Dios*, 300 km away from the Brazilian border, and an integrated transmission system, including a project to export electric energy to Brazil.

Transmission

FURNAS partakes the development of 11 transmission installations under the PAC, all of which are necessary to safeguard SIN's reliability, as below:

Full Ownership

- Tijuco Preto – Itapeti and Itapeti – Nordeste TL – 50 km long, operating in 345 kV, will interconnect Tijuco Preto Substation, in the State of São Paulo, and Itapeti and Nordeste Substations, under the ownership of CTEEP in order to back and safeguard electricity supply for the São Paulo Region. This TL was sectioned in two parts, Tijuco Preto – Itapeti, and Itapeti – Nordeste, under Aneel consent. Installation license for the first section was obtained in November 2010, and operation is forecast to start in 2011. The second section is still pending the installation license, which after being issued will prompt construction works;
- Bom Despacho 3 – Ouro Preto 2 TL – 500 kV, 50 km long, single circuit will interconnect Ouro Preto 2 and Bom Despacho 3 Substations, both located in Minas Gerais State. This installation will provide more reliability in electricity supply for Serra da Mantiqueira Region (MG). The aforementioned installation refers to block C of Aneel Auction no. 006/2008, won by FURNAS; construction is still pending approval, awaiting the due licensing on the part of environmental agencies.
- Mascarenhas – Linhares TL – 230 kV, 99 km long, single circuit, 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 electricity supply to Northern Espírito Santo State. These installations refer to block E of Aneel Auction no. 005/2009, won by FURNAS, but still pending licensing for the onset of construction works.

Specific Purpose Entity (SPE)

- Collector Porto Velho – Araraquara 2 TL – a partnership comprising FURNAS (24.5%), CTEEP (51%), and CHESF (24.5%) under the SPE IE Madeira, which refers to block D of Aneel auction no. 007/2008. This will be a ± 600 kV DC, 2,375 km long connecting Rondônia and São Paulo States. According to Aneel concession contract no. 013/2009 energization is due in 2012;
- 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%) under the SPE IE Madeira. This installation refers to block F of Aneel Auction no. 007/2008. These Substations will be located in Porto Velho (RO) and Araraquara (SP). As per Aneel Concession Contract no. 15/2009, operations should start in 2013;
- Connection of Biomass HPP and SHP to SIN – related to Transmission Installations at Generation Centers for Shared Connection (*Instalações de Transmissão de Centrais de Geração para Conexão Compartilhada – ICG*) and Generation Centers for Exclusive and Individual Installations (*Instalações de Interesse Exclusivo e de Caráter Individual das Centrais de Geração – IEG*), an association of FURNAS (49%), Delta (25.5%), and J. Malucelli (25.5%) under the SPE *Transenergia Renovável S.A.* This installation refers to block C of Aneel Auction no. 008/2008. It comprises a 230 and 138 kV transmission system located in Mato Grosso do Sul and Goiás States that is supposed to integrate Biomass HPP's and SHP's to SIN. As per Aneel Concession Contract no. 009/2009 start-up is expected in 2011;
- Itatiba Substation 500 kV – a partnership headed by FURNAS (49.0%), along with J. Malucelli (51%) under 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 mono-phase units, one spare unit, and a 200 Mvar, 138 kV shunt capacitor. This installation refers to block G of Aneel Auction no. 001/2009. As per Aneel Concession Contract no. 024/2009 start-up is expected in 2011;

- Serra da Mesa – Niquelândia and Niquelândia – Barro Alto TL 230 kV – a partnership involving FURNAS (49.0%), J. Malucelli (25.5%), and Delta (25.5%) under the SPE *Transenergia Goiás S.A.* This 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/ 2009. According to Aneel Concession Contract no.028/2009 start-up is expected in 2011;
- Rio Verde Norte – Trindade TL 500 kV, a 193 km long, double circuit; Trindade – Xavantes TL 230 kV, a 37 km long, double circuit; Trindade – Carajás TL 230 kV, a 29 km long, single circuit; and Trindade Substation 500/230 kV – are all located in the State of Goiás. This is a partnership involving FURNAS (49%), J. Malucelli (31%), and Engevix (20%) that will eliminate overcharges at Bandeirantes and Anhanguera Substations while integrating them to the SIN, guaranteeing adequate energy supply for the region. This refers to block A of Aneel Auction no.005/2009, which was won by *Consórcio Goiás Transmissão*. As per Concession Contract, signed on July 12, 2010, operation is expected to start in 2012;
- Mesquita – Viana 2 TL 500 kV, a 248 km long, single circuit; Viana 2 – Viana TL 345 kV, a 10 km long, double circuit TL; and Viana 2 Substation 500/345 kV – all of which lie in the States of Minas Gerais and Espírito Santo. These premises belong to FURNAS (49%), J. Malucelli (20%), and Engevix (31%), under SPE *MGE Transmissão S.A.* and will bring improved reliability to electricity supplied to the State of Espírito Santo and an adequate performance of the System should large contingency loads be made necessary. As per Concession Contract no. 008/2009, operation is expected to start in 2012;
- Corumbá Substation (150 MVA) – localized in the Municipality of Caldas Novas, in the State of Goiás. This refers to block C of Aneel's Auction no. 008/2010, won by *Consórcio Caldas Novas*, which is composed of FURNAS (49.9%), *Desenvix Energias Renováveis S.A.* (25.05%), *Santa Rita Comércio e Instalações Ltda.* (12.525%) and *CEL Engenharia Ltda.* (12.525%). This Substation should reinforce energy supply for the Region of Caldas Novas, an important tourist center with an increasingly higher energy demand, and refers to 2 tri-phase autotransformers of 345/138/13,8 kV, 75 MVA each, and associated banks. Operating licensing is still pending for the onset of construction works.

Reinforcements of Transmission Installations

Besides the constructions carried out under the PAC, FURNAS was dully authorized by Aneel to provide reinforcement to its transmission installation, with allowed revenue, namely:

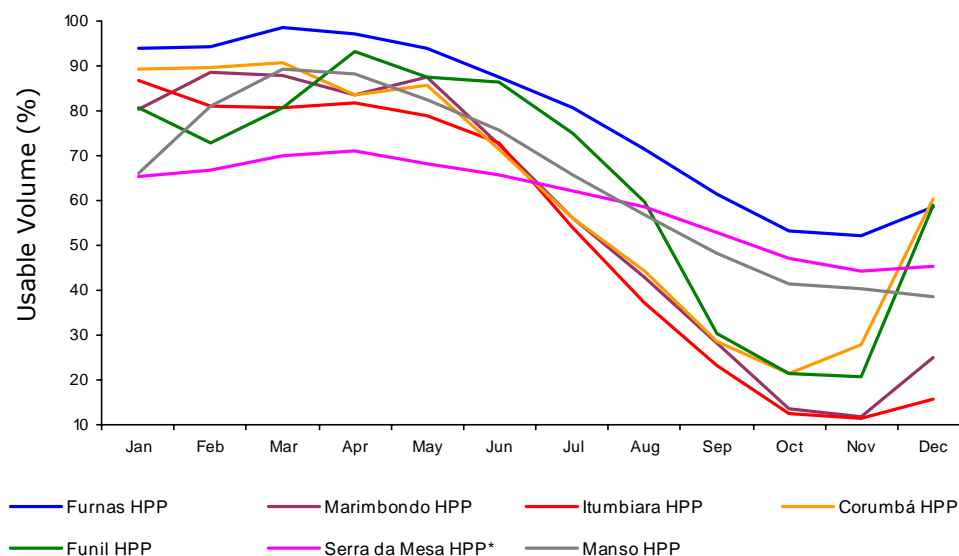
- Mascarenhas de Moraes Substation – in the State of Minas Gerais, in 400 MVA, expansion of 345/138 kV transforming capacity, with the installation of a second bank, and replacement of busbar and maneuver equipment with overcapacity, in 138 kV;
- Poços de Caldas Substation – in the State of Minas Gerais, installation of 5th autotransformer bank comprising four 75 MVA, 345/138 kV units, one of which is a spare part, and associated banks; and the installation of 138 kV, 150 Mvar shunt capacitor banks, and connection of BPT module;
- Luiz Carlos Barreto de Carvalho – Estreito circuits 1 and 2 TL 345 kV – in the States of Minas Gerais and São Paulo, Mascarenhas de Moraes – Estreito and Furnas – Estreito (Estreito Substation sectionings), both localized in the State of Minas Gerais, and provided for the replacement of search arresters;
- Barro Alto Substation – in the State of Goiás, in 50 MVA, installation of a second transformer bank, expanding the 230/69 kV transforming capacity; installation of the second capacitor bank, in 230 kV, 27.7 Mvar; safeguarding reinforcements previously done in order to back above mentioned expansions;

- Rio Verde Substation – in the State of Goiás, installation of a third 33.3 MVA, 230/138/13.8 kV auto-transformer bank and connections;
- Bandeirantes Substation – in the State of Goiás, replacement of equipment with overcapacity in 230 kV;
- Samambaia Substation – in the Federal District, expansion of transforming capacity, in 225 MVA, with the introduction of the third 345/138 kV bank;
- Brasília Sul Substation – in the Federal District, installation of 3rd and 6th 345/230 kV, 75 and 150 MVA auto-transformer banks, and connections;
- Brasília Geral Substation – replacement of two 30 MVA, 230/34.5 kV tri-phase auto-transformers with a 60 MVA one;
- Guarulhos Substation, in the State of São Paulo, installation of two 345 kV capacitor banks in 150 Mvar and 100 Mvar;
- Foz do Iguaçu Substation – in the State of Paraná, implementation of a 500 kV bus-bar, and switchgear bays to meet grid requirements, replacing overdue switchgear bays and the entire structure for the start-up of Foz do Iguaçu – Cascavel Oeste TL 500 kV;
- Jacarepaguá Substation – in the State of Rio de Janeiro, implementation of auto-transformer bank composed of three 225 MVA, 345/138 kV mono-phase units, and associated bays.

System Operation

In a general way, 2010 was an unfavorable year as far as hydrology is concerned where FURNAS has power plant reservoirs, except in the basin of Paraíba do Sul river (Funil HPP), where levels were kept at an average rate. With the onset of the rainy season in November, every basin reached above average levels, so the last two months of the year turned out to be favorable. In operating terms, after the onset of the rainy season, reservoir levels recovered fully, which is the core of utility energy generation, transmission and commercialization.

Hidrological Pattern at FURNAS Reservoirs in 2010



* Partnership with private investors.

Note: Marechal Mascarenhas de Moraes, Luiz Carlos Barreto de Carvalho and Porto Colômbia HPP's are located in the basin of Grande river lying halfway through Furnas and Marimbondo HPP's reservoirs, therefore behave likewise.

Generation installations were available 88% of the time (83% if interruptions due to the modernization process are considered), while transmission installations held at 99.7% of the time. These indicators were the result of investments made mainly in maintenance and operations of energy generation and transmission installations.

Also worth mention is the Control System of Interventions, Unavailabilities and Restrictions (*Sistema para Controle de Intervenções, Indisponibilidades e Restrições Operativas – SIRO*), to start operating in 2011.

Moreover, the Company is developing rules to improve remote control operations at Regional Operation Centers.

In 2010, transmission services were increased with the start up of new TL's, providing more reliability for the performance of SIN, namely:

- Macaé – Campos TL 345 kV – circuit 3, and expansion of associated Substation;
- Furnas – Pimenta 2 TL 345 kV (SPE);
- Samambaia Substation – 2nd capacitor bank in 345 kV;
- Macaé Substation – reactor banks in 345 kV, 80 Mvar;
- Viana Substation – 3rd auto-transformer bank in 345/138/13.8 kV, 225 MVA;
- Tijuco Preto Substation – 4th transformer bank in 765/345 kV, 1,500 MVA;
- Brasília Geral Substation – replacement of two tri-phase auto-transformers in 30 MVA, 230/34.5 kV, with two in 60 MVA;
- Venda das Pedras Substation – the result of Adrianópolis – Macaé TL 345 kV, circuit 1 sectioning. FURNAS is a user of said Substation, under the ownership of *Elecnor Transmissão de Energia S.A.*

It is also import to mention that in 2010 FURNAS started substituting 765 kV transmission lines protection systems, in operation for 30 years, for digital technology equipment, able to disconnect in the case of short-circuits, thus eliminating flaws and the dissemination of disturbances. Circuits 1, 2 and 3 of Foz do Iguacu – Ivaiporã and Itaberá – Tijuco Preto TL's, and circuit 3 of Ivaiporã – Itaberá TL are already operating with this new technology.

Furthermore, the new 138 kV Santa Cruz Substation is ready for operation, which includes the nine transmission lines bays removed from the former Substation, capable to be deployed in GU running on oil or gas at Santa Cruz TPP.

Maintenance of Installations

In order to keep equipment availability at a high rate, directly improving the SIN reliability, FURNAS seeks to couple the expertise of its technical staff with a strict maintenance philosophy.

At its premises, the Company plans and executes therefore equipment maintenance in generation and transmission activities and guarantees an adequate supply within the SIN.

In line with these recommendations, modernization of Furnas and Luiz Carlos Barreto de Carvaho HPP's was carried out.

Other maintenance activities should be highlighted, as follows:

- development of Sinocon, under the discretion of ONS, with the purpose of upgrading supervision and control systems in the Company;
- de-commissioning and commissioning of generating units;
- revamping transformers;
- component development and patenting;
- increase in operating availability to obtain solutions at lower costs by improving inspection techniques, with emphasis in thermograph techniques; adoption of new material, and the redefinition of processes, which involves the implementation of specific workshops, such as 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 (where no discount is provided on the variable parcel).

In what regards substations, the following should be mentioned: general overhauling of 22 circuit-breakers, modernization of 48 disconnecting switches, and repair of 6 power transformers, and 3 reactors.

The activities below are also worth mention:

- establishment of Units of Acquisition and Control (*Unidades de Aquisição e Controle – UAC*), part of Sinocon project, both at Marimbondo HPP and generating units at Itumbiara HPP;
- availability of Digital Measurers of Electrical Significances (*Medidores Digitais de Grandezas Elétricas – MDGE*) at Tijuco Preto, Ivaiporã, Itaberá, Brasília Geral, Poços de Caldas and Araraquara Substations;
- implementation of remote control services at Gurupi Substation, conducted by Goiás Regional Center, and revision of command controls at Itutinga Substation, conducted by Minas Gerais Regional Center;
- follow up of IP Telephony System services (*Internet Protocol*);
- follow up of the interconnection to the SIN of telecommunications system at Serra do Facão HPP;
- at Itaberá Substation, deployment of pedestal insulators to increase insulating capacity against electrical discharges under heavy rains, and armouring against atmospheric discharges.

Commercialization of Electric Energy

Generation

Electric energy commercialization in Brazil is ruled by Law no. 10848/2004, and Decree no. 5163/2004. The domestic market is organized in two different contexts instituted to make energy purchase and sale contracts:

- Context of Regulated Agreement (*Ambiente de Contratação Regulada – ACR*), open to generation and distribution agents;

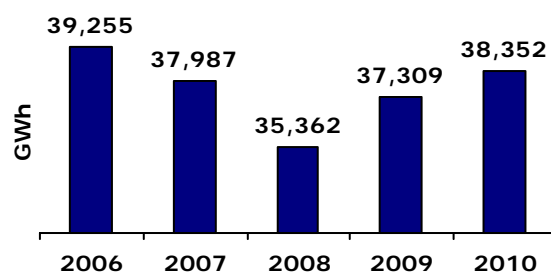
- Context of Free Agreement (*Ambiente de Contratação Livre – ACL*), open to generation agents, traders and free consumers.

At ACR, energy commercialization takes place through public auctions, regulated by Aneel, that can be conducted by the Agency or by CCEE. These auctions proceed to regulated bilateral agreements, dubbed 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 concessionaries or independent producers) and every purchaser (distributors) that took part in the auction. FURNAS has been participating in these regulated auctions, either the ones focusing on energy supplied by 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, in their turn, under federal control, which is the case of FURNAS, are subject to the legal requirement for auction or public calls for energy sale and purchase. In this Context, resulting agreements give rise to bilateral contracts.

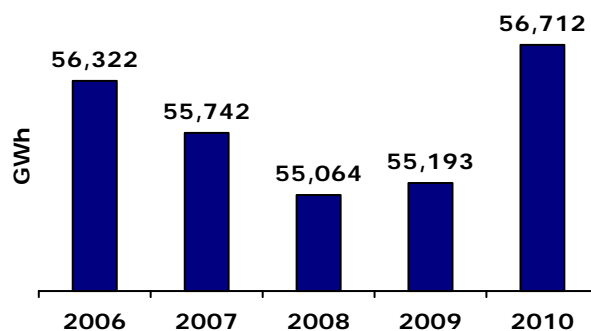
Energy sources for sale come from existing FURNAS installations full ownership together with energy purchased from CPFL, Proman, Eletronuclear and Sefac. In the case of Eletronuclear, purchase is made through Aneel Resolution no. 252/2005, ruled by Decrees no. 2655/1998 and 4550/2002, and Ruling no. 320/2004, issued by MME.

Evolution of FURNAS' Own Generation



Note: The information above considers generation output of FURNAS full owned HPP's and the parcel concerning Serra da Mesa (48.46%) and Manso HPP's (70%). In the case of SPE's, the following should be mentioned: Peixe Angical, Baguari, Retiro Baixo, Serra do Facão and Foz do Chapecó HPP's, although ownership is at 40, 15, 49, 49.5 and 40% of total assets, energy output is full owned by the SPE.

Electric Energy Commercialized by FURNAS



Transmission

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 Agreement by the availability of transmission installations, namely:

- Basic Transmission Grid

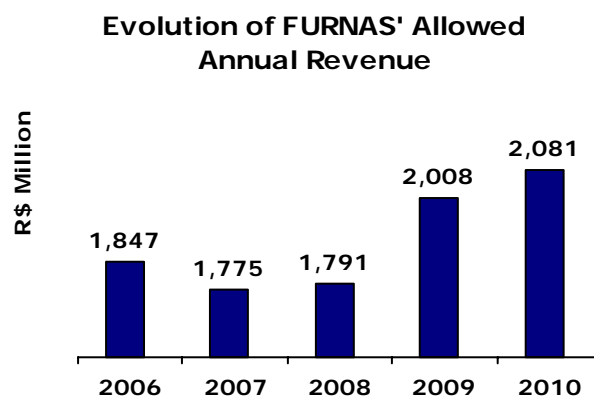
Transmission installations, classified by Aneel as integrating the Basic Grid (RB), are made available to ONS upon receipt of AAR, as registered in the Contract of Transmission Services Rendering (*Contrato de Prestação de Serviços de Transmissão – CPST*).

The portion of AAR on the RB is updated, annually, by Aneel specific resolution, based on IGP-M.

For the new transmission installations authorized to operate by Aneel from 2000 on, a tariff review process shall be made every four years, corresponding to the AAR parcel. The tariff review, which should have taken place in 2009, was carried out in 2010, and reduced FURNAS AAR for the period 2010-2011. From the second half of 2010 on, therefore, besides the reduction of the 2010 AAR, an adjustment parcel is being discounted, concerning those sums paid in excess in the previous period, around R\$ 20 million, i.e., less than 1% of 2010's AAR.

In 2010, AAR inflows stemmed mainly from the start-off of commercial operation of the Basic Grid transmission installations, among them Macaé – Campos 3 TL and Samambaia and Macaé Substations.

The following chart presents AAR increase 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.

- Sharing of Installations

In transmission public services concession, shared 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).

Revenue increase produced by these contracts is as follows:

Nature of Contract	R\$ Thousand				
	2006	2007	2008	2009	2010
Connection to the Transmission System (CCT) *	13,180	14,221	14,784	15,842	17,157
Sharing of Installations (CCI)	2,031	2,284	6,582	4,543	5,081
Total	15.211	16.505	21,366	20,385	22,238

* This includes only CCT contracts not regulated by Aneel, and directly traded with buyers.

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 as regulated by Aneel. Such is the case of, among others, the following Contracts: Rendering of Operation and Maintenance Services (*Contratos de Prestação de Serviços de Operação e Manutenção* – CPSOM), Rendering of Maintenance Services (*Contratos de Prestação de Serviços de Manutenção* – CPSM), and Sharing of Infrastructure (*Contratos de Compartilhamento de Infraestrutura* – CCIF), which are made with agents that are not part of the Electric Sector.

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

Nature of Contract	R\$ Thousand				
	2006	2007	2008	2009	2010
Rendering of Operation and Maintenance Services (CPSOM)	1,563	1,684	2,461	2,880	3,424
Rendering of Maintenance Services (CPSM)	1,036	1,163	1,201	1,291	1,306
Sharing of Infrastructure (CCIF)	2,000	1,700	-	59	-
Total	4,599	4,547	3,662	4,230	4,730

Commercialization of Technical Support, Operational and Administrative Services

In 2010, 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, 48 proposals were issued and 15 contracts were signed, among them:

Main Services Rendered

Client	Activity
IGESA – Peru	Proprietary engineering services related to technical, economic and environmental feasibility studies for Inambari HPP
<i>Cachoeira Paulista Transmissão de Energia S.A.</i>	Operation and maintenance of Cachoeira Paulista – Tijuco Preto TL, 500 kV, single circuit
<i>Santo Antônio Energia S.A.</i>	Santo Antônio HPP proprietary engineering services: <ul style="list-style-type: none"> - basic and executive project; - follow up the construction activities, the electromechanical assembly, the technological control of materials and the commissioning; - equipment factories inspection; - land ownership and environmental control.

Client	Activity
Transenergia	Proprietary engineering services for the connection of Biomass and SHP plants to the SIN: - basic project and sharing of installations contracts – Phase 1; - environmental management; - coordination and inspection of construction and assembly.
Retiro Baixo	Proprietary engineering services for Retiro Baixo HPP implementation
IE Madeira	Proprietary engineering services for Porto Velho – Araraquara TL: - inspection of TL routing and topographic; - land ownership issues; - technical consulting for management support.
<i>Goiás Transmissão S.A.</i>	Proprietary engineering services for Rio Verde Norte – Trindade TL, Trindade – Xavantes TL, Trindade – Carajás TL and Trindade Substation: - project, inspection, and commissioning; - construction and assembly coordination; - land ownership and environmental management.
<i>MGE Transmissão S.A.</i>	Proprietary engineering services for Mesquita – Viana 2 TL, Viana 2 – Viana TL and Viana 2 Substation: - project, inspection and commissioning; - construction and assembly coordination; - land ownership and environmental management.
<i>Transenergia São Paulo S.A.</i>	Proprietary engineering services for Itatiba Substation: - field coordination and inspection concerning the quality control of construction works and electromechanical assembly; - environmental management.
<i>Transenergia Goiás S.A.</i>	Proprietary engineering services for Serra da Mesa – Niquelândia TL and Niquelândia – Barro Alto TL: - coordination of quality control of topography, construction works and electromechanical assembly; - environmental management.
Several Clients	Services in the field of concrete technology and soil mechanics

Evolution of Electric Installations in Operation

Generation Power Plants – 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 with each installation available to give evidence to the compliance with load demands or energy commercialization through contracts.

Revision of generation plants assured energies is made when MME defines criteria for the physical guarantee of generation installations, under the assumption of a supply deficit limited to 5%.

Plant / Localization	Installed Capacity (MW)	Ownership of Installation (%)	Assured Energy (Average MW)		Operation Start-up	Concession Deadline
			2009	2010		
Hidroelectric						
Full Ownership						
Itumbiara (GO/MG)	2,082	100.00	1,015	1,015	1980	Feb 26, 2020
Marimbondo (SP/MG)	1,440	100.00	726	726	1975	Mar 7, 2017
Furnas (MG) *	1,216	100.00	598	598	1963	July 7, 2015

Plant / Localization	Installed Capacity (MW)	Ownership of Installation (%)	Assured Energy (Average MW)		Operation Start-up	Concession Deadline
			2009	2010		
Luiz Carlos Barreto de Carvalho (SP/MG) *	1,050	100.00	495	495	1969	July 7, 2015
Marechal Mascarenhas de Moraes (MG)	476	100.00	295	295	1973 **	Oct 31, 2023
Corumbá 1 (GO)	375	100.00	209	209	1997	Nov 29, 2014
Porto Colômbia (MG/SP)	320	100.00	185	185	1973	March 16, 2017
Funil (RJ)	216	100.00	121	121	1969 **	July 7, 2015
Shared Ownership						
In Partnership						
Serra da Mesa (GO) ***	1,275	48,46	671	671	1998	May 7, 2011
Manso (MT)	212	70.00	92	92	2000	Feb 9, 2035
Specific Purpose Entity (SPE)						
Peixe Angical (TO)	452	40.00	271	271	2006	Nov 6, 2036
Baguari (MG)	140	15.00	80	80.2	2009	Aug 14, 2041
Retiro Baixo (MG)	82	49.00	-	38.5	2010	Aug 14, 2041
Serra do Facão (GO)	212.58	49.50	-	182.4	2010	Nov 6, 2036
Foz do Chapecó (RS/SC) ****	855	40.00	-	432	2010	Nov 6, 2036
Thermoelectric						
Full Ownership						
Santa Cruz (RJ)	932	100.00	496	733 *****	1967	Jul 7, 2015
Roberto Silveira (Campos) (RJ)	30	100.00	21	21	1977 **	Extension granted
São Gonçalo (RJ) out of service	-	100.00	-	-	-	Extension denied

* Under revamping.

** Day ownership was handed to FURNAS.

*** Extension of concession for more 20 years under way, as accorded by Law no. 9074/1995.

**** Fourth and last unit to become operational in 2011.

***** Changes in the Assured Energy due to the start up of units running on gas.

Substations – Voltage and Transforming Capacity

In 2010, there was an increase concerning 345 kV in what regards installed transforming capacity (MVA), which includes FURNAS full ownership installations, those in partnership, and SPE's due to the start-up of three substations.

Voltage (kV)	MVA				
	2006	2007	2008	2009	2010
≤ 230	5,213	5,095	5,095	5,181	5,181
345	25,246	24,985	24,985	25,260	26,552
500	47,598	47,421	47,421	47,421	47,421
750	23,050	24,150	24,150	24,150	24,150
Total	101,107	101,651	101,651	102,012	103,304

Transmission Lines – Operating Voltages, Ownership and Extension

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

Full Ownership

In 2010, transmission line extension under the ownership of FURNAS upped to 19,398 km, described in the chart below. The increase observed is due to:

- energization of Macaé – Campos 3 TL, 345 kV, 90 km long;
- increase in 52 km because of the sectioning of 345 kV Adrianópolis – Macaé 1 TL (177 km long) at Venda das Pedras Substation, bringing into effect Adrianópolis – Venda das Pedras TL (107 km long) and Macaé – Venda das Pedras TL (122 km long).

	km				
Voltage (kV)	2006	2007	2008	2009	2010
≤ 230	4,349	4,349	4,349	4,318	4,318
345	6,070	6,070	6,070	6,079	6,221
500	4,549	4,549	4,549	4,549	4,549
± 600 (CC)	1,612	1,612	1,612	1,612	1,612
750	2,698	2,698	2,698	2,698	2,698
Total	19,278	19,278	19,278	19,256	19,398

Shared Ownership – Specific Purpose Entity (SPE)

In 2010, Furnas – Pimenta 2 TL, a partnership between FURNAS (49%) and Cemig (51%) started operating.

Transmission Line	Voltage (kV)	Total (km)	FURNAS Ownership (%)	Start-up
Furnas – Pimenta 2	345	63	49	2010
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 Contract.

** TL's under the Federal Government's PAC.

Supervision and Control of Generation Plants and Substations

Since 1997, FURNAS has been installing Digital Systems for Supervision and Control in every new generation and transmission installation, both in new installations as well as in the expansion of pre-existing ones, relying on digital protection technology and the Open System of Electricity Management (*Sistema Aberto de Gerenciamento de Energia – SAGE*), developed by Electric Energy Technology Center (*Centro de Pesquisas de Energia Elétrica – Cepel*).

In 2010, FURNAS implemented the protection, control and monitoring system at Serra do Facão, Foz do Chapecó and Retiro Baixo HPP's and also at the substations under expansion, besides finalizing the project of Macaé – Campos 3 TL and Furnas – Pimenta 2 TL.

Construction of FURNAS full ownership Simplício and Batalha HPP's, and Santo Antônio HPP was given sequence. In the latter FURNAS is a partial stakeholder and also provides proprietary engineering services for it. Protection, control and monitoring systems revamping is also under way at Furnas and Luiz Carlos Barreto de Carvalho HPP's.

Revamping direct current protection, control and monitoring systems between Foz do Iguacu and Ibiúna Substations (*System Integrated Data Acquisition – Sindac*) was completed, and the electromechanic protection of 750 kV Foz do Iguacu, Ivaiporã, Tijuco Preto and Itaberá Substations was replaced with digital technology relays that communicate directly with the monitoring and control system of these substations.

Telecommunication Transmission System

This system is composed of 84 radio stations whose interconnection totals 3,532 km, and 5,842 km worth of optical fibers, and gives support to the coordinated and integrated transmission system of the Company, while providing for the electrical system teleprotection, teleprocessing, data flow for the inspection of electrical magnitudes and remote control activities.

The Telecommunication Transmission System comprises radio and optical sub-systems, and 84% of all FURNAS operating units (full owned substations and power plants), or its partnerships through SPE's, and also FURNAS Operation Center, at the Company's headquarters in Rio de Janeiro. Five per cent are attended by the Company's own analogical system and 6.5% by third parties.

In 2010, optical systems concerning Optical Ground Wire (OPGW) cables became fully operational in 117 km long transmission lines, in the following routes: Adrianópolis – Macaé TL loop sectioning, circuit 1, to service Venda das Pedras Substation; Macaé – Campos TL, circuit 3; and the TL interconnecting the TPP and Campos Substation.

Technological Support

Besides the generation and transmission installations and the systems that give support to them, FURNAS has technology and training centers that also give support to its activities in order to guarantee and increase operational efficiency, economy and safety, highlighted below:

Laboratory of Experimental Hydraulics and Hydric Resources

Opened in 1983, in Rio de Janeiro (RJ), this laboratory reproduces hydroelectric installations in reduced model, reproducing the natural conditions of their place of origin to run simulations on the behavior of hydraulic structures. It also provides technical assistance for their construction, operation and maintenance, thereby improving efficiency, economy and safety of projects and constructions. Furthermore, it offers its expertise in technical assistance to other companies in the Electric Sector toward plant construction, operation, and maintenance.

In 2010, Santo Antônio and Batalha HPP's, and Anta SHP were given sequence.

Technology Center to Support the Construction of Transmission Installations

Localized in Rio de Janeiro (RJ), it provides training and education for specialized Brazilian or foreign professionals, to improve and update knowledge; it also offers technical consulting to both Brazilian and foreign companies in the construction Electric Energy Sector of transmission lines and substations, construction techniques and methods, analysis of specifications, budget and data bank of transmission lines construction works.

In 2010, 333 professionals attended the courses of Construction of Transmission Lines and Construction of Substations. Among those professionals, 89 were FURNAS employees, 103 from other domestic companies and 141 from foreign companies.

Civil Engineering Technology Center

Headquartered in Goiânia (GO), with the purpose to develop studies for the Company in civil engineering and in technical quality control of constructions of power generation installations. It is renowned as the most important technical institute in its area of work at the Edge Project of the Brazilian Association of Technical Research Institutes (*Associação Brasileira das Instituições de Pesquisas Tecnológicas – Abipti*). It also renders construction services in the energy industry and neighboring industries, such as mining, housing construction, gauging, among others, for both domestic and foreign companies.

It is responsible for: coordinating the application of technology of concrete and geotechnology in construction activities; it carries out studies concerning construction techniques and the use of materials; it produces geologic and geotechnical research and studies the behavior of foundations; it installs and operates the instrumentation of dam auscultation; it develops protocols addressing the quality of concrete and geotechnology.

This Technology Center is ISO 9002 certified, and its laboratories participate in the Quality Guarantee System, accredited by the Brazilian System of Essay Laboratories (*Rede Brasileira de Laboratórios de Ensaio – RBLE*), under the discretion of the Inmetro.

In 2010, it helped develop 17 pluri-annual projects on concrete technology, geotechnology, interaction of hydrometeorology factors and structures and the durability of power plants structures with a focus on cost optimization, reduction of deadlines, and minimization of risks.

Still then, as a knowledge dissemination and technology transference tool, around 20 thousand person-hours of training and professional improvement in technical, administrative and management areas were produced.

Electrical Systems Simulation Center

Headquartered at the Company's Central Office, in Rio de Janeiro (RJ), it counts on integrated analogical and digital simulators that reproduce in real time disturbances and dynamic, electro-mechanic, and electromagnetic phenomena, proper of a potency electrical system, enabling the development of control methodologies and processes, therefore strengthening the SIN reliability. It also concerns protection test and acquisitions systems and the analysis of signals and network analysis programs.

In 2010, performance analysis of control and protection equipment was conducted in order to back the SIN operation. It must also be mentioned that the Simulation Center renders services for other companies active in the Electric Sector.

Technical Center of Tests and Measurements

Lying on the outskirts of Furnas HPP, in Minas Gerais, it provides technical assistance for the maintenance and operations of FURNAS installations. It rallies a specialized team in the areas of metrology, automation and control, equipment test, high voltage tests, mechanical and electric essays in large scale rotating equipment, telecommunication systems, maintenance of circuit breakers and other equipment used for handling, high voltage equipment maintenance, physical and chemical essays, among others. It is accredited by the Brazilian Calibration Network (*Rede Brasileira de Calibração – RBC*), under the discretion of Inmetro.

In 2010, it played an instrumental role in the changes brought about at Itaberá Substation in order to provide for a better plant performance under adverse weather conditions. Among other activities, essays of local chromatographic follow up were realized at Adrianópolis, Jacarepaguá and Tijuco Preto Substations. It was granted a level III certification by the American Society for Non Destructive Testing (ASNT) for termographic tests, being the only one in Brazil with such a certification.

FURNAS Training Center

Also lying on the outskirts of Furnas HPP, this Center trains professionals in the fields of maintenance and operations of hydroelectric power plants and substations, electrical and telecommunication systems. It renders consulting services for companies active in the Electric Sector, both in Brazil and abroad, and has the following teaching skills: Motor-Diesel set; Electro-technical, Electronics, Hydromechanics, Electric Equipment, Protection and Control, Telecommunications and Centrifuge Pump Test Laboratories; Weld and Operating Machinery Workshops; and the Electrical Operation Systems Simulator.

The start-off of the Basic Technical Course, in 2010, with 79 scholarship holders selected through a public examination who were taught operation and maintenance of transmission lines. The course is aimed at streamlining the Company's employee selection, as admission to the Company requires the successful completion of the course.

Investments Associated to the Pluriannual Plan (PPA)

Execution of the Budgetary Actions included in the PPA 2008-2011 of the Federal Government, corresponded in 2010 to investments worth R\$ 1,245.3 million, budget which was reported to the Dest, whose projects are listed below:

	R\$ Million
	Accomplished
Generation	
Implementation of Simplício HPP / Anta SHP (RJ) and Associated Transmission	549.4
Implementation of Batalha HPP (MG/GO) and Associated Transmission	292.2
Modernization of Luiz Carlos Barreto de Carvalho HPP (MG)	44.2
Modernization of Furnas HPP (MG)	20.4
Maintenance of Electric Energy System	15.6
Subtotal	921.8
Transmission	
Reinforcements in the Transmission System in São Paulo and Minas Gerais States	95.0
Maintenance of Electric Energy Transmission System	50.2
Reinforcements in the Transmission System in Rio de Janeiro and Espírito Santo States	48.2
Reinforcements in the Transmission System in Goiás and Mato Grosso States and Federal District (Brasília)	31.0
Implementation of Tijuco Preto – Itapeti – Nordeste TL (SP) Implementation of Tijuco Preto – Itapeti – Nordeste TL (SP)	14.1
Implementation of Macaé – Campos 3 TL (RJ)	7.5
Implementation of Bom Despacho 3 – Ouro Preto 2 TL (MG)	7.0
Implementation of Mascarenhas – Linhares Transmission System	0.6
Subtotal	253.6
Others	
Maintenance and Adequacy of Computing, Information and Teleprocessing Assets	44.7
Maintenance and Adequacy of Movable Property, Vehicles, Machinery and Equipment	13.9
Environmental Preservation and Conservation of Generation and Transmission Electric Energy Installations	6.9
Maintenance and Adjustment of Real Estate	4.4
Subtotal	69.9
Total	1,245.3

Besides the projects Simplício HPP / Anta SHP and Batalha HPP, and the associated transmission grid, described under the heading Business Expansion – Generation, which accounts for almost 68% of investments for the period, it is detached the modernizations of Luiz Carlos Barreto de Carvalho and Furnas HPP's, in operation, respectively, from 1969, and 1963 on, which used more than 5% of total investments. Modernization of these plants involves the rehabilitation of turbines, generators and associated systems, as well as 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 their working life.

Investments toward 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 18% of the total realized in the year under view. These policies are supposed to promote the implementation of reinforcements geared toward the adequacy of electricity supply in substations and transmission lines, and take into consideration the information contained in the Expansion and Reinforcement Plan in the Basic Grid, of ONS, and the Transmission Expansion Program, of EPE, for the period 2007-2011, of utmost importance for the performance and safety of the SIN. The Maintenance of Electric Energy Transmission System responds for maintaining, rehabilitating and improving transmission installations of FURNAS, with the purchase of spare parts and equipment needed to avoid unavailability, and increase reliability.

Investments in Maintenance and Adequacy of IT Computing, Information and Teleprocessing Assets account for 4% of the total achieved in 2010. This policy 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, bound to MME, is a member of the Upper Board of Eletrobras System, which gathers the CEO's of all Group companies to formulate and implement corporate strategies of common interest.

Eletrobras System Transformation Plan

The guidelines set by MME for the Eletrobras System Transformation Plan (*Plano de Transformação do Sistema Eletrobras – PTSE*) were given sequence with all the controlled companies, constituted by more than 40 actions, segmented in four different drives as defined by the Ministry: Corporate Governance, Reorientation of Distribution Business, Institutional Reformulation of Eletrobras and Reorganization of the Corporate Management Model.

The 2009-2012 Strategic Policy Program (*Programa de Ações Estratégicas – PAE*) proved a remarkable improvement in the development of Eletrobras System 2010-2020 Corporate Strategic Planning as established in the PTSE. 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.

Among the activities developed in 2010, FURNAS participation in the elaboration of the Generation, Transmission and Commercialization Plan was paramount.

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

Participation in Committees

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

- Eletrobras Strategic Planning Committee – provides background information in order to improve the relationship between the Holding company and its controlled companies;
- Operation, Planning, Engineering and Environmental Committee – develops strategic policies and orientations so as to attain a coordinated and harmonious conduct of the participating 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 supply in specific subcommittees, as follows:
 - Energetic Studies Subcommittee – subsidizes strategic planning and marketing for the companies of the Eletrobras System, focusing on the electric energy industry demand (Demand Work Group). In 2010, it produced a report analysis on the economic potentials of the Brazilian regions, providing a rationale on the different energy sources of each region. FURNAS participated and coordinated the work-teams responsible for the midwest and southeast regions. It also partakes in the following Work Groups: Water Resources and Hydroelectric Potential; and Supply. In 2010, the Supply Work Group developed a study for the expansion of energy supply between 2010 and 2030 in order to produce a long-term scenario to back future trend analysis on 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 – rallies 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 – coordinates and fosters research, development of technological innovation in the Companies within the Eletrobras System, also developing partnerships with universities, research centers and companies, among others. In this sense, this Committee seeks to provide a better investment policy for Research and Development (R&D) in the Eletrobras System, no matter if funding goes toward the controlled companies as determined by laws no. 9991/2000, and no. 10848/2004 or those systematically funding the Electric Energy Technology Center (*Centro de Pesquisas de Energia Elétrica – Cepel*), and those coming from Industry Sector Funds managed by the Ministry of Science and Technology, especially the FNDCT/CT-Energ;
- Sustainability Committee – which, within corporate governance, aligns the policies of the Group’s subsidiaries through data that they produce and that are ultimately used as management tools. To give support to the Holding to reach American Depositary Receipt (ADR), level 2, at New York Stock Exchange (NYSE), FURNAS provides information required in Dow Jones Sustainability Index, and complies with the SOX Law (US GAAP and Form 20F). With the same purpose, it also participates in the Corporate Sustainability Index of São Paulo Stock Exchange (ISE – Bovespa).

Participation in Government Programs

- Growth Acceleration Program (PAC)

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

- Brazilian Program for Energy Conservation (Procel)

It is also worth mentioning the Company's participation in this Program, maintained by Eletrobras, which is described under the heading Energy Conservation of this Report.

- Light for Everybody Program (*Programa Luz para Todos*)

The Light for Everybody Program, launched by the Federal Government in 2004, and coordinated by MME, pursues to provide electric energy for rural localities devoid of this utility service and to make electric energy a development and income generation tool for the localities under its scope.

The Program's initial target for Southeast Brazil and the State of Goiás, under the coordination of FURNAS, was to provide energy to around 203 thousand families. In 2010 though, this figure attained 484 thousand energy connections, benefitting over 2.4 million people.

The so-called Citizenship Townships campaigns reached those communities benefitted by the Program. At the campaigns, all of them conducted by FURNAS, people have access to free services such as professional registers, ID's, social security registers, birth and marriage certificates, photos for documents, besides legal assistance and information on social security issues.

FURNAS also conducted educational campaigns in partnership with city halls as well as other partners; it implemented the Digital Inclusion Project by donating proper furniture and equipment; it set up Production Community Centers where families may share on a collective basis agricultural machinery and equipment running on electricity; it built libraries, known as Reading Arch, housing 200 books about a variety of issues, namely: literature, education, the environment, health, citizenship, among others; within the regional scope of the Digital FURNAS Program, the Company established 50 community telecenters (premises with computers with internet access).

- Energy Development Program for States and Municipalities (*Programa de Desenvolvimentos Energético dos Estados e Municípios – Prodeem*)

Started in 1994 by the MME, this Program assists populations that are not serviced by the conventional energy grid to resort to renewable and pollution-free energy sources. Energy systems used by the Program are mostly photovoltaic panels that when exposed to the sun light produce electric energy in DC, which can be directly used or stored in batteries for later use.

Since 2004 FURNAS is responsible for executing the Revitalization and Educational Program for Energy Development of the States and Municipalities of Minas Gerais, Rio de Janeiro, São Paulo, Espírito Santo and Goiás, giving continuity to energy supply in order to meet basic social demands in schools, health services, communities, and water pumping.

Under the scope of this Program, in 2010 FURNAS concluded the last part, Phase V, concerning the field work involving the refurbishment and de-phasing of photovoltaic systems in 34 municipalities in the State of Minas Gerais, 7 in the state of Goiás, and 1 in the State of Espírito Santo, which meant 33 equipment refurbishments in rural schools not yet serviced by conventional energy grids, and 236 de-phasing services due to the arrival of electric energy in rural areas benefitted by the Program Light for Everybody, and the de-phasing of rural schools.

The Company also assisted operating systems lying in the municipalities in the regions under its responsibility – Southeast Brazil and the State of Goiás – providing maintenance to 21 photovoltaic systems, and de-phasing 7 systems belonging to Phases II, III and IV.

At the end of 2010, 197 systems remained in operation while 409 were de-phased in compliance with the Program protocol and with the Light for Everybody Program Conduct Manual. After duly authorized by MME, the de-phased equipment should be put in place for other companies in the Electric Sector or others. The electricity generating photovoltaic modules in FURNAS totaled 3,308 units until year end, holding a nominal potency worth of 300 thousand Watts, all of which are apt for reuse.

Relationship with the Energy Research Company (EPE)

FURNAS participates in technical activities for the development and analysis of the documents related to energy planning, and also provides relevant data and information available for the following work groups: market, transmission expansion and environment. On a monthly basis, the Company reports data on the electric energy market to feed the data bank of EPE Simple System. Besides this, in 2010 the Company participated in the quarterly meetings at the Permanent Commission of Analysis and Follow-up on the Electric Energy Market of the Southeast / Mid-west Sub-system.

Within transmission planning, in 2010 FURNAS participated in study groups to produce the Ten-year Transmission Plan; energy supply to the States of Rio de Janeiro, Espírito Santo, Goiás and the Federal District; reinforcements in SIN, to transmit energy produced by Belo Monte HPP and expansion of the South and Southeast interconnection.

Relationship with the Electric Energy Trading Chamber (CCEE)

CCEE's role is to make 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 processing all short-term operations, which are subject to external audit, as per Aneel's Normative Resolution no. 109, dated October 26, 2004 (Convention on Electric Energy Commercialization). Commercialization Rules and Proceedings governing those activities realized at 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 the holder of a public service concession for generating electric energy, participates under the "Generation" category on a basis that is proportional to the volume of commercialized energy, calculated based on the results of the previous 12 months.

Relationship with the Brazilian Electric System Operator (ONS)

ONS is a non-profit, private entity, founded in 1998, and is responsible for coordinating and controlling operations of electric generation and transmission installations within SIN, under Aneel's control and regulation. ONS is constituted by associate members and partakers. FURNAS participates as a Generation and Transmission Agent.

In 2010, the following activities should be highlighted:

- action to increase the confidence in the SIN and optimize performance in parallel with the preservation of its assets integrity and participation in studies to define the system's operation philosophy;
- participation in the electric operation planning of SIN and in the Plan for Expansion and Reinforcements for the period 2010-2012;
- participation in study groups on Equipment with Nominal Characteristics Exceeded, SIN Reliability, and Analysis of Regional Interconnection, under the discretion of ONS's Expansion and Reinforcement Office;
- participation in Study Groups rallied by MME in order to study the impact of the 2014 World Soccer Championship on the SIN.

Relationship with the Brazilian Electric Energy Regulatory Agency (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 project; 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+I 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, and in 2010 we should highlight the public hearings in instances comprising auctions type A-5, concerning Reserve Energy and Alternative Sources.

Relationship with the Department of Coordination and Governance of State Enterprises (*Departamento de Coordenação e Governança das Empresas Estatais – Dest*)

FURNAS submits to the appreciation of Dest its Program of Global Disbursements and Investment Budget. The Department also manifests ruling on requests concerning salary policies and employee's quantity allowed.

In 2010, the Company met the deadlines to furnish economic and financial information to the Program of Global Disbursements, necessary for Eletrobras to provide the consolidated information for internal and external control authorities.

Moreover, in Human Resources, Dest gave approval to the new Career and Remuneration Plan of the Eletrobras System, approved by Communication MP/Dest 18, dated January 13, 2010.

Relationship with Environmental Agencies

The Company establishes relations with several environmental agencies, markedly Ibama; the National Indian Foundation of Brazil (*Fundação Nacional do Índio – Funai*); the Brazilian Institute of Historic and Artistic Heritage (*Instituto do Patrimônio Histórico e Artístico Nacional – IPHAN*); and Chico Mendes Institute for the Conservancy of Biodiversity (*Instituto Chico Mendes de Conservação da Biodiversidade – ICMBio*); and state and municipal agencies alike as it has several installations spread throughout Brazil.

Partnerships

Nature of Partnership	Partner	Asured Energy and Power (%)	
		FURNAS Participation	Partner Participation
Contract for construction conclusion 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

Specific Purpose Entities (SPE)

As a subsidiary of Eletrobras, FURNAS became entitled to have a shareholder participation in SPE for electric energy projects in July 2003, with the changes introduced in its Corporate by-Laws, which enabled the Company to enter into partnerships under SPE. The following installations are also described under the heading Business Expansion and Evolution of Electric Installations in Operation of this Report.

Company (SPE / Consortium)	Installation	FURNAS	Equity Participation (%) Partner
Generation			
In Operation			
Enerpeixe	Peixe Angical HPP	40	EDP Brasil: 60
Retiro Baixo	Retiro Baixo HPP	49	Orteng: 25.5 Logos: 15.5 Arcadis Logos: 10
Baguari	Baguari HPP	15	Cemig: 34 Neoenergia: 51
Sefac	Serra do Facão HPP	49.5	Alcoa Alumínio: 35 DME Energética: 10 Camargo Corrêa Energia: 5.5
FCE	Foz do Chapecó HPP	40	CPFL: 51 CEEE-GT: 9
Under Construction			
MESA	Santo Antônio HPP	39	Fundo de Investimento em Participações Amazônia Energia: 20 Andrade Gutierrez: 12.4 Odebrecht: 17.6 Cemig GT: 10
<i>Brasventos Miassaba 3 Geradora de Energia S.A.</i>	Miassaba 3 WPP	24.5	Miassaba Geradora Eólica: 31 Eletronorte: 24.5 Bionergy: 10 J. Malucelli: 10
<i>Brasventos Eolo Geradora de Energia S.A.</i>	Rei dos Ventos 1 WPP	24.5	Eolo Geradora Eólica: 31 Eletronorte: 24.5 Bionergy: 10 J. Malucelli: 10
<i>Rei dos Ventos 3 Geradora de Energia S.A.</i>	Rei dos Ventos 3 WPP	24.5	Eolo Geradora Eólica: 31 Eletronorte: 24.5 Bionergy: 10 J. Malucelli: 10
<i>Consórcio Teles Pires Energia Eficiente</i>	Teles Pires HPP	24.5	Neoenergia: 50.1 Eletronorte: 24.5 Odebrecht: 0.9
IGESA	Inambari HPP	19.6	Eletrobras: 29.4 OAS: 51
Transmission			
In Operation			
Enerpeixe	Peixe Angical – Peixe 2 TL	40	EDP Brasil: 60
Transudeste	Itutinga – Juiz de Fora TL	25	Transminas: 41 Cemig: 24 Orteng: 10
Transirapé	Irapé – Araguaí TL	24.5	Transminas: 41 Cemig: 24.5 Orteng: 10
Transleste	Montes Claros – Irapé TL	24	Transminas: 41 Cemig: 25 Orteng: 10
Centroeste de Minas	Fumas – Pimenta 2 TL	49	Cemig: 51
Under Construction			
<i>Transenergia Renovável S.A.</i>	Connection of Biomass HPP and SHP to SIN	49	Delta: 25.5 J. Malucelli: 25.5
IE Madeira	Porto Velho – Araraquara TL Rectifier 500 / ±600 kV and Inverter ±600 / 500 kV Substations	24.5	CTEEP: 51 CHESF: 24.5
<i>Transenergia São Paulo S.A.</i>	Itatiba Substation, 500 kV	49	J. Malucelli: 51
<i>Transenergia Goiás S.A.</i>	Serra da Mesa – Niquelândia TL 230 kV Niquelândia – Barro Alto 230 kV TL	49	Delta: 25.5 J. Malucelli: 25.5
<i>Goiás Transmissão S.A.</i>	Rio Verde Norte – Trindade 500 kV TL Trindade – Xavantes TL 230 kV Trindade – Carajás 230 kV TL Trindade Substation, 500 / 230 kV	49	J. Malucelli: 31 Engevix: 20
<i>MGE Transmissão S.A.</i>	Mesquita – Viana 2 500 kV TL Viana 2 – Viana 345 kV TL Viana 2 Substation, 500 / 345 kV	49	J. Malucelli: 20 Engevix: 31
<i>Consórcio Caldas Novas</i>	Corumbá Substation 345 / 138 kV	49.9	Desenvix: 25.05 CEL: 12.525 Santa Rita: 12.525

Relationship with International Entities in the Energy Sector

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

Associated with the World Energy Council (WEC)

WEC, founded in 1923 and 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 Central Office in Rio de Janeiro (RJ), and supports the accomplishment of national and international events.

In 2010, CBCME participated in, organized and coordinated the following activities: chairing a meeting with Pereira Passos Institute, associated of Rio de Janeiro City Hall to introduce Brazil as a prospective host of the XXIII World Energy Congress in 2016, and the Engaging in a BRIC Agenda; 2nd and 4th workshops of the *Asociación Regional de Empresas del Sector Petróleo, Gas y Biocombustibles en Latinoamérica y el Caribe* (Arpel), in Lima, Peru, and Rio de Janeiro, Brazil; workshop Performance of Generating Power Plant, promoted by the *Comité Argentino del Consejo Mundial de la Energía* (CACME), in Buenos Aires, Argentina; presentation of the Study on Energy Integration in Latin America and the Caribbean (LAC) carried by *Corporación Andina de Fomento* (CAF), in Caracas, Venezuela; Advisory Group Meeting, in London, England; supporting activities for members and the general public to participate in the XXI World Energy Congress, in Montreal, Canada; participation in the Energy Leaders Summit, in Beijing, China, sponsored by the Financial Times and WEC; provided support to the executive assembly of the WEC, in Montreal, Canada.

Furthermore, publications were issued, such as: Brazil's Energy Resources in 2010; Annual Bulletin no. 54 – Brazilian Energy Statistics; Petrobras Strategic Plan 2020 and Business Plan 2010-2014; 2019 Brazilian Energy Plan (published originally in English); Decennial Plan for Energy Expansion 2010-2019 and BRIC Energy Indicators, both by MME.

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 electric energy 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 active in 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 2010, FURNAS technicians lectured at the 43rd Biennial Session, in Paris, France, presenting the following papers: Issues Related to Shared Responsibilities between Traditional Transmission Utilities and New Agents – The Brazilian Case, On Uncertainties of Reliability Indexes and A Telecommunications Mobile Unit for Transmission Lines Emergency Scenarios. The congress gathered around 3 thousand technicians from all over the world, and made room for profitable experience exchange.

Brazilian Committee of Dams (*Comité 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, in its turn set up in 1928, and which has committees in 92 member-countries. CBDB is headquartered in an area made available by FURNAS, in its Central

Office, in Rio de Janeiro (Brazil). Nowadays, CBDB has approximately one thousand individual associates, 25 corporate associates and 18 collective members throughout Brazil. FURNAS has been a corporate associate member since 1974. One of its core activities is to sponsor technical events and publish books and issue reports.

In 2010, CBDB organized the VII Symposium on Small and Average Size Hydroelectric Power Plants, in São Paulo (Brazil), sponsored by FURNAS, with the participation of around 500 people. The event saw the launch of the book *Main Brazilian Spillways*, which registers the Brazilian experience in building spillways. The Technical Fair Exhibit had around 30 exhibitors.

The Committee also partook in passing Law no. 12334, of September 20, 2010, which regulates dam safety.

Still in 2010, CBDB's ten Regional Representative Offices, in the states of Ceará, Pernambuco, Bahia, Goiás, Minas Gerais, Rio de Janeiro, São Paulo, Paraná, Santa Catarina, Rio Grande do Sul and in the Federal District promoted lectures and workshops. The course on rockfill dams, developed in Rio de Janeiro (Brazil), together with the Military Engineering Institute was foremost among them.

International Hydropower Association (IHA)

The IHA was founded in 1995 under the sponsorship of the United Nations Educational, Scientific and Cultural Organization (UNESCO), and is located in Sutton (England), with associates in over 80 countries. Its main 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.

Under the scope of climate change, IHA develops the GHG Research Project in collaboration with UNESCO International Hydrology Program. Since October 2007, the Company participates in this project producing the Assessment of the GHG Status of Freshwater Reservoirs to subsidize the Intergovernmental Panel on Climate Change, markedly in what regards criteria for projects on Clean Development Mechanism.

As an outcome of such assessment on Hydroelectric Power Plants, the GHG Measurement Guidelines for Freshwater Reservoirs came to press in 2010, an important contribution that consolidates methodologies of greenhouse gases data collection and analysis applied in hydroelectric power plants freshwater reservoirs lying in different weather conditions around the world. In this sense, the Company made possible the participation of a number of Brazilian experts in the Project Carbon Balance in FURNAS freshwater reservoirs.

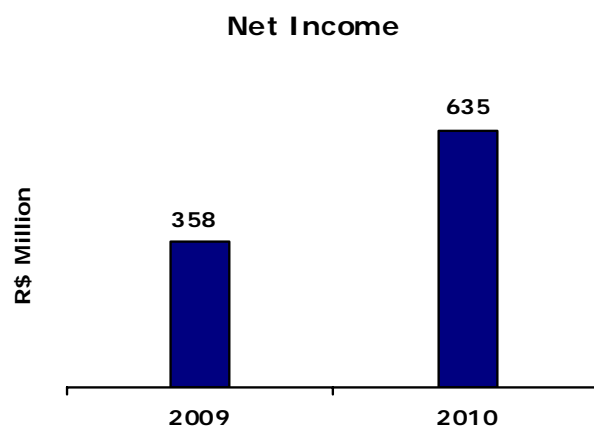
The Company's membership in IHA was upgraded from Corporate I to Corporate Sponsor. Besides all the benefits this new category entails, as all updated information published by the Association and the eligibility to make remarks on activity reports and work plans, FURNAS also became eligible to participate in strategic decision-making meetings.

CORPORATE PERFORMANCE

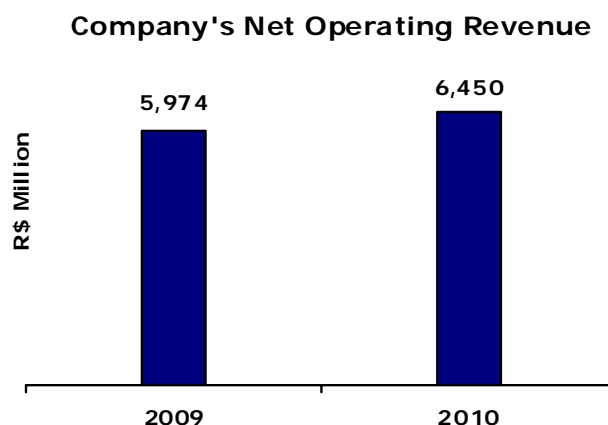
During 2010, several new accounting standards were issued in order to make the Brazilian Standards comply with the IFRS. Based on said standard and also to maintain fiscal year comparability, the Company's financials were reassessed based on January 1st, 2009. Therefore, the figures referring to December 31, 2009 were subject to noticeable changes. In order to keep comparability even, financial indicators concern only the fiscal years ended on 2009 and 2010.

Indicators of Economic and Financial Performances

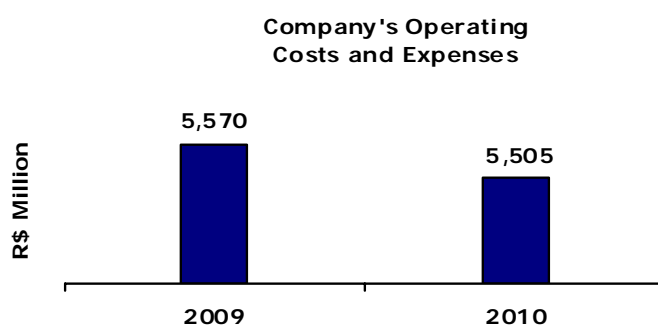
Ongoing changes presented hereby, due to the new standards issued by the CPC, are to make the Brazilian Standards comply with IAS. Therefore, since January 1st, 2009, the Company adjusted its Financials Statements, with changes in the results previously published of fiscal year ended on December 31, 2009, and now presents its Balance Sheet on an individual and consolidated basis, including the partnerships in other companies (SPE). However, the following indicators consider the Company's own performance.



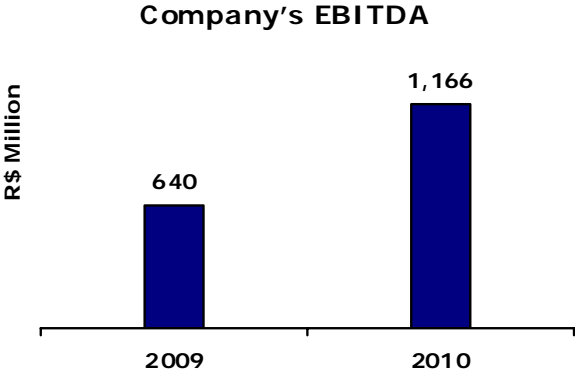
Company's Net Operating Revenue (NOR), in 2010, upped by 7.9% compared to the previous year, which was brought about by the increment of revenues in excess produced by its own installations and by contractual reassessments occurred at the year.



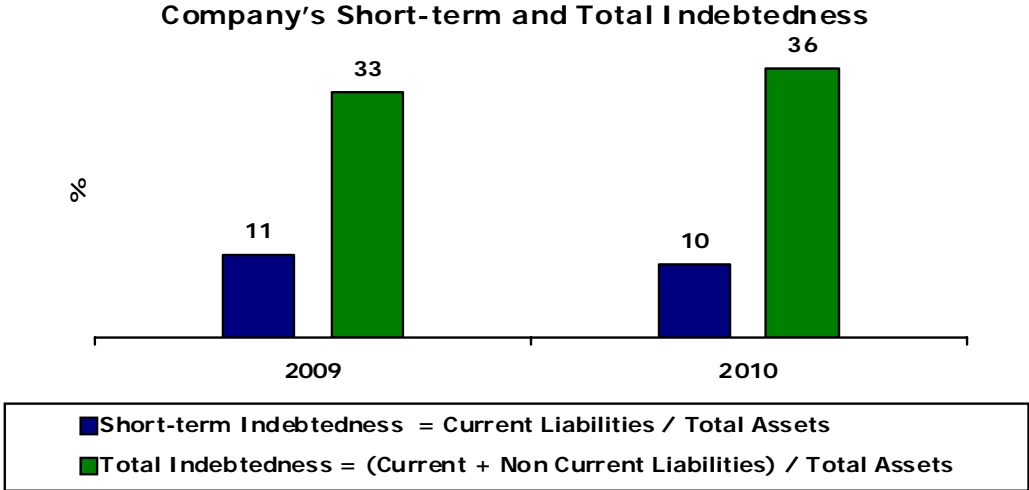
Company's Operating Costs and Expenses, in 2010, were kept at 2009 levels. This may be a reflex of the efforts on the part of the Company's Management toward a gradual reduction of manageable costs. Costs held well below 2010 IPCA (5.91%), the index that adjusts bilateral contracts in electric energy generation.



Company's Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA), in 2010, had a positive variation of 82%, which stems from the adjustments made from January 1st, 2009, on with the onset of the new accounting standards. Once the adjustments made had a major influence in past periods, and new practices, such as the Company's new accounting policies from 2010 on, a better comparative analysis may be made with previous periods.



Reduced levels of Company's Short-term and Total Indebtedness mean new leverage opportunities for the Company in order to meet the call of occasional needs in its investment program.

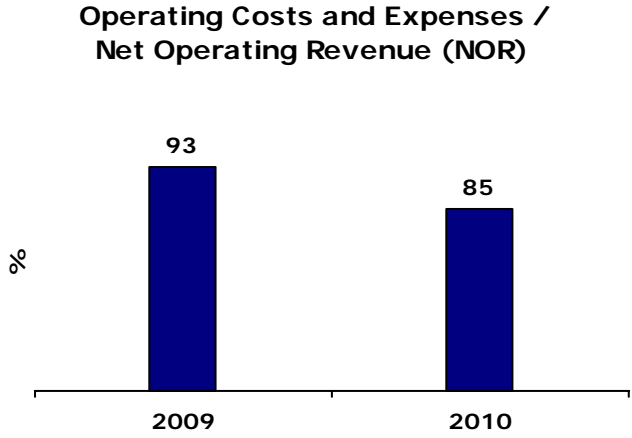


Indicators of the Contract of Corporate Performance Targets (Contrato de Metas de Desempenho Empresarial – CMDE)

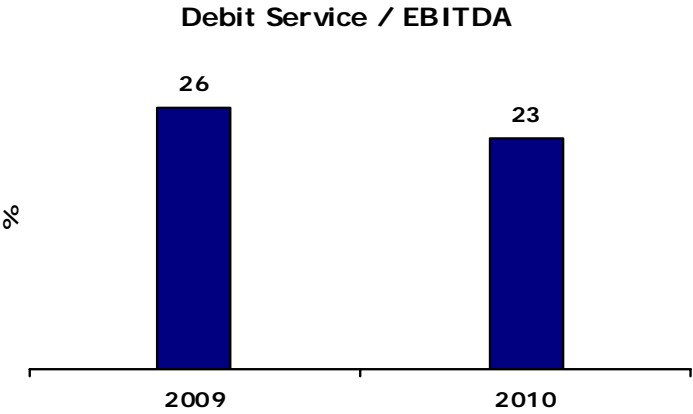
With the objective of strengthening the Eletrobra's System Companies and focusing changes in corporate culture and practices, as determined by the Federal Government, in 2009, was signed a contract between Eletrobras and its Controlled Companies to streamline action-taking policies to meet performance targets to foster financial, operational and strategic improvement within the Companies in the Group.

Thus, due to the adoption of new accounting practices, it's demonstrated the improvement of such individual indicators, in the last two 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

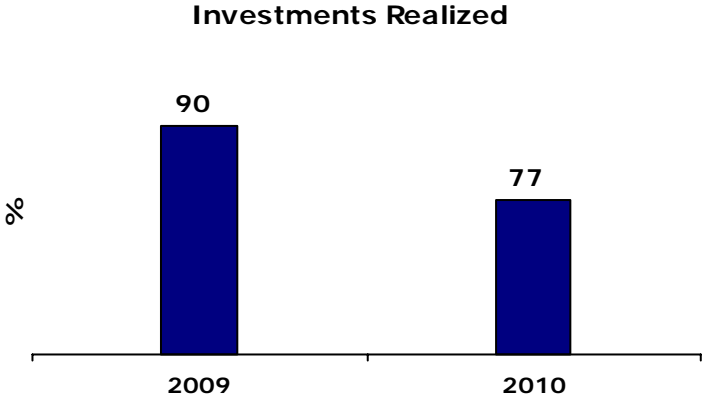


Net Result / Equity
Target: to increase profitability over equity



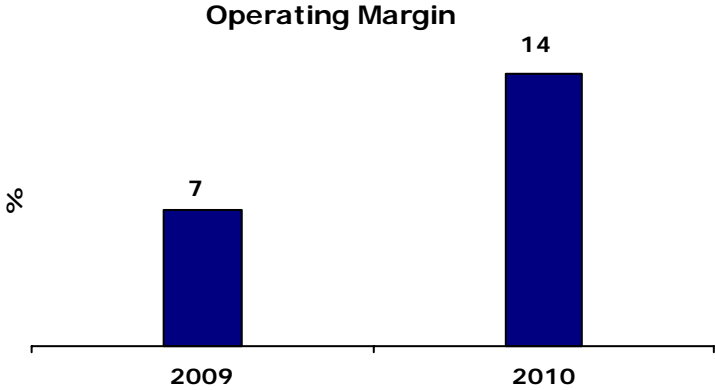
Investments Realized / Investments Approved by Budgetary Laws

Target: to increase investments realized in relation to historical values



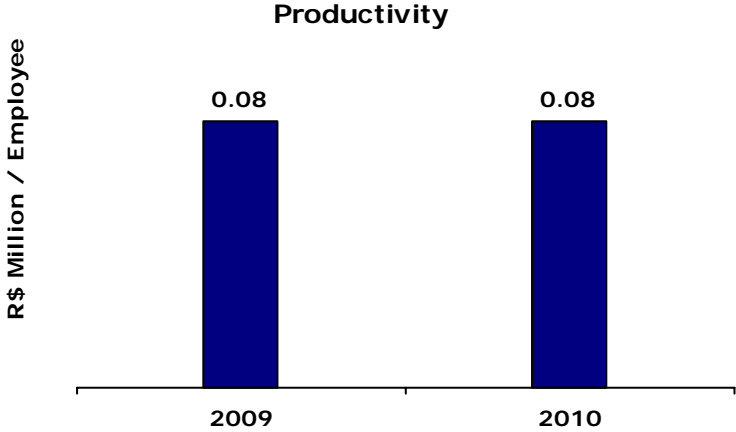
Operating Result / Net Operating Revenue (NOR)

Target: to increase operating margin



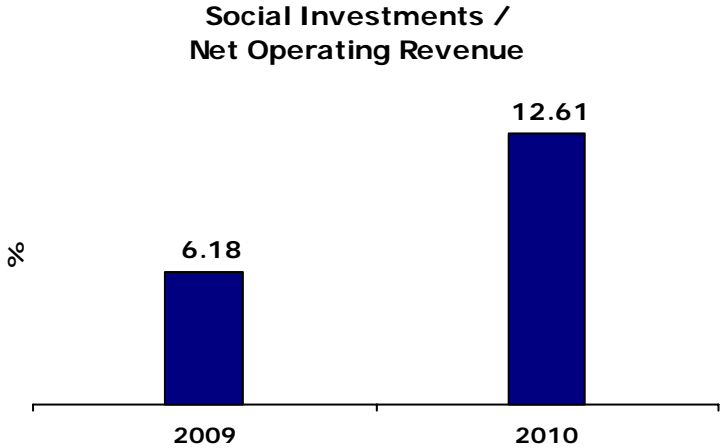
Net Operating Revenue (NOR) / Number of Employees

Target: to increase productivity levels



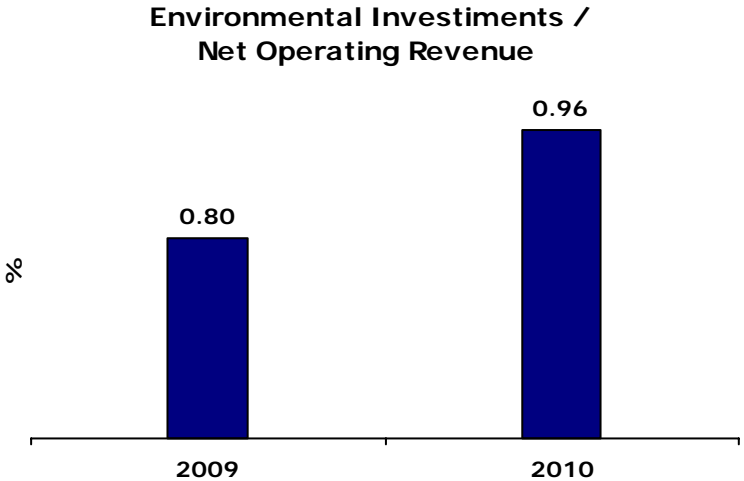
Social Investments / Net Operating Revenue (NOR)

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



Environmental Investments / Net Operating Revenue (NOR)

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



Continuous Improvement and Innovation

Research, Development and Innovation (R&D+I)

The R&D+I 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 providing energy at lower prices and higher quality.

FURNAS contributes to sharing experiences among the Companies of Eletrobras System as it is of the opinion such policy may reduce operating costs. It also coordinates the Technology and Innovation Management task force of the Corporate Integration Committee for Research and Technological Development.

As established by Laws no. 9991/2000 and no. 10848/2004, the Company annually provides 0.4% of its Net Operating Revenues to the Brazilian Fund for Scientific and Technological Development, and an additional 0.4%, to the development of internal R&D projects according to procedures established by Aneel. In addition, it contributes, according to institutional policies, to the support of Brazilian Electric Energy Research Center and in return it has the right to participate in the Center research projects portfolio.

With a view to making a transparent selection of partners in technology, FURNAS realized in 2010 the second Internal Prospection of R&D Demand and launched a Bidding for R&D related Proposals (2010 Bidding).

In 2010, the course Specialization in Strategic Management and Technological Innovation in the Electric Sector was successfully concluded. Sponsored by Eletrobras, the course lasted 18 months and was attended by 40 technicians of the Eletrobras System, including Itaipu Binational, 7 of which were FURNAS collaborators.

The Portal R&D+I was also started, bearing information on every cycle of R&D development conducted from 2000 to 2010; drafts of contracts and agreements; management procedures for SAP related projects; rules on how to build relationships with hired companies; links to legislation and Aneel manuals; intellectual property; and a hotline to answer questions on related issues, besides the online R&D+I FURNAS magazine.

The R&D Committee analyzed and approved 28 demands in 2010, all of which were brought by the Company's senior management to partake in the second bidding process of R&D projects (2010 Bidding). The Bidding Process was included on the Company's site in December 2010, and was also publicized in three large newspapers and on several energy-related portals.

Innovations and Patents

Investments toward technological production gave the Company access to four patents filed at the National Institute of Industrial Property, in 2010, which was a result of a project dubbed "Optimization of Non Conventional High Capacity Transmission Line in 500 kV". Also in 2010, a patent was registered in Canada for an "Installation of Signalization Spheres on Overhead Cable".

Development of Management Excellence

The Company's Management Excellence System, based on criteria for excellence of the National Quality Foundation (*Fundação Nacional da Qualidade* – FNQ) and on ISO management certification standards, was developed to ground 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, comprising both work teams and quality control circles, in norms NBR ISO 9001:2008 (Quality), NBR ISO 14001:2004 (Environmental) and OHSAS 18001:2007 (Safety and Occupational Health). From 2009 to 2010 there were no changes in what regards the number of certified Management Systems.

Accredited Laboratories

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

The Company has 3 laboratories accredited by the Inmetro, one of them in the Brazilian Network of Test Laboratories, namely the Laboratory of Concrete and Geotechnique Technology, and the other 2 in the Brazilian Calibration Network, referring to the Laboratories of Metrology and Electrical and Electronic Measurements, which are able to realize 135 types of accredited services (62 types of calibrations and 73 types of tests).

Relationship with Quality Management Institutions

FURNAS maintains partnerships in the management area, as a member of FNQ, a branch of Minas Gerais Quality Institute (*Instituto Qualidade Minas*), of São Paulo Excellence Management Institute (*Instituto Paulista de Gestão*), where it partakes in annual general meetings and grants their employees, as volunteers, for appraising assessment processes of these institutions. In the Competitive Brazil Movement (*Movimento Brasil Competitivo*), it is an active member of the interested parties committee, setting guidelines to stimulate organizations to seek a better competitive edge.

Within the National Program of Public Management and De-bureaucratization (*Programa Nacional de Gestão Pública e Desburocratização*), under the discretion of the Ministry of Planning, Budget and Management, the Company partakes volunteers in the Supervising Committee of the National Public Planning Award (*Prêmio Nacional da Gestão Pública*), examining reports issued by prospective organization-members.

In the Brazilian Association of Non-destructible Tests and Inspection (*Associação Brasileira de Ensaios Não Destrutivos – Abendi*) the Company is an executive board member, participating in the technical committees, in devising technical norms and procedures in the accreditation process of people, non-destructible tests and inspection.

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. At the ISO participates in Committee on Conformity Assessment – CASCO, in Technical Committee – TC 176 and in study commissions and work groups that draw and revise foreign and domestic technical documents on standardization. In 2010, the Company participated in drawing and revising ISO/IEC standardization documents: 17021– requisites for organisms active in auditing and certifying management systems, applicable to FURNAS, in internal audits and in those realized by accrediting organisms of units with accredited management systems; 17024 – requisites for organisms that accredit professionals, with a potential application in FURNAS, in categories such as professionals of the Electric Sector and others as suppliers of technical services; and 17043 – general requisites for proficiency tests, applicable in the Company, in its laboratories accredited by the Inmetro.

CORPORATE GOVERNANCE

A sound corporate governance is one of the main standards safeguarding reliability and transparency in companies. Since 2003, FURNAS has been improving internal policies according to what is established by federal agencies, society and market, all of which are expressed in the following documents that are publicized in the Organizational Manual and on its intranet: Bylaws and Internal Rules of the Company, the Board of Directors, the Supervisory Board and the Board of Executive Officers, as well as management policies.

Eletrobras System Corporate Strategic Planning for the period 2010-2020, structured and developed based on MME guidelines, provides for the continuity of Eletrobras System Transformation Plan. It is built within an ongoing management process with the objective of making the Company become a mega-company, a leading agent in the expansion of the Brazilian Electric Sector. Based on these fundamentals, an integrated effort of the member-companies of the Eletrobras System was made in order to develop six Business Plans, namely: Generation, Transmission, Commercialization, Distribution, Internationalization and Management of Government Programs. Those Plans translate the strategies delineated in tactical and operational policies, to be put in action by the Companies of the System.

The Company's experienced professionals collaborated therefore in the development of the energy generation, transmission and commercialization Business Plans, pending the Holding's approval. The guidelines that were set forth in the Business Plans, associated to its Strategic Planning review, in order to adjust it with the Eletrobras System Transformation Plan, will bring in new ways to do businesses in FURNAS.

The immediate outcomes of this interaction, in 2010, were observed in the following areas: people; knowledge and risk management; and also in the Company's corporate university. In what regards people management, the Companies of the Eletrobras System adopted a uniform planning structure composed of policies and procedures for career and remuneration management, with the due respect for each company's features. The Career and Remuneration Plan became effective in September 2010. The adoption of an only Code of Ethics for the controlled companies is also worth mention, and may be consulted on the Company's intranet or on the internet.

The Contract of Corporate Performance Targets, signed by FURNAS and Eletrobras in December 2009, pursues the establishment of policies to follow up corporate performance in order to promote improved efficiency and efficacy levels, meet targets and results that may be assessed by specific and quantitative indicators, attain corporate management excellence, maintain increasingly positive economic and financial results and comply with the conditions established in the concession contract, resolutions and determinations laid down by Aneel and related legislation. This represents FURNAS commitment to follow the strategic orientations defined for the coming fiscal year.

After the completion of its first cycle, the Contract of Corporate Performance Targets secured the assessment of financial results, the comparability with the established targets, and occasional adjustments in the indicators in order to improve the surveillance on corporate performance. Those indicators are available under the heading Corporate Performance of this Report.

Still in 2010, three fundamentally important projects addressing the improvement of the Company's management and Corporate Governance therefore 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, 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-Sintonia Project – established in 2010, it holds most part of the business processes in the Company on a single data bank, providing information on real time, utilizing SAP 6.0 tool. This system provides for a better process control of project management, finances, controlling, corporate finances, assets maintenance, human resources, and supplies. The implementation of the Integrated System of Corporate Management introduces a revolutionary change in the way the Company works, now in line with the best practices on the market;
- SOX Project – sequence was given to raising the internal controls of 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 New York Stock Exchange, which began in October 2008.

Corporate Structure

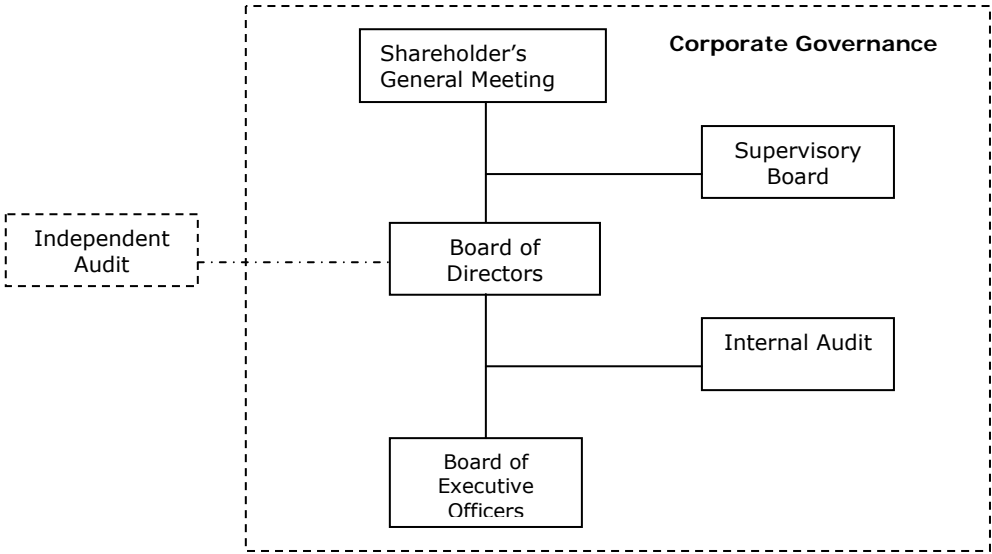
FURNAS, a mix state-owned closed capital Company, as a subsidiary of Eletrobras complies with SOX requirements and provides information for the Holding's stock listing on the Sustainability Index of São Paulo Stock Exchange (ISE – Bovespa) and Dow Jones Sustainability Index of New York Stock Exchange (DJSI).

On December 22, 2010, FURNAS Share Capital totaled R\$ 6,031,154,365.54 (six billion thirty one million three hundred sixty five reais and fifty four cents) due to a R\$ 31,154,365.54 (thirty one million one hundred and fifty four thousand three hundred and sixty five reais and fifty four cents) increase, referring to 117,286,141 (one hundred and seventeen million two hundred eighty six thousand and one hundred and forty one) common shares and 32,638,621 (thirty two million six hundred and thirty eight thousand and six hundred and twenty one) preferred shares stemming from the capitalization of Advancements for Future Capital Increase. Minority shareholders were given the opportunity to exercise their preferential rights, subscribing shares in proportion with their stake in the period between November 23, 2010 and December 23, 2010. Equity value became then as follows:

Shareholder	Common Share		Preferred Share	
	Quantity	%	Quantity	%
Eletrobras	50,736,235,610	99.82	14,120,855,145	98.56
Others	91,699,531	0.18	205,181,476	1.44
Total	50,827,935,141	100.00	14,326,036,621	100.00

Corporate Governance Structure

The Corporate Governance practices are represented by the relationships among the Upper Management, constituted by the Shareholder’s General Meeting, Board of Directors, the Boards of Directors, the Board of Executive Officers, the Supervisory Board and the Internal Audit, counting also with the Independent Audit, as follows:



Shareholder’s General Meeting

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

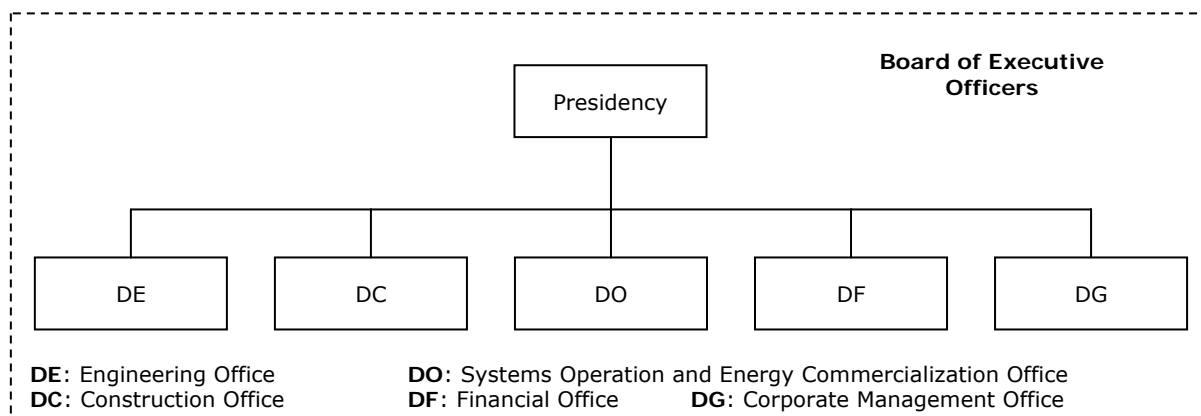
In 2010, the OGM took place on April 30 to approve the Administration Report and the Company’s 2009 Financial Statements, and to elect members of the Board of Directors and the Supervisory Board. Two EGM were held to deliberate on the election of the members of the Board of Directors and Share Capital increase.

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 Brazilians and Company's shareholders, with a three-year period mandate, elected by the OGM, and able to be reelected. One representative is appointed by the Secretary of Planning, Budget and Management of the Presidency of the Republic. The Company's Chief Executive Officer is chosen among the members of the Board. This collegiate met in 18 occasions during the fiscal year under view to deliberate on strategic planning, expansion projects, new assets acquisition, among other issues under its discretion, as established in the Company's organizational documents.

Board of Executive Officers

It is composed of a Chief Executive Officer and 5 Executive Officers, all of whom are Brazilians, who head all business management processes full time. They are elected by the Board of Directors, with a three-year period mandate, to exercise management activities in the following areas: Presidency; Corporate Management; Financial; Engineering; Construction; and Systems 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 2010, 53 meetings were held.



Supervisory Board

It is composed of 3 effective members and their respective substitutes, all of whom Brazilians, shareholders or not, with a one-year mandate, elected by the OGM, and able to be reelected. One of its effective members and the respective deputy are appointed by the Ministry of Finance, as the National Treasury representative. This collegiate met 11 times to supervise the acts of the Upper Management and verify compliance with their legal and Bylaws duties.

The Supervisory Board, following their legal and Bylaws attributions, issued two opinions in 2010. The first was issued after analysis of year ended 2009 Administration Report and Financial Statements, and the second concerning the Company's Share Capital increase. Both were favorable with approval recommendations to the shareholders at EGM.

Independent Audit

The Independent Audit's role is to testify the adequacy of an action or fact in order to assign characteristics trustworthy towards an activity using specific technical tools. In the case of the Company's Financial Statements, its role is to issue an opinion related to appropriation of the data shown in conformity with the International Financial Reporting Standards (IFRS), and specific legislation.

In accordance with CVM Instruction no. 381, dated January 14, 2003, Eletrobras hired PricewaterhouseCoopers Chartered Accountants, since 2009, to check its System's Companies for a five year term. It must be stated that FURNAS has no hired services whatsoever with the aforementioned rather than external audit activities.

Internal Audit

The Internal Audit, directly subordinated to the Board of Directors, examines the activities of the Company's units in order to analyze how they are managed and verify procedures, the controls that are applied, information systems, registers, documents and data files, the fulfillment of directives, internal rules and the ruling legislature. In 2010, 58 procedures were carried out abiding by the Internal Audit Activities Annual Plan and issued 75 reports resulting from the Internal Audit acting, fortifying the internal control environment by improving of the available systems, strengthening regulations and thereby the compliance of the legislation, among others.

Moreover, giving sequence to the compliance process of FURNAS internal control environment with SOX Law, which is necessary for the accreditation of the Eletrobras System, the Internal Audit followed the assessment of 20 business processes and 3 referring to information technology.

The Company's relationship with the General Brazilian Controlling Department, and with the Brazilian Accounts Court is an ongoing one, throughout the fiscal year, in order to meet the legal criteria concerning the yearly audit as established by the internal control authority, to organize and formalize the structure of accountability and to meet its call.

Internal Control

An adequate Internal Control in modern companies is paramount and involves "every method and measure adopted in the organization in order to protect its assets, verify the accountability and trustworthiness of financial and economic data, increment operational efficiency and promote the compliance with the established administrative directives" (American Institute of Certified Public Accountants – AICPA).

Internal Control, thus, is a process run by a Company's Upper Management and appropriate managerial levels. It involves every activity and routine related to the fulfillment of the Company's Corporate Purpose in order to respect and obey the outlined policies and procedures, safeguard an orderly and efficient growth, including the adherence to the administrative policies as well as protect the assets, prevent and identify frauds and mistakes, and the complete and correct identification of operations. The Company's Internal Controls enable each area to operate efficiently and correctly so as to guarantee that processes, services and products are adequately protected in order to minimize risks.

Corporate Governance Practices

Support to Decision-Making Process

Support Structures

The following support structures to the Decision-Making Process are communicated through Internal Memos 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;
- transitory 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, namely: Human Resources, Social Responsibility, Work Safety and Occupational Health, Environmental, Water Resources, Forestry Resources, Waste Management, Environmental Education, Information Technology, Information Technology Safety, Intellectual Property, Material, Inventory, Transportation, Corporate Safety, Asset Safety and Social-asset Management;
- permanent collegiate composed of representatives of each Executive Officer to provide support the Board of Executive Officers to fulfill corporate management policies. The following Committees are foremost: Coordinator of Strategic and Corporate Management, Research and Development, Energy Commercialization, New Businesses Coordination, Corporate Sustainability, Risk Management, FURNAS Pro-memory, Ethics Commission, among others.

Risk Management

The Macro-Process “Integrated Risk Management”, established by FURNAS Strategic Corporate Planning, addresses its own impact in the improvement of institutional relationship, corporate sustainability, in the optimization of business development strategies, and in the guarantee of return on investment. In line with the Eletrobras System Transformation Plan and 2009-2012 Strategic Policy Program it proved to be an important factor toward increased competitiveness and efficiency in the economic and financial management of the companies of the Eletrobras System.

The establishment of the Risk Management Committee in 2009 as a support tool for the Board of Executive Officers in deliberations concerning corporate risk management started the process in FURNAS. In 2010, a work group with representatives of the strategic areas of the Company was set up in association with experts of the Catholic University of Rio de Janeiro, produced FURNAS Master Plan for Corporate Risks.

This Plan, conceived on the grounds of NBR ISO 31000, which identifies, analyzes and assesses risks on a systematic basis, in a continuous improvement process, was developed in five stages: team up-building; awareness and education; survey; diagnosis; and document generation. In addition to the suggested management framework in FURNAS, a catalog was made listing 114 corporate risk situations, rated according to impacts associated to four pillars: strategy, operations, finances and conformity. One hundred and six corporate risks were identified, which directly or indirectly had a relationship with energy generation and transmission projects. Consequently, it was observed that detailing the implementation of the integrated risk management system and project portfolio was made necessary.

Besides this, it is worth mentioning that the Company continues to pursue the following:

- credit risk: a control kept by the Financial Office that tracks the Company evaluation by risk assessment agencies;
- market risk: a control kept by the Systems Operation and Energy Commercialization Office that is conducted by 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 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 as appointed by the Government, funding agencies backing development policies and the stock 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 Annual Rendering of Accounts to be submitted to the General Brazilian Controlling Department, bearing the Management Report, which is also submitted to the Brazilian Accounts Court;
- publishing the Annual Report of Social and Environmental Responsibility of the Electric Energy Companies to be submitted to Aneel with the purpose to produce an instrument of disclosure of the specific policies and actions of the electric energy sector, incorporating socially responsible action-taking into the public services;
- publishing the Monthly Report of the Board of Executive Officers to the Board of Directors and Supervisory Board 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

The media adopted by FURNAS to widen interaction with the public as a whole showed significant results in 2010.

A total of 444 messages to over 2.4 thousand followers were tweeted in 2010.

FURNAS site registered over 40 thousand accesses, or an average 110 visitors a day. A total of 195 updates occurred, along with the disclosure of 256 corporate news. The site houses the following Official Corporate Reports: Annual Report (in Portuguese, English and Spanish), Administration Report (in Portuguese and English) and the Social and Environmental Report (in Portuguese and English), besides other documents such as the policies on Hydric Resources, Forestry Resources, Environmental, Social Responsibility, Statistical Annual Report, Electric Energy Market Reviews, Market and Economy Management Information, Social Responsibility Balance, FURNAS Magazine, and the R&D+I Magazine.

FURNAS Flickr – a website to host and share information and images and, occasionally, other kinds of graphic documents, such as drawings and illustrations, being also a social network that allows users to set up albums to store pictures and provide for the interaction of a myriad of photographers in different parts of the world – it has 27 albums, 763 pictures and was accessed by 18 thousand people in 2010.

The third edition of our hot-site “FURNAS under View” conveyed the Company’s main achievements, highlights, prospective outcomes and challenges, and consolidated the Digital News (an online journal) as an important communication means.

The “Talk to Us” link received 5,211 emails requesting information on a diversity of issues totaling around 400 requests a month.

Printed Media

FURNAS Magazine is a monthly publication of subjects related to the Company available freely to all employees and externally it is distributed to all the federal, state, and municipal authorities, journalists, universities, research centers, electric energy sector companies and individual subscribers, totaling 4,500 issues. It is available at the Company visiting areas, fairs, congresses and seminars. Between June and November 2010, an election year, the magazine did not come to press as determined by the Communication Secretary of the Presidency of the Republic.

Institutional and Legal Advertising

Advertising campaigns were also suspended in the same period as mentioned above. In the other months, the Company invested in institutional advertising in gross selling newspapers and magazines, and radio stations in the main Brazilian cities, and also hired a company to run marketing polls on the Company's image and communication profile, with positive results.

Institutional campaigns addressed issues concerning energy generation and transmission, environment, social responsibility, new installations and works in its regional areas.

Legal Advertising provided the following corporate documents: rendering of accounts, meeting minutes, bidding notices, edicts, public calls and others.

Corporate Videos

To preserve institutional information and publicize its corporate image the Company produced 70 programs and has a collection of 1,700 institutional videos registering activities in generation, transmission, environment and social responsibility areas.

Ombudsman

The free access to the Ombudsman is assured through filing an online form on FURNAS site, or by fax, telephone, personally, letter or any other documented way. No matter the way the complaint is made, the manifestant's name is kept secret, and the issue is handled in an earnest, exempt and reserved way.

In 2010, the Ombudsman welcomed and replied 792 instances, grouped under requests (44%), complaints (43%), accusations (7%), suggestions (4%); and praises (2%). In this total, 72% were from external origin.

Ethics Commission

To safeguard the due compliance with its Code of Ethics, FURNAS Ethics Commission welcomes and investigates possible unethical behavior, being responsible for updating it and guaranteeing its applicability. The Commission is a member of the Ethics Management System of the Federal Executive Power, liaising FURNAS and the Public Ethics Commission.

Code of Ethics

The new Code of Ethics of the Eletrobras System was made effective on September 21, 2010, and is available on FURNAS Organization Manual, and substitutes the former one issued in July 2005. All of the Companies of Eletrobras System gathered to construct the protocols of ethical principles and commitments ruling the organization and personnel under an only Code of Ethics. The result introduces the guiding principles toward the Commitments of Behavior with employees, collaborators, suppliers and others, and also concerns: Human Dignity and Respect for People, Integrity, Sustainability, Transparency, Impersonality, Legality and Professionalism.

In 2010, the Ethics Portal was brought into effect on the Company's intranet. It contains questions and answers related to the prevailing legislation of ethics management in public companies, Talk-to-Us, the Report Channel for unethical behavior, monitoring of reported cases under analysis by the Ethics Commission, among others.

Awards

Associated to Social and Environmental Responsibility:

- Certified of Socially Responsible Company – awarded by the Social Balance Commission of the Regional Accounting Council of the State of Rio de Janeiro for FURNAS Social Balance (eighth consecutive year);
- Trophy Rogério Morgado – given by the Coge Foundation in the category Social Responsibility Actions for the development of 27 social projects (the bigger number of projects in this category);
- Honor mention in three of the six categories of the second and last phase of the GRI Readers Choice Awards 2010, organized by the Global Reporting Initiative in Amsterdam, Netherlands – awarded to FURNAS 2008 Social and Environmental Report dubbed “The Thread that Binds Us”;
- Pro-Gender Equity Seal – awarded by the Special Secretary for Policy-Fostering on Women’s Rights of the Presidency of the Republic for the whole of actions implemented by the Company;
- 5th Brazil Environment Award – contemplated with two awards: “Company of the Year” for its work toward sustainability due to the environmental studies realized for the implementation of energy generation and transmission projects”, and “Best Environmental Education Project” for the development of the “Horizon Project” for the renewal of the Operation Licence of Itumbiara HPP (MG/GO).

Associated to the Rendering of Accounts:

- 12th Award of the Brazilian Association of Public Companies (*Associação Brasileira de Companhias Abertas – Abrasca*) for the Annual Report (2010 Edition) – FURNAS 2009 Annual Report (which encloses the Administration Report and Financial Statements) ranked 4th in the category of private capital companies with invoicing equal to or above R\$ 1 billion;
- Trophy Transparency – awarded to FURNAS Financial Statements of 2009 by the National Association of Finance, Administration and Accounting Executives (*Associação Nacional dos Executivos de Finanças, Administração e Contabilidade – ANEFAC*), Foundation Institute of Accounting, Actuarial and Financial Research (*Fundação Instituto de Pesquisas Contábeis, Atuariais e Financeiras – Fipecafi*) and Serasa Experian.

Associated with Management:

- Paulista Quality and Management Award (*Prêmio Paulista de Qualidade da Gestão – PPQG*), gold medal in the category Mixed Capital Companies, cycle 2010 – promoted by the Paulista Institute in Management Excellence (*Instituto Paulista de Excelência da Gestão – IPEG*), for the works developed in the Construction Area of Corumbá HPP.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

In generating, transmitting, and commercializing part of its electric energy, FURNAS is actively pursuing the commitment to social welfare and the due respect and care for the environment and the communities it is active in.

Statement of Value Added

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	
	2009	2010
1. Generation of Value Added		
Revenue from Energy Sales and Services	6,568	6,963
Other Operating Revenue	0	263
Less:		
Inputs		
Cost of Electric Energy Purchased	(2,330)	(2,585)
Material	(55)	(42)
Third-party Services	(504)	(580)
Other Operating Costs	(1,328)	(1,099)
2. Gross Value Added	2,351	2,920
Depreciation and Amortization	(236)	(221)
Provision Posted / Reversed	(268)	(28)
3. Net Value Added Generated	1,847	2,671
Financial Revenues (Transfers)	181	214
Equity Accounting	29	(72)
4. Value Added to be Distributed	2,057	2,813
5. Distribution of Value Added		
Work Remuneration	848	844
Government (Taxes and Contributions)	169	578
Financial Charges and Monetary Variation	261	381
Profit sharing of employees	77	105
Shareholder's Remuneration	0	72
Sector Charges	344	269
Losses Compensation	358	564
Total	2,057	2,813

People Management

People Management Policy

From 2010 on, all the Companies of Eletrobras System adopted an unique People Management Policy, acting as agents and beneficiaries of the organizational strengthening, therefore contributing to the development of a competitive, profitable and sustainable Group.

Freedom to Join Unions

The Company enforces a freedom-to-join-union policy. Nowadays, the Company deals with 15 different entities, represented by two unions (*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, FURNAS safeguards the solution of labor claims, preserving the Company's interests while maximizing employee satisfaction.

In 2010, the Holding, together with its Controlled Companies gave continuity to streamlining benefits and advantages evenly throughout the Companies of the Eletrobras System. In this sense, due to the adoption of a Single Salary Matrix, which took place in 2009, when remuneration inter-levels went down to 3.75% from the previous 3.97%, and later to 3%, the Company approved, as a bonus, a total of 1.68 reference salary for all employees, paid off in 2010.

The new Career and Remuneration Plan, implemented in September 2010, called for a diversity of departmental interactions amongst labor representatives, people management, unions and employees alike. It included individual adhesion through an Adhesion Term, which involved a total of 4,653 employees until December 2010.

Employee's Profit Sharing

The policy regarding the participation of employees in profits, after each fiscal year end, considers their eligibility to participate providing they have reached the goals set in the Agreement Terms, and that dividends be distributed. 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 of two paychecks of the last month of the fiscal year. The guidelines for disbursement of profit share are negotiated with the representative bodies of employees, respecting the established in Resolution no. 10/1995, of the Council of Coordination and State Enterprises Control (*Conselho de Coordenação e Controle das Empresas Estatais*), and by Law no. 10101/2000.

Workforce

Effective

The increase in number totaling 148 employees was due to the difference between the 183 admissions through a public examination and 35 dismissals in the period under view.

Level	2006	2007	2008	2009	2010
Managerial	359	362	379	371	372
Graduate	1,314	1,302	1,378	1,407	1,489
Technical	1,781	1,828	1,888	1,895	1,956
Medium Support	744	710	750	757	758
Basic	327	332	329	328	331
Total	4,525	4,534	4,724	4,758	4,906

Non Effective - Outsourced

The decrease observed in the period under view refers to the voluntary resignation of employees. The Company observes what is stipulated by the Public Ministry, which prohibits admissions without the due process of public open examination.

Level	2006	2007	2008	2009	2010
Graduate	543	528	524	534	525
Technical and Operational	824	789	710	679	638
Administrative Support	556	540	489	463	428
Total	1,923	1,857	1,723	1,676	1,591

In 2010, there were 85 dismissals, 45 of which for general reasons, and 40 referring to outsourced employees who passed the public open examination, becoming effective employees.

Training and Development

The Company prioritizes employee professional improvement, an essential factor for the adequate fulfillment of its Corporate Purpose. It therefore seeks to provide employees with technical capability, overall competence and specific expertise.

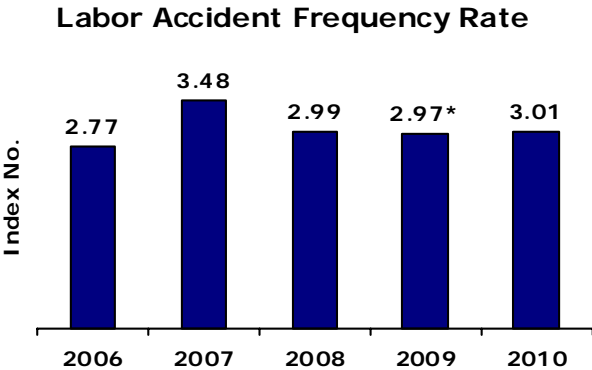
In 2010, educational activities were developed in order to foster knowledge and educational improvement as values capable of leveraging employees' personal, professional and corporate growth. The implementation of the Unit of Corporate Education along with the development of the Knowledge Mapping Project and the partnership with the Eletrobras University System (*Universidade do Sistema Eletrobras – Unise*) should be highlighted. Also in 2010, 793 educational events were realized, with the participation of over 3 thousand employees, a R\$ 6 million investment.

Labor Accident Frequency Rate

This indicator is the ratio between the number of labor-accident-related leave days and the total of million worked person-hours exposed to risky situations.

According to the Statistical Report on Accidents in the Brazilian Electric Energy Sector for 2010, by the *Fundação Coge* the Sector's Average Accident Rate held at 3.56.

The graph below shows the evolution of FURNAS Labor Accident Frequency Rate in the last five years.



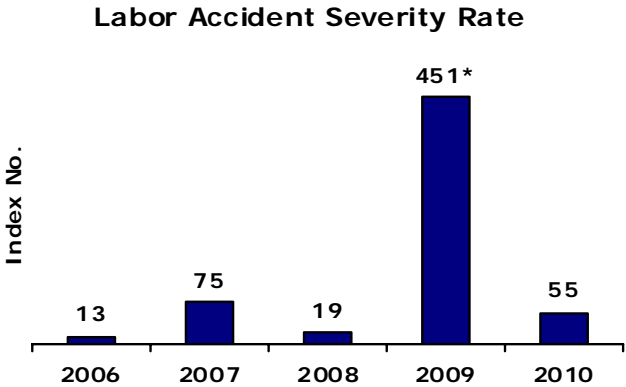
* Figure adjusted due to a reassessment of one labor accident.

Labor Accident Severity Rate

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.

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 severe ones.

According to the Statistical Report on Accidents in the Brazilian Electric Energy Sector for 2010, by *Fundação Coge*, the Sector's Average Accident Severity Rate held at 376.



* Figure adjusted due to a reassessment of one labor accident.

Social Responsibility

Social Responsibility Policy

FURNAS Social Responsibility policy is committed to fighting poverty and social unfairness, promotion of citizenship and human development, aiming at a fairer society in line with a more sustainable nature and solidarity. Since 2003, around 2 thousand social projects have benefited over 800 thousand people in the fields of education, labor and income generation, digital inclusion and valorization of the Brazilian cultural identity. All projects are in line with the Eight Objectives of the Millennium and the principles of the Global Pact of the United Nations Organization (UNO).

In 2010, the Company adhered to the Principles of Women Empowerment – Equality Means Business, a co-initiative with the United Nations Development Fund for Women and the Global Pact of the UNO.

The practices promoting gender equality and the empowerment of women were standardized in 2004 when the Gender Group was established with the mission to eliminate all forms of discrimination in terms of the right to have access to a job, remuneration, career development and a job guarantee.

In 2010, FURNAS joined the On the Right Track Program, a initiative of the Childhood Foundation Brazil, of the World Childhood Foundation Non Governmental Organization to curb sexual exploitation of children and adolescents in Brazilian highways, and therefore signed a Declaration of Commitment to Fight Sexual Exploitation of Children and Adolescents, articulated by the *Terra dos Homens* Brazilian Association, in partnership with the Human Rights Secretary of the Presidency of the Republic.

Moreover, the Company participates in the Joint Action Plan sanctioned between the Brazilian and American Governments to promote the Elimination of Ethnical and Racial Discrimination and Foster Equality, coordinated, in Brazil, by the Secretary of Policies for the Promotion of Racial Equality of the Presidency of the Republic and by the Ministry of Foreign Affairs.

Social Investment

By entering into partnerships with public authorities, non-profit organizations or social networks, FURNAS contributes to raising opportunities for social inclusion, prioritizing projects of sustainable and emancipator actions for the autonomous development of communities with or without funding, that attend the commitments laid down by its Social Responsibility Policy.

The Company participates in Committee of Entities Against Hunger and for 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 entities, organized in 27 state and 31 municipal committees.

Since 2005, FURNAS, in partnership with the Brazilian Institute of Social and Economic Analysis (*Instituto Brasileiro de Análises Sociais e Econômicas – IBASE*) and Coep, has been developing the Project Community Integration Nucleus, fostering job and income opportunities in communities in the States of Mato Grosso, Espírito Santo, Minas Gerais and Rio de Janeiro. The collective construction of Socially Participative Diagnosis in the communities part of the Small Farming Settlements Project in Jambeiro (GO) and in the Communities of the Remnants of Sapé Quilombo (MG) – communities founded originally by run-away slaves – in 2010 rallied in 200 families in both localities. The funding contract signed between BNDES and FURNAS made feasible the implementation of this project on the outskirts of Baguari HPP.

In 2010, 58 socially-related initiatives were sponsored, all of them structured on four axis: Education and Training; Promotion of Citizenship; Health and Nutrition; and Labor and Income, benefitting around 60 thousand people, who were able to grasp new opportunities and promote their own social inclusion.

Movement of Dam Affected People (MAB)

In 2010, the following actions must be highlighted:

- in-court agreement made in partnership with CPFL and payment of losses to 114 families affected by the construction works of Serra da Mesa HPP (GO) after an eight-year negotiation process;
- first funding established to give support to projects developed by the Regional Development Fund, the result of an Agreement of Technical and Financial Cooperation made with MME, *Tractebel Energia S.A*, CPFL, Brazilian Service of Support to Micro and Small Companies of the State of Goiás (*Serviço Brasileiro de Apoio às Micro e Pequenas Empresas do Estado de Goiás – Sebrae/GO*) and the Inter-American Development Bank (*Banco Interamericano de Desenvolvimento – BID*);
- negotiations resumed at Manso HPP (MT) in order to review the Global Agreement Term and pay damages to 400 families identified by social audits.

Cultural Projects

- Cultural Sponsorship Projects

The focus is to build the Brazilian cultural identity, and to value popular culture and social inclusion.

In 2010, FURNAS partook in the Cultral Program of the Companies in the Eletrobras System with the support of the *Rouanet* Law, or a R\$ 1.5 million inflow to foster artistic productions in three areas: scenic arts, audiovisual production and cultural heritage. The Company also invested around R\$ 1.5 million in other projects in other areas supported by the same Law.

Cultural Area	Quantity				
	2006	2007	2008	2009	2010
Scenic Arts	3	9	11	8	2
Integrated Arts	1	-	3	-	4
Visual Arts	2	3	-	1	-
Audiovisual / Film Production	13	6	4	4	4
Humanities	6	5	2	3	2
Music	9	4	7	3	4
Cultural Heritage	4	3	-	-	1
Total	38	30	27	19	17

- Eletrobras Furnas Cultural Exhibition Hall

The Exhibition Hall fosters cultural diversity and social inclusion, and also offers free access to exhibits, cultural workshops and the release of books, among other events to FURNAS employees and the external public.

An investment worth R\$ 1 million backed the public bidding process initiated in May 2010 to conducted activities at the Eletrobras Furnas Cultural Exhibition Hall, the outcome of which was the proposal of 371 projects, 19 being selected to make part of the programs in visual arts, music, film production and others.

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 communities in the vicinities of its installations.

Environmental Responsibility

Policies Associated with Environmental Preservation

Building such Policies takes into consideration legal aspects, accumulated practices and experiences and mainly the effort to integrate harmoniously the Company's installations and the environment.

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 policy such as a sustainable use of natural resources, the conservation of biodiversity and those processes associated with forest ecosystem. With this objective, the Board of Executive Officers approved the following Policies, which consider legal aspects and accumulated experiences, namely:

- **Environmental:** effective since March 1998, this policy established the Company's responsibility concerning environmental issues; it has brought benefits regarding sustainable development by internalizing environmental awareness in its activities and disclosing it in compliance with NBR ISO 14001:2004 rules, and the adherence to Eletrobras System Environmental Policy and society demands;
- **Water Resource:** effective since March 2007, it seeks to establish guiding principles for the Company to choose the best criteria towards the usage of water resources in accordance with the Brazilian Policy on Water Resources and FURNAS related policies;
- **Forest Resource:** effective since April 2008, it addresses management criteria, handling and conservation of forest resources;
- **Environmental Education:** effective since June 2010, it establishes the principles guiding environmental education conducted by the Company, integrated with the multiplicity of its complex relationships. It also seeks to stimulate and strengthen a critical approach toward environmental issues and bring in all employees in the preservation of the environment;
- **Waste Management:** effective since May 2010, has the purpose to lay down principles to promote the management of waste related to the several activities conducted by the Company. It stresses the need for a systematic control of waste, since the moment it is generated to its final destination, and considers reusable or recyclable waste as a social and economic asset, in conformity with the prevailing legislation.

Climate Change

FURNAS adhered in 2008 to the Brazilian Program of the Greenhouse Gas Protocol, as a founding member, to promote voluntary action-taking to manage Greenhouse Gas Emissions (GGE) in organizations. Since then, the Company has issued its Annual Assessment on GGE.

In 2010, the Company partook in the Brazilian Climate Change Forum (*Fórum Brasileiro de Mudanças Climáticas* – FBMC) as a representative of the Brazilian Corporate Council for Sustainable Development (*Conselho Empresarial Brasileiro para o Desenvolvimento Sustentável* – CEBDS). FBMC meetings envisaged the assessment of the Brazilian Plan on Climate Change, presented by the Interministerial Committee.

Environmental Licensing

In 2010, the following environmental licenses were obtained:

- Operating License for Retiro Baixo HPP (SPE) and associated transmission;
- Operating License for Foz do Chapecó HPP (SPE) and associated transmission;
- Operating License for TL's: 345 kV Furnas – Pimenta 2 and Macaé – Campos 3; and license renewal for the Operating License of Viana Substation;
- Installation License for TL's: 138 kV Anta – Simplício – Rocha Leão (Ampla); 345 kV Tijuco Preto – Itapeti and a segment of the 750 kV Ivaiporã – Itaberá 1 and 2.

Also worth of mention in the Bom Despacho 3 – Ouro Preto 2 TL, the finalization of the Environmental Impact Assessment (EIA) / Environmental Impact Report (RIMA), which was rendered to the Minas Gerais State Foundation for the Environment (*Fundação Estadual do Meio Ambiente de Minas Gerais* – Feam/MG).

Besides the environmental licensing, two certificates were obtained ensuring the exemption of Operating License and regulate the environmental situation for several TL's in the State of Rio de Janeiro, namely:

- 138 kV: Macaé – Campos 2; Campos (TPP) – Campos (Substation) 1 and 2; Imbariê – São José 1 and 2; Jacarepaguá – Ari Franco; Jacarepaguá – Palmares; Jacarepaguá – Zin; Jacuacanga – Brisamar; Muriqui – Angra (Ampla); Muriqui – Brisamar; Palmares – Mato Alto; Santa Cruz – Brisamar 1; Santa Cruz – Palmares 2; Santa Cruz – Zin – Ari Franco; and Santa Cruz – Jacarepaguá;
- 345 kV: Adrianópolis – Jacarepaguá 2 and Macaé – Campos 1.

Environmental Programs

The following highlights underline the main environmental programs:

- Batalha HPP – rescue of over 22 thousand species in May 2010 due to the detour of São Marcos river and icthyofauna monitoring in sampling campaigns planed in the Conservation Program of Aquatic Fauna in the Direct Area of Influence; seedling of native species of the Brazilian savannah in the vicinities of the Plant; farm seedling established at the integrated Center of Environmental Education in order to furnish seedlings or the restoration of degraded areas; germoplasm rescue of species identified during deforestation;

- Simplício HPP / Anta SHP – execution of 28 environmental programs, with emphasis on: Conservation and Monitoring of Ichthyofauna with the rescue of 9 thousand fishes of 43 different species in 10 campaigns, involving the transposition of fishes from Anta Dam, allowing for upstream migration during the spawning period; Rescue and Monitoring of Fauna in 17 field campaigns, registering 396 species (41 amphibians, 25 reptiles, 62 mammals and 268 birds); Conservation of Fauna and Flora and Vegetation Restoration which permitted the construction of a farm seedling able to produce around 100 thousand seedlings of Atlantic Rain Forest species in order to maintain genetic variation in the region; and Re-dimensioning and Relocation of Infrastructure, contributing to the improvement of the quality of life of the population lying in the vicinities of the installation, among them the elimination of the local landfill of Anta and implementation of a sanitary landfill in the municipality of Sapucaia (MG);
- Serra da Mesa, Corumbá, Manso, Furnas, Mascarenhas de Moraes, Porto Colômbia, Luiz Carlos Barreto de Carvalho, Funil, Itumbiara and Marimondo HPP's and Santa Cruz and Campos TPP's – sequence was given to the monitoring and management of environmental programs;
- Luiz Carlos Barreto de Carvalho, Marimondo, Furnas, Mascarenhas de Moraes, Corumbá, Itumbiara and Porto Colômbia HPP's – ongoing environmental recovery of the remaining areas;
- Ouro Preto 2 – Vitória TL – activities were given sequence towards expropriations, and environmental monitoring;
- Itaberá – Tijuco Preto 3 TL – activities were given sequence to the established in the Commitment Term of Adjustment of Conduct addressing native Brazilian communities. The Environmental Recovery Project and Subsistence, in a partnership between FURNAS and the National Indian Foundation (*Fundação Nacional do Índio – Funai*), and tribes of the Guarani Brazilian native ethnic group of São Paulo State (SP) carried out programs of environmental recovery of cleared / degraded areas in Guarani native lands (Tenonde Porã, Krukutu and Tekoa Pyay) addressing and enforcing sustainability in their agricultural activities and income generation projects towards the production of ornamental plants for commercialization, among others, to improve their quality of life;
- Hydrobiology and Fishfarm Station – fish reproduction realized in the reservoirs of Furnas, Mascarenhas de Moraes, Luiz Carlos Barreto de Carvalho, Porto Colômbia, Marimondo, Itumbiara and Corumbá HPP's through the production and release of fry. During 2010, 267 thousand fishes were released;
- Serra da Mesa HPP – an adjustment to the agreement with the Funai to cooperate with the Support Program for the tribe Avá-Canoeiro is under way.

Environmental Compensation

The following negotiations in 2010 must be highlighted:

- Batalha HPP, Santa Cruz TPP and Ouro Preto 2 – Vitória, Macaé – Campos, Bateias – Ibiúna, Foz – Ivaiporã 3, Itaberá – Tijuco Preto 3 and Serra da Mesa – Samambaia 1 TL's – negotiation of contracts of environmental compensation with the licensing authorities is under way;
- Simplício HPP / Anta SHP, Cachoeira Paulista – Adrianópolis 3 and Tijuco Preto – Itapeti – Nordeste TL's and Iri Substation – Commitment Terms for Environmental Compensation with the licensing authorities dully signed.

Environmental Indicators

The five indicators presented below show the complexity associated with allocation, deployment and operation of generation and transmission of electric energy installations, and allow for monitoring the improvements made in the Company's performance in dealing with environmental issues.

Area of Monitored Water Surface

Reservoir areas concern the 10 hydroelectric plants in operation, which are monitored directly by FURNAS environmental team in terms of limnological parameters and water quality, as well as ichthyofauna composition, besides those areas concerning reservoirs that are being built (Simplício and Batalha HPP). This area has a 5,567 km² water surface, periodically monitored. It is also worth mentioning that both Peixe Angical, Baguari, Serra do Facão, Retiro Baixo and Foz do Chapecó HPP's 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, starting with the construction of Serra da Mesa and Corumbá HPP's in the 1980's. 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, areas of environmental protection, and native Brazilian reserves. It is a significant investment in biodiversity conservation of Brazilian ecosystems where the Company has been active (*Mata Atlântica*, the Southeast / Northeast Atlantic Rain Forest, and *Cerrado*, the Brazilian Savannah), covering an area of approximately 1,284 ha. The increase observed in 2010, worth 27,257 ha concerns environmental compensation at Simplício HPP / Anta SHP and Iri Substation.

Environmental Education

Since 2000, FURNAS has invested, not only in terms of social communication concerning the populations affected by its projects, but also in environmental education, in partnerships through state and municipal departments of education and with non-governmental organizations. In the period 2006-2010, 264,547 students attended environmental education programs distributed in 150 municipal districts in the areas under the influence of the Company's installations. The increase recorded in 2010, or 14 municipalities in relation to 2009, refers to the inclusion of the Educational Project Horizons, within the Environmental Education Program of Itumbiara HPP, all of them broken down as follows:

Accumulated until the Year	Quantity	
	Student Educated	Municipality Served
2006	110,337	122
2007	126,062	126
2008	200,195	136
2009	252,907	136
2010	264,547	150

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 hazardous waste. Along with it, it also develops projects to replace 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
2010	8,370

- 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, the oil is sold in public auctions exclusively to re-refiners accredited by the Brazilian Petroleum Agency (*Agência Nacional do Petróleo – ANP*), as stipulated by Regulation no. 127 of July 30, 1999, and no. 128 of August 28, 2001.

As for 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 broken down as follows:

Year	Volume (Thousand Liters)
2006	281
2007	429
2008	552
2009	173
2010	765

Atmospheric Emissions

- Sulfur Hexafluoride Gas (SF₆)

SF₆ gas is a dielectric (insulator) applied in the Company high voltage circuit breakers and at Grajaú Substation (armoured). This gas has a Global Warming Potential (GWP) approximately 23 thousand times higher than carbon dioxide (CO₂).

The Company controls the use of SF₆ to quantify the emissions measured in tons (t) CO₂ equivalent (tCO₂e). The Annual Inventory of Greenhouse Gas Emissions may be found on the site of the Brazilian Program of Greenhouse Gas Protocol.

In 2010, to reduce SF₆ emissions, new equipment was purchased reducing emissions from 6 t, in 2009, down to 5 t.

Energy Conservation

To spread information on sustainable energy usage, FURNAS is involved in several initiatives to foster a conscious use of collective goods to build a fairer and more solidary society.

Within Procel, coordinated nationwide by Eletrobras and the directives of energy efficiency as defined by MME, educational activities are carried out in regional units of construction and operations of the Company in partnership with state and municipal secretaries of education, energy, environment, construction and culture, as well as universities, business and industry associations, the civil defense units, public parks and non-governmental organizations.

The Company's activities are toward two focus:

- educative – to build awareness in the young so they may adopt conscious and sustainable consuming practices;
- technical – to promote studies and projects to improve electrical installations and systems in public and private areas in order to make them energy efficient.

In 2010, educational projects were put into effect reaching more than 1 million people, with emphasis on the following:

- "The Nature of the Landscape: Energy" – environmental education methodology developed by Procel implemented by energy generators and concessionaries. This course qualifies teachers of basic and middle schools who become disseminators of those concepts and practices addressing energy conservation;
- "FURNAS / Procel in Schools" – based on guided visits to the Company's installations and lectures on energy conservation hints on how to save energy at home;
- "Energy Circuit" – provides guidance to develop concepts on electric energy with the setting up experiments, construction of mock-ups and games to make possible for students to develop interactivity with diversified experiences;
- "Energy Patrol" – information is provided to students so the questions related to energy conservation may be a galvanizing factor both in the school environment and in the community;
- "Energy of Wisdom" – designed for senior citizens to help fight the waste of energy and water and disseminate responsible consumption;
- "FURNAS in Libraries" – story-telling, games and roleplaying in municipal libraries; at the end of the activities, students are given books to help them develop a taste for reading.

In order to publicize information and foster a culture of responsibility, folders and bulletins conveying appropriate information were made available and disclosed in radio programs, TV, internet and newspapers on everyday practices that help curb energy waste.

In what refers to technical studies and projects the highlights were described below:

- optimization of the illumination system with the modernization of 198 points at the Main Office which were replaced with 32W Ecosystem lamps – digital process with 28 W fluorescent lamps and dimmers – a pioneering system in Latin America, with cost reduction of around 80%, equal to 6,7 MWh/year;
- two contracts were signed with the Brazilian Program of Efficient Public Illumination and Signalization (*Programa Nacional de Iluminação Pública e Sinalização Semafórica Eficientes* – ReLuz) for projects towards the improvement of the public illumination system in the municipalities of Jataí and Anápolis, both in the State of Goiás;
- 27 consume energetic 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 360 MWh/year and a potential demand reduction of 166 kW.

In addition to the projects related above, an agreement was made with the Brazilian Astronomical Society made possible the introduction of the subject "energy conservation" in the Brazilian Olympic Games of Astronomy and Astronautics. In 2010, 784 thousand students, 68 thousand teachers, 9 thousand schools in over 2 thousand cities participated.

Social and Environmental Data

2010

2009

1. Wealth Generation and Distribution	R\$ Thousand	R\$ Thousand
Total Value Added	2,813,301	2,057,197
Distribution of Value Added The Value Added Demonstrative is fully presented in the Financial Statements	20.6% government 33.8% employees 2.5% shareholders 33.6% financiers 9.5% others	8.2% government 45.0% employees 0% shareholders 30.1% financiers 16.7% others

2. Human Resources

2.1. Remuneration	2010	2009
Gross Payroll (GP) (R\$ Thousands)	1,007,811	1,018,067
- Employees (R\$ Thousands)	1,002,829	1,014,442
- Managers (R\$ Thousands)	4,982	3,625
Higher and lower remuneration ratio (%):		
- Employees	24	22
- Managers	1	1

2.2. Benefit Granted	R\$ Thousand	% over GP	% over NOR	R\$ Thousand	% over GP	% over NOR
Payroll charges	222,776	22,10	3,45	201,903	19.83	3.38
Food	49,101	4.87	0.76	38,695	3.80	0.65
Transportation	904	0.09	0.01	1,113	0.11	0.02
Private social security	16,928	1,68	0.26	14,627	1,44	0.24
Health Plan	95,339	9.46	1.48	86,717	8.52	1.45
Safety and industrial health	8,126	0.81	0.13	8,040	0.79	0.13
Education	2,786	0.28	0.04	2,896	0.28	0.05
Culture	1,588	0.16	0.02	1,986	0.20	0.03
Training and professional development	14,165	1.41	0.22	18,157	1.78	0.30
Day-care centers or day-care assistance	9,165	0.91	0.14	5,673	056	0.09
Participation in profits or results	105,338	10.45	1.63	76,849	7.55	1.29
Others	46,150	4.58	0.72	200,499	19.69	3.36
Total	572,366	56.80	8.86	657,155	64,55	10.99

2.3. Staff Indicators	2010	2009
Total number of employees	4,906	4,758
Number of admissions	183	65
Number of dismissals	35	31
Number of trainees	500	598
Number of employees with special needs	236 *	237
Number of outsourced employees	1,591	1,676
Number of employees according to sex:		
- Men	4,191	4,088
- Women	715	670
Number of employees according to age:		
- Under 18 years old	0	0
- From 18 to 35	761	664
- From 36 to 60	3,817	3,766
- Above 60	328	328
Number of employees according to educational		
- Illiterate	0	0
- Basic Level	347	345
- Medium Level	581	682
- Technical Level	1,479	1,245
- Graduate Level	1,488	1,441
- Post graduate Level	1,011	1,045
Managerial positions according to sex (%):		
- Men	85.43	86.79
- Women	14.57	13.21

2.4. Contingencies and Labor Liabilities	2010		2009	
Number of labor lawsuits brought against the Company	602		1,096	
Number of labor lawsuits considered valid	1		2	
Number of labor lawsuits considered invalid	6		24	
Total amount of compensations and fines paid due to legal decisions (R\$ Thousands)	114,790		113,767	

3. Entity Interaction with the External Environment	R\$ Thousand	% over OR	% over NOR	R\$ Thousand	% over OR	% over NOR
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3.1. Relationship with the Community

Total investments in:						
Education	8,666	0.92	0.13	6,643	1.64	0.11
Culture	4,753	0.50	0.07	6,083	1.50	0.10
Health and infrastructure	13,659	1.45	0.21	8,501	2.10	0.14
Sports and leisure	0	0.00	0.00	15	0.00	0.00
Food	4,496	0.48	0.07	3,338	0.83	0.06
Work and income generation	1,597	0.17	0.02	987	0.24	0.02
Others	13,718	1.45	0.21	6,485	1.60	0.11
Total Investments	46,889	4.97	0.71	32,052	7.91	0.54
Taxes (without payroll charges)	58,662	62.00	9.08	173,488	42.89	2.90
Financial compensation for the use of hydric resources	181,935	19.26	2.82	163,786	40.49	2.74
Total – Relationship with the Community	814,486	86.23	12.61	369,326	91.29	6.18

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.

3.2 Interaction with Suppliers

Moreover, bidding documents include "Principles and Norms of Corporate Conduct in the Relationship between FURNAS and Suppliers" available at www.furnas.com.br/forneceedores.

In 2010, the II FURNAS Meeting with its Suppliers took place and was attended by 52 companies' representatives where issues such as Sustainability, Gender and other aspects involved in Bidding Processes and Procurement Contracts.

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 towards environmental improvement	22,687	2.40	0.35	13,882	3.43	0.23
Investments and expenditures with preserving and/or recovering degraded environments	31,747	3.36	0.9	26,719	6.61	0.45
Investments and expenditures with environmental education for the Company employees, outsourced and free lance personnel, and managers	-	-	-	64	0.02	0.00
Investments and expenditures with environmental education for the community	348	0.04	0,01	2.913	0.72	0.05
Investments and expenditures with other environmental projects	7,187	0.76	0,11	3.927	0.97	0.07
Number of environmental, administrative and legal suits brought against the Company	-	-	-	-	-	-
Amount of penalties and compensations related to environmental issues, defined in the administrative and/or judicial spheres	-	-	-	-	-	-
Environmental liabilities and contingencies	-	-	-	-	-	-
Total Interaction with the Environment	61,969	6.56	0.96	47,505	11.75	0.80

5. Other Information	2010		2009	
Net Operating Revenue (NOR)	6,449,652		5,974,469	
Operating Result (OR)	944,550		404,460	

* Refers to 24 effective employees and 212 professionals contractually bound to the Equal Right Association for the Disabled Person (*Associação para Valorização de Pessoas com Deficiência – Avape*).